

2022 ANNUAL CHURCH AND MINISTRY SEMINAR

Presented by:

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October 25, 2022

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Annual Church and Ministry Seminar
October 25, 2022
Agenda

- 7:30 - 8:30 Registration and vendor booths
- 8:30 to 9:30 Legal Update from The Church & Ministry Law Group at
Schmitt, Schneck, Casey, Even & Williams, P.C.
Robert Erven Brown, Esq.
Michael F. Edgell, Esq.
Jonathan A. Ruybalid, Esq.
- 9:30 to 10:20 Session by Monica J. Stern, CPA/Julie Froke, EA
- 10:20 to 10:30 Break
- 10:30 to 12:15 Session by Monica J. Stern, CPA/ Julie Froke, EA
- 12:15 to 12:30 Open Questions and Answers

Live Stream Information

Download 2022 Seminar packets at www.mjsterncpa.com in advance. There are two - one from Robert Erven Brown and one from Monica J. Stern, CPA.

To view the Livestream go to www.lacasalive.com No password is needed. It should also be streamed on:

[facebook.com/LaCasaFamily](https://www.facebook.com/LaCasaFamily)

<https://www.youtube.com/c/LaCasadeCristoLutheranChurch>

To ask questions, send an email to info@mjsterncpa.com or use the livestream chat. We will try to get as many questions as possible. Please indicate if the question is for Bob or for Monica if not obvious.

Monica J. Stern, CPA, PLLC
2022 Annual Church and Ministry Seminar

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Monica J. Stern, CPA, PLLC
2022 Annual Church and Ministry Seminar

Sponsors

The Church & Ministry Law Group at Schmitt
Schneck Even & Williams, P.C.

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America's Christian Credit Union

Sam Doctorian

Church Loan Consulting, LLC
Arizona Tuition Organization

Brett Roehr

Five Star Bank

Michael Garcia

The Church Network

John Simon


Special Thanks

La Casa de Cristo Lutheran Church

Pastor Jeff Ruby
Gary Spears, AV

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Ministry Seminar
Thank-you to our sponsors – please visit their
tables


1



2022 CHURCH AND MINISTRY SEMINAR
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Monica J. Stern, CPA, PLLC

2022 Employee Retention Tax Credit Update

2




Employee Retention Tax Credit

This credit is huge if you qualify!

Do the testing even if you don't think you
qualify.


3



Employee Retention Tax Credit

- Entities with Paycheck Protection Program Loans are eligible, but not for the same wages.
- Different rules for 2020 vs. 2021
- Must amend form 941 to claim – up to three years later by filing 941X
- Credit is fully refundable!

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Employee Retention Tax Credit

Determining how you may qualify:

- Governmental orders (not advice) to suspend operations and/or
- Decreases in revenue in 2020 and 2021 based on each quarter as compared to 2019, same quarter.

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Employee Retention Tax Credit

Shut down orders in Arizona:

- Churches were never ordered to suspend operations, never ordered to socially distance or have mask mandates.
- Day care and preschools were never ordered to suspend operations.
- Stay-at-home orders for individuals do not count as a shut down order for the business.

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Employee Retention Tax Credit

Shut down orders in Arizona:

- Voluntary suspension of operations due to recommendations do not qualify.

7




Employee Retention Tax Credit

Supply chain disruptions generally won't qualify for churches and ministries.

If employees can telework and the business is able to continue in a similar manner, it will not qualify.

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Employee Retention Tax Credit

Related organizations:

- For determining eligibility for the ERC, all related organizations must be aggregated for counting suspension of operations, number of employees and revenues.
- However, the credit is applied for based on which entity files the 941 forms.

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Employee Retention Tax Credit

Related organizations:

- Organizations with overlapping boards or requiring approval of a board by another board,
- Financially interdependent organizations,
- Organizations that own another organization.

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Employee Retention Tax Credit

Related organizations example:

- Church,
- Preschool, foundations etc.,
- LLC entities with any of the above as member

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Employee Retention Tax Credit

2020 Employee Retention Tax Credit:
Eligible employers have either:

- fully or partially suspended operations due to governmental orders related to COVID-19
- experienced a significant decline (50%) in 2020 gross receipts during a calendar quarter compared to same quarter in 2019

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Employee Retention Tax Credit

2021 Employee Retention Tax Credit:
Eligible employers have either:

- fully or partially suspended operations due to governmental orders related to COVID-19.
- experienced a significant decline (20%) in 2021 gross receipts during a calendar quarter compared to same quarter in 2019.

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Employee Retention Tax Credit

2021 Employee Retention Tax Credit:
For Q1 2021, can elect to use Q4 of 2020 to calculate decline
For Q2 2021, can elect to use Q1 2021
For Q3 2021, can elect to use Q2 2021
Even though using the prior quarter decline, credit is based on the current quarter wages.


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Employee Retention Tax Credit

2020/2021 Employee Retention Tax Credit:
Eligible wages:

- If more than 100 full-time employees in 2019, the wages are for time the employee is not providing services.
- If 100 or fewer full-time employees in 2019, the wages are wages paid to any employee. Full-time is 30 hours.


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Employee Retention Tax Credit

2020/2021 Employee Retention Tax Credit:
 Eligible wages must be subject to Medicare taxes – clergy wages/housing do not count.
 Cannot count the same wages for multiple tax credits or for PPP forgiveness

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Employee Retention Tax Credit

2020 Employee Retention Tax Credit:

- Applies to wages and health insurance paid 3/13/2020 to 12/31/2020
- Credit is 50% of wages up to \$10,000 (\$5,000 credit) per employee for entire period.
- Q1 and Q2 are both reported on Q2 941X.

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Employee Retention Tax Credit

2021 Employee Retention Tax Credit:

- Applies to wages and health insurance paid 1/1/2021 to 9/30/2021
- Credit is 70% of wages up to \$10,000 (\$7,000 credit) per employee per quarter.

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Employee Retention Tax Credit

2020/2021 Employee Retention Tax Credit:
Gross receipts for tax-exempt organizations:

- Contributions and grants
- Dues and assessments
- Gross sales – no deductions
- Gross sales of investments – no deductions
- Dividends and interest

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Employee Retention Tax Credit

2020/2021 Employee Retention Tax Credit:
Gross receipts for tax-exempt organizations:

- Any other gross receipts
- Determined on the basis of the method of accounting – cash or accrual
- Does not include investment market changes
- Does NOT include PPP forgiveness, but does include other grants

20

Employee Retention Tax Credit

2020/2021 Employee Retention Tax Credit:
Gross receipts for tax-exempt organizations:

- Must be consistently determined in each quarter.
- Bad bookkeeping results in wrong answers!
Check to be sure you have the right amounts in the right quarter.

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Employee Retention Tax Credit

- 2020/2021 Employee Retention Tax Credit:**
Gross receipts for tax-exempt organizations:
- Be careful – a donation of stock followed by the sale of stock will be counted twice!
 - Restricted cash receipts are counted too.
 - Income or transfers from inside the related group must be eliminated.

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Sample ERC Revenue Calculations				
Church with a Foundation				
Restricted gifts tracked on balance sheet				
Stock properly recorded as income when donated not when sold				
	Q2 2020			Q2 2019
	Church	Foundation	Total	Total
<i>From profits/loss or income statement</i>				
Contributions - cash	\$ 200,000	\$ 100,000	\$ 300,000	\$ 390,000
PPP loan forgiven	\$ 50,000	\$ -	\$ 50,000	\$ -
DES grant	\$ 10,000	\$ -	\$ 10,000	\$ -
Contributions - stock	\$ 50,000	\$ 100,000	\$ 150,000	\$ 200,000
Program fees	\$ 12,000	\$ -	\$ 12,000	\$ 4,000
Interest and dividends	\$ 1,500	\$ 4,000	\$ 5,500	\$ 5,000
Gain on sale of stock	\$ 2,000	\$ 4,000	\$ 6,000	\$ 3,000
Transfer from foundation	\$ 60,000	\$ -	\$ 60,000	\$ 60,000
Total	\$ 385,500	\$ 208,000	\$ 593,500	\$ 662,000
Add: Restricted income on balance sheet	\$ 20,000	\$ -		
Add: Sale of stock	\$ 52,000	\$ 104,000	\$ 156,000	\$ 203,000
Less: Gain on sale of stock	\$ (2,000)	\$ (4,000)	\$ (6,000)	\$ (3,000)
Less: Transfer from foundation	\$ (60,000)	\$ -	\$ (60,000)	\$ (60,000)
Less: PPP loan forgiven	\$ (50,000)		\$ (50,000)	\$ -
	\$ 345,500	\$ 308,000	\$ 653,500	\$ 802,000
Decline in dollars				\$ (168,500)
Decline in percent				-27%


Does not qualify in 2020, but would if these were 2021 amounts.

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Sample ERC Wage Calculations						
	Wages	Housing	Medicare	Health	Total before	Limited to
			Wages	Insurance	Limitation	\$10,000
Pastor	\$ 10,000	\$ 12,000	\$ -	\$ -	\$ -	\$ -
Adm in assistant	\$ 10,000	\$ -	\$ 10,000	\$ 2,400	\$ 12,400	\$ 10,000
Worship leader	\$ 14,000	\$ -	\$ 13,000	\$ 3,400	\$ 16,400	\$ 10,000
Nursery worker	\$ 3,000	\$ -	\$ 3,000	\$ -	\$ 3,000	\$ 3,000
Youth leader	\$ 8,000	\$ -	\$ 8,000	\$ 2,400	\$ 10,400	\$ 10,000
	\$ 45,000	\$ 12,000				\$ 33,000
		\$ 57,000				
Credit in 2020 - maximum except for nursery worker						\$ 16,500
Credit in 2021 - this is per quarter amount for all eligible quarters						\$ 23,100

*Total bill for all health related benefits, not just employer share.

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Employee Retention Tax Credit

Cautions:

- Many “pop-up” preparers are filing ERC claims incorrectly and charging 20-25% to do so. Where will they be when you are audited?
- Your profit and loss is generally not adequate to determine appropriate revenue calculations.

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Employee Retention Tax Credit

Cautions:

- Don't rely on annual calculations. Your annual revenues may have increased, but you may have quarters with a decrease.
- You must make sure everything is in the correct quarter.

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Employee Retention Tax Credit

Cautions:

- You must exclude wages and health insurance that you used for your PPP loan forgiveness, but only up to the amount forgiven. Partial quarters are eligible.
- You can allocate clergy wages fully to the PPP loan, preserving Medicare wages for the ERC.

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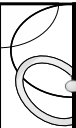


Employee Retention Tax Credit

Cautions:

- Get help with this, especially if you received a PPP loan during any qualifying quarter.

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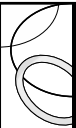


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Presented by
Monica J. Stern, CPA, PLLC

DOL White Collar Wages – Where are we now?

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DOL White Collar Wages – Where are we now?

DOL rules were last updated 1/1/2020.

DOL is expect to announce soon new proposed rules related to minimum salaries for exempt employees.

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DOL White Collar Wages – Where are we now?

Definitions:

Exempt employee – one who is exempt from the Fair Labor Standards Act(FLSA) related to overtime pay because of duties and pay structure

Nonexempt employee – one who is subject to the FLSA related to overtime pay because of duties and pay structure

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DOL White Collar Wages – Where are we now?

Definitions:


There are no classifications for “hourly” or “salaried”.

Employees are either exempt or non-exempt.


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DOL White Collar Wages – Where are we now?

Virtually every church has violations in classifying exempt vs nonexempt employees!



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DOL White Collar Wages – Where are we now?
 Minimum wages for 2022:
 Arizona* \$12.80 for non-exempt employees

 \$684 per week (\$35,568 annual) for exempt employees

 *Flagstaff, Sedona and other cities are higher


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DOL White Collar Wages – Where are we now?
 Minimum wages for 2023:
 Arizona* \$13.85 for non-exempt employees

 \$684 per week (\$35,568 annual) for exempt employees**
 *Flagstaff, Sedona and other cities are higher
 ** Until changed by DOL


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DOL White Collar Wages – Where are we now?
 DOL will be announcing proposed changes:

- making minimum salary \$47,476 or even higher
- automatic indexing of the minimum salary tied to inflation
- changes to the duties test, requiring that more than 50% of the employee’s time be spend performing exempt duties


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DOL White Collar Wages – Where are we now?
 Effective date?

Late 2023 or early 2024 perhaps?


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DOL White Collar Wages – Where are we now?
 Three requirements for an employee to be exempt from FLSA overtime requirements:

- Work is executive, administrative, professional, outside sales or computer employee
- Employee is paid the minimum salary
- Salary is fixed and paid each week without deductions, except as allowed.

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DOL White Collar Wages – Where are we now?
 Employees on a salary that is less than the minimum salary CANNOT be exempt, even if meeting the duties tests.

The minimum salary cannot be prorated for part time employees.

Salary is all or nothing!

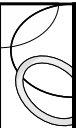
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DOL White Collar Wages – Where are we now?
 Some employees are exempt from all of part of the FLSA:

- Clergy – courts, and a few DOL references indicate they are exempt from minimum wage and overtime.
- Teachers - exempt from minimum wage and overtime. Includes preschool teachers, but not day care or nursery workers.

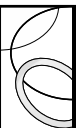
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DOL White Collar Wages – Where are we now?
 Ministerial exemption under the FLSA:
 Non-clergy staff who fall under the courts definition of “ministers” may be exempt under the FLSA – see EEOC vs. Hosanna-Tabor

- The employee must have important religious duties as part of the job.
- No clear criteria – proceed with caution if dealing with non-clergy.


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DOL White Collar Wages – Where are we now?
 Some employees are exempt from minimum salary requirements under current standards

- Employees who do not work in interstate commerce where employer is not a covered employer.

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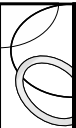


DOL White Collar Wages – Where are we now?

Covered employers – more than \$500,000 in “annual sales made or business done”. Commerce does not include contribution income, but does include sales for a fee if done for a business purpose.

Covered employees – employees who engage in interstate commerce for covered or noncovered employers.

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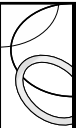


DOL White Collar Wages – Where are we now?

Examples of interstate commerce:

- Interstate phone calls or faxes
- Shipping or mailing to another state
- Ordering goods online from another state
- Use of credit card processing
- Emails to individuals in another state

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DOL White Collar Wages – Where are we now?

Conclusion:

Most church and ministry employers will not be covered enterprises under the FLSA.

Most employees of churches and ministries will be covered employees under the FLSA.

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DOL White Collar Wages – Where are we now?

What to do now....

- Begin thinking about how you will address proposed changes.
- Review your current payroll to determine if you are in compliance with today's regulations.
- Fix any noncompliance.
- Stay alert for new developments.

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DOL White Collar Wages – Where are we now?

See DOL Fact Sheet 17A.


Remember, clergy and teachers in a school are not employees for this purpose, nor are individuals with “essential religious duties” (ministerial exception doctrine).

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FLSA Classification Decision Tree for Churches and Other Religious Organizations

ChurchLawTax

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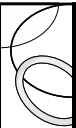


DOL Proposed Rules on Employees/Independent Contractors

Watch for proposed rules related to classifying employees and independent contractors.

DOL is returning to the economic realities tests to determine who is an employee and who is an independent contractor.

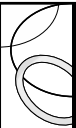
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DOL Proposed Rules on Employees/Independent Contractors

“While independent contractors have an important role in our economy, we have seen in many cases that employers misclassify their employees as independent contractors, particularly among our nation’s most vulnerable workers,” said Secretary of Labor Marty Walsh. “Misclassification deprives workers of their federal labor protections, including their right to be paid their full, legally earned wages. The Department of Labor remains committed to addressing the issue of misclassification.”

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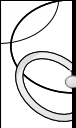


DOL Proposed Rules on Employees/Independent Contractors

We addressed this issue in the 2019 Church and Ministry Seminar. The “new” rules likely will be the old 2019 rules as DOL is removing the 2021 rules.

Due to time constraints, please go to www.mjsterncpa.com to get the handout on this topic. And stay tuned.

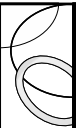
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 Monica J. Stern, CPA, PLLC

Clergy and the Social Security System

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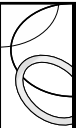


Clergy and the Social Security System

Two social security systems:

- FICA – Federal Insurance Contributions Act - taxes are withheld from the employee’s paycheck and matched by the employer.
- SECA – Self-Employed Contributions Act – taxes are assessed in connection with the individual’s income tax return.

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Clergy and the Social Security System

Ministers are NEVER covered by FICA.

Ministers are ALWAYS covered by SECA, unless they have filed form 4361 to exempt out of the Social Security system.

54

Clergy and the Social Security System

A minister is considered to be an employee for all tax purposes other than Social Security.

A minister is considered self-employed ONLY for Social Security purposes.

A minister's wages are reportable on a W-2 form, not a 1099 form.

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Clergy and the Social Security System

The W-2 form does not indicate whether a minister has elected out of the Social Security system.

Those who prepare payroll do not need to know whether or not the minister has elected out of the Social Security system.


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Employer identification number (EIN) 86-9999999		Employer's federal tax ID number 555-55-5555		OMB No. 1545-0048	
Employer's name, address, and ZIP code First Church of Anywhere, USA 123 Elm St. Anywhere, XX 55555		Wages, tips, other compensation 45,500.00		Federal income tax withheld Optional	
Employer's federal tax ID number AZ-1-86-9999999		Social Security wages Always blank		Social Security tax withheld Always blank	
Employer's address and ZIP code 123 Elm St. Anywhere, XX 55555		Medicare wages and tips Always blank		Medicare tax withheld Always blank	
Employee's full name and title John H. Adams 456 Walnut St. Anywhere, XX 55555		Social Security number [REDACTED]		State income tax withheld Optional	
Employee's address and ZIP code 456 Walnut St. Anywhere, XX 55555		Local wages, tips, etc. Optional		Local income tax Optional	
State income tax withheld Optional		Retirement plan None		Union dues and other amounts None	
State income tax withheld Optional		Housing allowance \$30,000.00		State income tax withheld Optional	
State income tax withheld Optional		State income tax withheld Optional		State income tax withheld Optional	

W-2 Wage and Tax Statement 2019

Department of the Treasury - Internal Revenue Service
For Recipients and their Representative
See Instructions for Form 1042-S

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Clergy and the Social Security System

If a minister elects, he or she may have Federal or State income taxes withheld, but it is optional.

Many ministers will request Federal withholding in an amount equal to their income tax plus SECA. Treat it only as Federal withholding and not Social Security.

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Clergy and the Social Security System

A minister must be treated as a minister for Social Security purposes – it is not an option if the employee is performing ministerial functions.

Fix now for 2022!

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Clergy and the Social Security System

Court Case Suey v. Saul, 2021

- Clergy exempted out of SECA in 1981.
- In 1999, the Church started withholding FICA from his payroll.
- In 2012, he filed for Social Security and Medicare benefits that were denied.
- The Church's payment of FICA was improper and he was not credited with covered quarters since 1981.

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Clergy and the Social Security System

Court Case *Suey v. Saul*, 2021

- He had only 19 quarters credited prior to 1981, out of 40 required for benefits.
- Therefore, he was not eligible for Social Security and free Medicare A benefits.
- Neither he nor the Church were entitled to a refund of the taxes paid in error.

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Clergy and the Social Security System

Court Case *Suey v. Saul*, 2021

Conclusions:

- Be very, very careful if electing out of SECA coverage.
- Never, ever treat clergy as subject to FICA tax at the employer level.

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Clergy and the Social Security System

Revocation of Exemption from SECA when exemption was requested for economic reasons:

IRS updated the Internal Revenue Manual section 4.19.6.4.11.3 in 2020 to state that the exemption can be declared null and void at the request of the taxpayer if done for economic reasons rather than religious reasons.

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Clergy and the Social Security System


Results of the revocation of Form 4361:

- No case history yet
- Must pay three years of SECA tax
- Must pay SECA going forward

Consequences:

- Admitting to perjury for filing the Form 4361??? Not clear.


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2022 CHURCH AND MINISTRY SEMINAR
Non-Cash Contributions

Presented by
Julie Froke, EA

65




Why is this Important?

2012 tax court case disallowing deduction of \$18.5 million for donated real estate worth \$20.3 million. The donors failed to get the required appraisals for their property at the time of the donation and lacked the mandated documentation at the time of filing their tax return.

The court was “sympathetically, unsympathetic”.

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Topics for Discussion

Multiple types of non-cash donations:

1. How to record them in your books
2. How to acknowledge them to your donors
3. What forms may need to be filed with the IRS

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IRS Forms 8283 and 8282

Form 8283

- Filed by the donor on an individual tax return when all non-cash gifts are over \$500
- If the deduction is over \$5,000 (excluding publicly traded stock)
 - Charity signs acknowledgment in part B
 - Qualified appraisal by qualified appraiser is required (donors responsibility)

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IRS Forms 8283 and 8282

Form 8282

- Filed by the charity if
 - Form 8283 was signed by charity at time of donation
 - Donated item is sold within three years
- Must be filed within 125 days after the disposition of the donated item.
- Copy must be given to the donor

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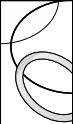
Donations of Stuff

Examples:

- Household goods
- Clothing
- Computers
- Food
- Houses or buildings
- Land

But not vehicles – special rules

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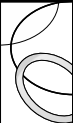


Donations of Stuff

Recording the donation

- Set up a separate revenue account for non-cash donations
- Record at FMV – IRS Publication 561 – Determining the Value of Donated Property
 - *“It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts.”*
 - Goodwill Guide for Non-Cash Donations

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Donations of Stuff

Recording the donation

Journal Entry – will be using equipment over the fixed asset threshold

Fixed Assets	\$1,000	
Non-Cash Donations		\$1,000

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Donations of Stuff

Recording the donation
 Journal Entry – will be using equipment or supplies under the fixed asset threshold

Expense Account	\$ 300	
Non-Cash Donations		\$ 300

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Donations of Stuff

Recording the donation
 Journal Entry – will be selling the item donated

Inventory account (asset)	\$300,000	
Non-Cash Donations		\$ 300,000

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Donations of Stuff

Acknowledging the donation

IRS Publication 1771 – Charitable Contributions – Substantiation and Disclosure Requirements

A donor cannot claim a tax deduction for any single contribution of \$250 or more IN ONE DAY unless they obtain a contemporaneous, written acknowledgment of the contribution from the recipient organization.

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Donations of Stuff

Acknowledging the donation

Must include

- The name of the organization
- A description (**but not the value**) of non-cash contributions
- A statement that no goods or services were provided by the organization in return for the contribution (except intangible religious benefit), if that was the case

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Donations of Stuff


Acknowledging the donation

Must include

- A description and good faith estimate of the value of goods or services in excess of \$75, if any, that the organization provided in return for the contribution

Acknowledge non-cash donations separately – don't add to the donor statement of cash donations.

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Donations of Vehicles

IRS Publication 4302 – A Charity's Guide to Vehicle Donation

IRS Publication 4303 – A Donor's Guide to Vehicle Donation

Any motorized vehicle manufactured for use on public roads as well as boats and airplanes.

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Donations of Vehicles

Donor's deduction depends on what the charity does with the vehicle after the donation.

- If the charity sells the vehicle, the donor deduction is limited to the sales price of the vehicle received by the charity.
- If the charity has significant intervening use of at least one year after the donation, the donor deduction is the fair market value of the vehicle.

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Donations of Vehicles

Donor's deduction depends on what the charity does with the vehicle after the donation.

- If the charity intends to make material improvements to the vehicle before selling it, the donor deduction is fair market value.
- If the charity gives the vehicle, or sells it substantially below market value, to a needy individual as part of its programs, the donor deduction is fair market value.


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Donations of Vehicles

Donor's deduction depends on what the charity does with the vehicle after the donation.

- If the vehicle is auctioned to the highest bidder, the contribution amount is the winning bid, or fair market value, whichever is less.
- If the vehicle is raffled, the donor deduction is \$500 regardless of the raffle proceeds or the fair market value of the vehicle. DANGER!!

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Donations of Vehicles

Recording the donation

Journal Entry – keeping a vehicle for ministry use over the fixed asset threshold

Fixed Assets	\$2,000	
Non-Cash Donations		\$2,000

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Donations of Vehicles

Recording the donation

Journal Entry – keeping a vehicle for ministry use under the fixed asset threshold

Expense Account	\$ 750	
Non-Cash Donations		\$ 750

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Donations of Vehicles

Recording the donation

Journal Entry – holding vehicle for sale or for later donation to a needy individual

Inventory account (asset)	\$ 750	
Non-Cash Donations		\$ 750

84




Donations of Vehicles

Acknowledging the donation

- Use form 1098-C
- File within 30 days of the sale (if the vehicle will be sold) or within 30 days of the donation if the organization will keep the vehicle.
- The donor must have form 1098-C to claim the deduction.

85




Donations of Vehicles

Acknowledging the donation

- Additional IRS Forms
 - Sign the donor's form 8283 if vehicle donated is valued over \$5,000.
 - File for 8282 if 8283 was signed and the donated vehicle is sold within three years.

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Donations of Professional Services and Use of Space

An organization would ordinarily have to pay for this type of service. The donor is providing a "specialized skill", not volunteer services, i.e. ushers, etc.

- Graphic design
- Attorney
- Accountant

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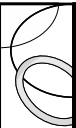


Donations of Professional Services and Use of Space
Recording the donation

Journal Entry

Expense Account	\$1,700	
Non-Cash Donations		\$1,700


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Donations of Professional Services and Use of Space
Acknowledging the donation

- Donated services and donated use of space are not deductible to the donor.
- A simple thank you for services provided can be given.
- Additional Forms: None

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Donations of Publicly Traded Stock

- If the stock is publicly traded stock (on an exchange), no appraisal is needed.
- If the stock was held at least one year, the donor's deduction is generally fair market value at the time of the donation.

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Donations of Publicly Traded Stock

Recording the donation

Journal Entry – sold on receipt; stock FMV was \$2,000 on date of receipt; \$150 brokerage fee

Cash (bank account)	\$1,850	
Investment Fees (expense)	\$ 150	
Non-Cash Donations		\$2,000

91

Donations of Publicly Traded Stock

Recording the donation

Journal Entry – held on receipt; stock FMV was \$2,000 on date of receipt:

At time of receipt:

Investments (asset)	\$2,000	
Non-Cash Donations		\$2,000

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Donations of Publicly Traded Stock


Recording the donation

Journal Entry – held on receipt; stock FMV was \$2,000 on date of receipt; sold for \$2,550; \$50 brokerage fee; \$2,500 cash received

At time of sale at later date:

Cash (bank account)	\$2,500	
Investments (asset)		\$2,000
Investment Fees (expense)	\$ 50	
Gain or Loss (P&L account)		\$ 550

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Donations of Publicly Traded Stock

Acknowledging the donation

Must include

- The name of the organization
- Number of shares of stock
- Name of company whose shares were donated
- Date received by the charity or the charity's brokerage account (this may be different than the date the donor donated it)

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Donations of Publicly Traded Stock

Acknowledging the donation

Must include

- A statement that no goods or services were received by the donor for the gift
- Do not indicate a share price or total value of the donation. Donor determines this.

95




Donations of Publicly Traded Stock

Additional forms

- Donor will need to file form 8283 – section A only regardless of the amount
- Church does not need to sign form 8283 or file 8282

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Final Thoughts

Additional forms

- Do not provide tax advice – advise the donor to contact their tax professional.
- Do not ever assign a value on the donor acknowledgment.
- Charities can help donors by having copies of appropriate tax forms on hand or knowing where to find them online, and referring the donor to the appropriate IRS publication.

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2022 CHURCH AND MINISTRY SEMINAR

Presented by
Monica J. Stern, CPA, PLLC

Medicare Premiums for Employees

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Medicare Premiums for Employees

Can an employer reimburse an employee for Medicare and/or Medigap (supplement) premiums?

It depends.

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Medicare Premiums for Employees

Medicare Rules:

- 20 or more employees – Group insurance is primary, Medicare is secondary
- Less than 20 employees, Medicare is primary, group is secondary


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Medicare Premiums for Employees

Counting employees:
20 or more full-time and/or part-time employees for each working day in each of 20 or more calendar weeks in the current or preceding year.


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Medicare Premiums for Employees

If the employer has 20 or more employees, the individual cannot be induced into abandoning the group plan.
Payment of any premiums related to Medicare is an inducement.
Raising taxable pay to cover the premiums is also likely an inducement.


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Medicare Premiums for Employees

Options for fewer than 20 employees and employer offers group insurance:
Create an integrated health reimbursement arrangement (HRA) to cover Medicare Part B, C and D plus supplemental or Medigap insurance

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Medicare Premiums for Employees

Options for churches with fewer than 50 employees and does not offer group insurance:

- Consider an ICHRA or a QSEHRA to reimburse individual health insurance premiums
- Can reimburse Medicare Part B, C and D and supplemental costs

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Medicare Premiums for Employees

Options for churches with fewer than 50 employees and does not offer group insurance:

- Cannot just cover Medicare plans
- Must comply with non-discrimination rules – can't cover just certain employees


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Medicare Premiums for Employees

Be careful! Penalties are \$100 per day per employee.


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Solar Energy Tax Credits for Nonprofit Organizations

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Solar Energy Tax Credits for Nonprofits

The Inflation Reduction Act of 2022 significantly changed the ability for tax-exempt organizations to access tax credits.

Previously, tax-exempt organizations could not benefit from tax credits for solar energy because the credit could only be offset against income tax. No refunds were allowed.

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Solar Energy Tax Credits for Nonprofits

Effective 1/1/2023, tax-exempt organizations can receive a refundable investment tax credit of 30%.

Qualifying installations:

- less than 1 mega-watt
- effective for photo-voltaic panels and/or battery storage and water heating
- are placed in service after 1/1/2023

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Solar Energy Tax Credits for Nonprofits

“Placed in service” means when the system is fully functioning as designed.

System must be connected to the grid to be placed in service unless simply a storage system.

Timing matters!

110




Solar Energy Tax Credits for Nonprofits

Guidance will be issued on how to claim the tax credits – previous credits required the filing of form 990-T solely for the purpose of claiming credits.

For projects beginning construction in 2024 or later, the credit will be reduced if materials do not contain required percentages of US domestic content.

111




Solar Energy Tax Credits for Nonprofits

Allowable costs include:

- panels, inverters and other required equipment
- installation cost
- permits or development fees
- storage batteries (must be at least 3kw)
- sales tax
- car parking shade structures if designed primarily for the energy generating system.


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Solar Energy Tax Credits for Nonprofits

Plan ahead, as time is required for construction and the credit amount is based on when the project is placed in service.

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Remote Employees

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Remote Employees

What is a remote employee?

Any employee working in a state other than where the employer is located is a remote employee.


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Remote Employees

Remote employees are taxed where they work, not where the employer is based.

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Remote Employees

Employers with remote employees:

- must register as an employer in the states in which employees are working.
- must secure worker's compensation insurance in the state in which employees are working.
- must adhere to all laws of the state in which the employees are working.

117




Remote Employees

Employers with remote employees:

- may need to provide increased wages or benefits to comply with state/city law.
- may need to register with the Secretary of State as “doing business” in that state.

118




Remote Employees

Employers with remote employees:

- may be subjected to increased compliance in that state – the employee may create “nexus”.
- may need to register as a charitable solicitor in the other state.

119




Remote Employees

Every state is different and every state may have laws established by a:

- city,
- borough,
- township,
- county

You must research all applicable laws.

120




Remote Employees

Employees may be taxed by both the employer's state and the employee's resident state.

Some states have "convenience of the employer" rules creating double taxation.

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Remote Employees

Do not convert an employee to an "independent contractor" if they are truly an employee. It doesn't work!

Consider the costs of retaining that employee before allowing remote work in another state.

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Potpourri

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Potpourri of Issues

For 8822-B is required to be filed with the IRS when your name, address or responsible party changes.
If you have not filed one before, file now to update with the IRS.

Arizona Corporation Commission reports – list all officers and directors, not just one! Your organization must have and list at least a President and a Secretary under state law.

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Potpourri of Issues

Churches are not required to file for tax exempt status or file Form 990. Churches are automatically exempt under 501(c)(3).
Ministries **MUST** file!

If an organization changes from a Church to something else, you must apply for tax-exempt status and file Form 990.

125




Potpourri of Issues

Software conversions:

- Get professional help
- Convert the historical data – don't just start over!
- If you have already started over, save a general ledger in Excel by year for every year of operation. Make sure it is in a folder that will never be deleted.
- Clean up the data before converting.

126




Potpourri of Issues

If you see something, say something.

Noncompliance or misuse of Church assets needs to be corrected. This is God's money, not anyone else's.

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Potpourri of Issues

Church Credit Cards with no personal guarantee are now available!


Charity Charge (charitycharge.com)

US Bank Community Card

Visa Community Card

Ask your bank!

128




Potpourri of Issues

Changes are coming to MasterCard and likely Visa will follow that affect recurring giving:

- Effective 03/21/2023 for nonprofits
- Relates to disclosures required for recurring giving
- Must provide a receipt after every billing
- Must provide a clear way to cancel – not hidden
- Does not affect one-time giving

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Potpourri of Issues

Know when to ask for help:

- Legal matters
- New or changes to existing tax law
- New programs – PPP, ERC, DES grants
- Employee benefits, including health plans and retirement
- Bookkeeping issues

Do-it-yourself can cost your organization big dollars!

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Potpourri of Issues

Stay informed and come back next year!

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