

2026 ANNUAL CHURCH AND MINISTRY SEMINAR

Presented by:

Monica J. Stern, Certified Public Accountant

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October 20, 2026

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2026 ANNUAL CHURCH AND MINISTRY SEMINAR
PRESENTED BY MONICA J. STERN, CPA, PLLC
OCTOBER 20, 2026
Evaluation

Please give us your feedback on this event. It will improve our ability to serve you at future events. Please be as specific as possible.

What information presented did you find the most valuable for your organization?

What information presented did you find to be the least valuable for your organization?

Is there information you would like to see presented in future events?

Was the month convenient for you? _____ Day of the week? _____
Time? _____ Location? _____
Where did you drive from to attend? _____

If not, please tell us what would be more convenient.

Any other comments? _____

How many vendors did you visit? _____

(Optional)

Name _____ email _____

Annual Church and Ministry Seminar
October 20, 2026
Agenda

- | | |
|---------------|---|
| 7:30 - 8:30 | Registration and Vendor Booths |
| 8:30 - 8:35 | Opening Prayer by Pastor Gina, PVUMC |
| 8:35 - 9:45 | Legal Update from The Church & Ministry Law Group
attorneys at Schmitt Schneck Even & Williams, P.C.
Robert Erven Brown
Jonathan A. Ruybalid |
| 9:45 - 10:30 | Session by Barbara Starley, CPA and Monica J. Stern, CPA |
| 10:30 - 10:40 | Break |
| 10:40 - 11:10 | Panel Discussion - AI for Church Use
Monica J. Stern, CPA, Jonathan A. Ruybalid, Heidi Zinn
(TCN/Shadow Rock) and Kristin Mikels (PVUMC) |
| 11:10 - 12:15 | Session by Julie Froke, EA and Monica J. Stern, CPA |
| 12:15 - 12:30 | Open Questions and Answers - Door Prize Drawing |

Live Stream Information

Download 2026 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 Live Stream go to www.pvumc.org/watch No password is needed. You will view on the traditional service site.

To ask questions, send an email to info@mjsterncpa.com or use the live stream 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
2025 Annual Church and Ministry Seminar

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2026 Annual Church and Ministry Seminar

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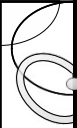
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Special Thanks

Paradise Valley United Methodist Church
Pastor Gina
Jen Ben, AV/Streaming
Shelia Buchanan, operations



2026 Annual Church and Ministry Seminar

Thank-you to our sponsors – please visit their tables.

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2026 CHURCH AND MINISTRY SEMINAR

Presented by
Barbara L. Starley, CPA
On-Call Controller and Founder of Good Steward Church Academy

**12 Tips for
Building Better Budgets**

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Why Churches Should Budget:

Budget is used as a financial guide for the upcoming year.

★ Budget confirms church's mission and ministry priorities.

Budget improves communication between departments and leadership team.

Budgets create clarity

Budgets build accountability

Budgets provide peace of mind

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Building Better Budgets start with a...
Firm Foundation

KEY POINT
Church budgeting & reporting
should always support the
highest standards of integrity
and accountability.



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Tip #1

<u>MANY BUDGETS</u>	<u>BETTER BUDGETS</u>
Unknowingly rely on incorrect numbers.	Wise decisions are made when you have confidence in the numbers.



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Tip #2

<u>MANY BUDGETS</u>	<u>BETTER BUDGETS</u>
Focus almost solely on the Statement of Activity (aka Profit & Loss).	Fully understand the importance of the Statement of Financial Position (aka Balance Sheet).



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Tip #3

MANY BUDGETS	BETTER BUDGETS
Start with Last Year's Budget vs. Actual report.	Start with actual data from the most recently completed 12-month period.

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Tip #4

MANY BUDGETS	BETTER BUDGETS
are drafted by the Board/Leadership Team behind closed doors.	are based on input from the people in charge of the ministry or department.

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Tip #5

MANY BUDGETS	BETTER BUDGETS
Never get done because too much time is spent on trying to get everything perfect.	Understand that building a budget is a "best guess" as to what will happen in the next year.

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Tip #6

MANY BUDGETS	BETTER BUDGETS
Ignore “Direct Costs of Revenue”	Understand that it’s only the “money leftover” that’s available for operations.



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Tip #7

MANY BUDGETS	BETTER BUDGETS
Get tripped up by having too many accounts, an alphabetical account list, or personnel accounts scattered throughout expense areas .	Group their accounts into 7 distinct areas: Admin Facilities Ministries Missions In/Outreach Personnel Worship/Music



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Tip #8

MANY BUDGETS	BETTER BUDGETS
Stop at an annual budget (possibly divided into 12 equal months).	Anticipate cash flow as well as overall spending.



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Tip #9

MANY BUDGETS	BETTER BUDGETS
Are more concerned about GAAP reporting than cash needs.	Prioritize cash requirements and adjust for GAAP “below the line”.



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Tip #10

MANY BUDGETS	BETTER BUDGETS
Ignore (or don't know) some important Key Performance Indicators.	Adhere to sustainable Key Performance Indicators in spending.



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Tip #11

MANY BUDGETS	BETTER BUDGETS
Misappropriate designated funds by commingling them with operational dollars.	Prioritize budgeting operational dollars and consider if designated funds <i>could</i> come into play.



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Tip #12

MANY BUDGETS

Handcuff the church by accepting &/or allocating funds that should support operations.

BETTER BUDGETS

Prioritize solid money-management over acceptance of every donation.

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FINAL THOUGHT

Budgeting is not about getting it perfect; it's about being intentional.

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Need additional help...
Contact Information



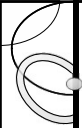
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Handling Cash at Events and Stores

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Handling Cash at Events and Stores

Controls over cash receipts at events or stores is vital.

- Concerts
- Thrift stores or gift shops
- Donation tables at events
- Merchandise tables at events
- Sporting events
- Fundraising dinners

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Handling Cash at Events and Stores

Ways to improve internal controls:

- Two or more people involved in sales
 - Unrelated to each other
 - Not involved in accounting for transactions
- Use of a platform, like Square, SumUp or other
 - Reports must be available online to the accounting department
 - Can accept both cash and credit card

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Handling Cash at Events and Stores

Ways to improve internal controls:

- Use of a platform, like Square, SumUp or other
 - Set up categories for ticket sales, donations, raffle prizes, auction purchases, merch sales etc.
 - Can have multiple people selling at the same time.

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Handling Cash at Events and Stores

Ways to improve internal controls:

- Require that all transactions be entered at the time of the transaction
 - Protects the individuals involved from being falsely accused
- Immediate deposit of cash
 - Receipt provided to accounting department
 - Cash should not be held for future expenses
- Timely reconciliation by accounting department of deposits to reports from the system.

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Handling Cash at Events and Stores

Simply downloading transactions and posting without reconciliation is not adequate. Must reconcile to actual sales and type of revenue.

Investigate discrepancies immediately.

For ticket sales, consider using prenumbered tickets and reconciling the number sold to the sales amount or use a service like Eventbrite.

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Handling Cash at Events and Stores

For those filing a 990, the following must be separately reported:

- Donations/Sponsorships
- Ticket sales, including FMV of good received.
- Merchandise/food sales
- Live and silent auction proceeds
- Raffle ticket sales

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Handling Cash at Events and Stores

Do not tempt your neighbor!

Internal controls protect everyone involved.

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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

Considerations:

- Medicare rules
- IRS rules
- Affordable Care Act rules

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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.

Note – all employees are counted

31

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.

32

Medicare Premiums for Employees

If the employer has less than 20 employees and has only one employee to be reimbursed for Medicare, IRS Notice 2015-17 allows tax-free reimbursement with an informal plan.

Must have documentation for actual cost.

33

Medicare Premiums for Employees

Options for fewer than 20 employees, two or more on Medicare and employer offers group insurance:

Create a Medicare 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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Gift Cards

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Gifts of Gift Cards



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Gifts of Gift Cards

All churches should have a gift card policy.

- Fraud and abuse protection
- Gift cards may have tax implications.

Staff with credit cards may be purchasing gift cards and compensating individuals without proper reporting.

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Gifts of Gift Cards

Written policy:

- Lists authorized uses for gift cards – be specific
- May limit to non-employees, non-board members, unless properly reported for taxes
- Lists who is eligible to make the decision to purchase gift cards and for what amount

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Gifts of Gift Cards

Written policy:

- Requires a list of gift cards include amount, purpose, and who received, to agree to the purchase receipt.
- Unused gift cards must be turned in and secured in locked area, with a log maintained for ultimate use.

42



Gifts of Gift Cards

Gift Card Compensation:

- Gift cards given to employees are taxable and included on the W-2 form no matter the amount.
- Gift cards given to others are subject to 1099 reporting, if compensation for work done.

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Gifts of Gift Cards

Gift Card Compensation:

- All recipients of gift cards from all departments should be reviewed to determine if the cumulative amount received requires a 1099 form.

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Gifts of Gift Cards

For a sample Gift Card Policy, go to:
www.mjsterncpa.com

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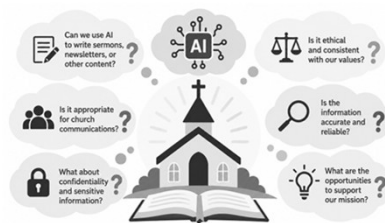
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AI for Churches

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AI for Churches



AI and the Church: Asking the Right Questions
EXPLORING AI TOGETHER

Created by ChatGPT Plus with prompts by Monica J. Stern, CPA

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AI for Churches

Many providers:
ChatGPT by Open AI
Claude by Anthropic
Gemini by Google
Copilot by Microsoft
Perplexity by Perplexity
Grok by xAI /SpaceX (Elon Musk)

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AI for Churches

All churches should have a written AI policy.

- Privacy and security – protect sensitive info
- Data ethics – accurate, consensual data
- Inclusiveness – prevent bias
- Accountability – your mission and values
- Transparency – let people know
- Continuous learning – staff stay updated in AI trends
- Collaboration – learn and share with others
- Legal Compliance
- Social impact – maximize benefits, minimize harm

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AI for Churches

AI policy

- Employees are now using AI – help them use it appropriately
- Paid business subscription vs. free AI
- Which providers are allowable?

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AI for Churches

Concerns about AI

Privacy of your data – what is appropriate to upload into a consumer vs. business AI platform?

Free or paid personal account – least desirable privacy

Business or Organizational account – strongest privacy

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AI for Churches

Concerns about AI

Confidential or sensitive information should never be entered into personal AI accounts.

Policy should limit both the information and the platform.

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AI for Churches

Concerns about AI

It is often wrong, especially with tax or legal matters.

- Know the answer before you start.
- Your query must be clear, specific and provide all details. Also require tax code or court case references and **VERIFY!!!**

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AI for Churches

Concerns about AI

It is not a substitute for background checks.

- Many criminal records are not indexed and AI can't see them.

When you get a wrong answer, challenge it.

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AI for Churches

Effective uses of AI in Churches

- Communications
- Sermons and teaching support – with clergy verification
- Bible study/small groups
- Volunteer management
- Events and programs

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AI for Churches

Effective uses of AI in Churches

- Finance and operations (watch sensitive info)
- HR policies
- Fundraising and stewardship (no personal info)
- Accessibility and language

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AI for Churches

Manage the risks of AI in Churches

- Confidentiality and privacy
- Accuracy – needs human verification
- Children and vulnerable individuals – extra care
- Financial information – protection
- Cyber security and fraud – AI makes it easier

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AI for Churches

Manage the risks of AI in Churches

- Theological accuracy – fact vs. interpretation

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AI for Churches

How to implement:

Start small with nonconsequential queries.

- I have white rice, a can of tomatoes, celery, onions, peanut butter, black beans and a can of chicken. Please give me a recipe.
- Please make an Easter graphic for our Baptist Church suitable for children.

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AI for Churches

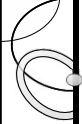
AI is not a substitute for human involvement.
AI does not know your congregation like you do.

AI is not smarter than you.

AI is a tool in your toolbox.

AI is not to be feared but requires caution.

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The Ripple Effect: How Balance Sheet Errors Distort Your P&L

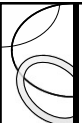
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The Ripple Effect

- The Balance Sheet and Profit & Loss Statement are two important financial statements for decision makers
- Why does one get ignored in preference of the other?
- Reality – You can't have one without the other!

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The Ripple Effect

Balance Sheet:

- A Snapshot at a single moment in time
 - What you own
 - What you owe
 - Resources available to fuel ministry

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The Ripple Effect

Profit & Loss Statement:

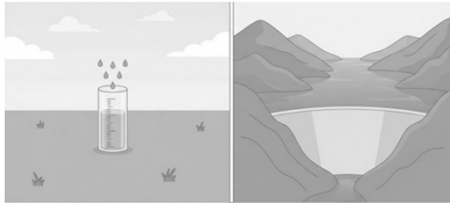
- A moving picture over a specific period of time
 - Giving and other revenues
 - Expenses
 - Is revenue keeping pace with expenses?

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The Ripple Effect

Profit & Loss

Balance Sheet



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The Ripple Effect

Truth:

- If the Balance Sheet is wrong...
 - The Profit & Loss CANNOT be right
- Reality Check:
- A lot of Balance Sheets are wrong!!!

Let's map out a solution for this today.

66

The Ripple Effect

Balance Sheet:

- Assets – What your ministry owns
 - Current – cash or other assets easily converted to cash within one year
 - Long-term – hold and use for more than one year
 - Fixed Assets – Physical property used to operate
 - Endowments

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The Ripple Effect

Balance Sheet:

- Liabilities – What your ministry owes
 - Current – debts due within the next 12 months
 - Accounts Payable
 - Payroll Liabilities
 - Long-Term – Debts extending past one year
 - Mortgages

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The Ripple Effect

Balance Sheet:

- Net Assets = Assets - Liabilities
 - Restricted – Assets given for a specific purpose
 - Building Fund, Mission Trip, Camp Scholarships
 - Unrestricted – Everything else

**YOU CANNOT LEGALLY (OR MORALLY)
SPEND RESTRICTED FUNDS ON GENERAL
OPERATIONS**

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The Ripple Effect

Asset Accounts:

- Error – Missing bank accounts
- Effect – Inaccurate financial picture
- Fix – Review and update accounts reported

If an account exists at the bank, it must be on the Balance Sheet

70

The Ripple Effect

Asset Accounts:

- Error – Transfers between bank accounts recorded as two transactions – revenue and expense
- P&L Effect – Overstated revenue and expense
- Fix – Delete one transaction and correct the other to reflect the transfer between the two bank accounts, not revenue or expense

71

The Ripple Effect

Asset Accounts:

- Error – Invoice payments recorded to revenue account instead of Accounts Receivable
- P&L Effect – Overstated revenue
- Fix – Depends on accounting software; A/R must be credited, NOT revenue account

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The Ripple Effect

Asset Accounts:

- Error – Fixed Assets expensed
- P & L Effect – Overstated Expenses
- Fix –
 - Establish Capitalization Policy - \$500, \$1000, \$2500
 - Inventory fixed assets and add to the Balance Sheet
 - Capitalize fixed assets going forward
 - Record depreciation at least annually

73

The Ripple Effect

Asset Accounts:

- Error – Fixed Assets expensed
- **“But we want to show fixed asset purchases on our P&L and budget report!”**
- Monica's Trick – See handout for details

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The Ripple Effect

Liability Accounts:

- Error – Bill payments recorded to expense account instead of Accounts Payable
- P & L Effect – Overstated Expenses
- Fix - Depends on accounting software; A/P must be debited, NOT expense account

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The Ripple Effect

Liability Accounts:

- Error – Payroll withholding and liability payments recorded to expense account
- P & L Effect – Overstated Expenses
- Fix –
 - Post all withholding to liability accounts (taxes, retirement, health insurance, etc.)

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The Ripple Effect

Liability Accounts:

- Fix –
 - Pay these items from the same liability accounts
 - These are “In and Out” accounts – “in” with the withholding and “out” with the payment
 - Set up liability account for each type of withholding

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The Ripple Effect

Liability Accounts:

- Error – Entire loan payments recorded to liability or interest expense accounts
- P & L Effect – Over/Understated Expenses
- Fix –
 - Record interest to expense account and principal to liability account
 - Liability balance should agree to loan statement
 - Discrepancies can be corrected with a Journal Entry

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The Ripple Effect

Liability Accounts:

- Error – Entire loan payments recorded to liability or interest accounts
- **“But we want to show principal payments on our P&L and budget report!”**
- Monica’s Trick – See handout for details

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The Ripple Effect

Net Asset Accounts:

- Error – Posting entries to equity as a way to correct other accounts
- Effect – Various misstated accounts
- Fix –
 - Every entry belongs somewhere on the Balance Sheet or P&L; Make correcting entries to correct accounts

80

The Ripple Effect

Net Asset Accounts:

- Error – Restricted Net Assets not reflected on the Balance Sheet
- Effect– No way to know restricted amounts
- Fix – Multiple different ways to track restricted funds:
 - Track restricted funds in liability accounts
 - Track restricted funds in equity accounts
 - Track in Excel and make entries monthly between restricted and unrestricted Net Assets

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The Ripple Effect

Net Asset Accounts:

- Error – Negative Restricted Funds
- P&L Effect – Understated expense accounts
- Fix –
 - If more funds have been spent than restricted funds available, record the difference to an expense account
 - Exception – timing issue

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The Ripple Effect

Monthly Tasks to Stay on Track:

- Reconcile, Reconcile, Reconcile
 - Reconcile all bank and credit card accounts monthly
 - Investigate any items that don't clear BEFORE finishing the reconciliation
- Review Accounts Receivable
 - Run Open Invoices report
 - Are any uncollectable?
 - Have any been received and recorded improperly?

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The Ripple Effect

Monthly Tasks to Stay on Track:

- Review Accounts Payable
 - Run Unpaid Bills report
 - Are any overdue?
 - Have any been paid and recorded improperly?
- Do loan balances agree to loan statements?
- Review and Update Restricted Funds
 - Are balances accurate?

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The Ripple Effect

Monthly Tasks to Stay on Track:

- Review Balance Sheet
 - Investigate negative accounts
 - Do all accounts look appropriate? (every single one!)
- Review Profit & Loss
 - Investigate negative accounts
 - Do all accounts look appropriate?

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The Ripple Effect

The Bottom Line

- Errors on the Balance Sheet **WILL** result in an inaccurate Profit & Loss statement, and vice versa
- Decision makers need good information to make good decisions
- Use the monthly tasks presented here to keep your books clean and your statements accurate
- Ask for help!

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A Tales of Three Arizona Embezzlements

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A Tale of Three Arizona Embezzlements



Created by ChatGPT with inputs from Monica J. Stern, CPA

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A Tale of Three Arizona Embezzlements

Three unsuspecting Arizona charities:

- Church in Tucson – lost \$356,000 over five years
- Nonprofit in Prescott – lost \$826,000 over seven years
- Church in Scottsdale – lost \$287,347 in seven years but fraud likely occurred for up to 20 years

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A Tale of Three Arizona Embezzlements

Church in Tucson:

- 61-year-old female – church business administrator
- Stole money 2020 – 2025 – total \$356,332
- Controlled payroll, finances and had authority to write checks, make deposits, transfer funds
- First theft was \$3,100; 2021 was \$183,000
- Had a history of financial judgements, evictions even during period of theft

90



A Tale of Three Arizona Embezzlements

Church in Tucson:

- Admitted to theft, but didn't think it was that much
- Charged with seven felonies
- Ongoing case
- Discovered when board was updating "internal controls"

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A Tale of Three Arizona Embezzlements

Nonprofit in Prescott:

- 62-year-old female – executive director
- Stole money 2017 – 2024 – total \$826,000
- Controlled payroll, finances and had authority to write checks, make deposits, transfer funds
- First theft was 2017; total cash transactions \$100,000, credit card charges \$187,000 and \$539,000 skimmed from the bank accounts to buy/pay personal items

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A Tale of Three Arizona Embezzlements

Nonprofit in Prescott:

- Before being hired, she served 10 years for a 2005 embezzlement under a different last name
- Said her spending was for the benefit of the employees, many of whom were related
- Discovered when an anonymous individual reported the theft to the board

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A Tale of Three Arizona Embezzlements

Nonprofit in Prescott:

- Stole the identity of other employees to set up credit cards in their names
- Convicted of eight felony counts and sentenced to 62.5 years
- Judge noted severe community impact, despicable nature of the crime, previous crimes and sending a strong legal precedent

94

A Tale of Three Arizona Embezzlements

Church in Scottsdale:

- 61-year-old female – business manager
- Chargeable Stolen money 2018 – 2025 – total \$287,347. Likely more, but limited by statute
- Controlled payroll, finances and had authority to write checks, but not sign, and make deposits
- Hired in 2005. Mid 2014 stopped filing and paying payroll taxes.

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A Tale of Three Arizona Embezzlements

Church in Scottsdale:

- Discovered when a Pastor's payroll check bounced due to a State tax levy
- Forged board member's signature on checks
- Church owes 11 years of payroll taxes, interest and penalty

96

A Tale of Three Arizona Embezzlements

Church in Scottsdale:

- Was on probation for felony embezzlement when hired by the church – judge ordered her to notify her new employer in writing and to stay out of casinos
- Case is in process at this time.

97

A Tale of Three Arizona Embezzlements

Embezzlement statistics:

- Women outnumber men in trusted roles like bookkeepers and office managers.
- Women are more likely than men to steal via unauthorized or forged checks with ledger adjustments
- Women's schemes are smaller and regular, and usually last a number of years

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A Tale of Three Arizona Embezzlements

How were they able to steal?

- All were very trusted and well liked
- All had access and nearly full control of the finances
- Experienced in theft
- Kept records close
- Supervisors were not as skilled as embezzler in accounting matters

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A Tale of Three Arizona Embezzlements

How were they able to steal?

- Little or no internal controls were established
- Apparently inadequate background checks, credit reports
- No apparent review of the bank statements and canceled checks
- No comprehensive review of the books

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A Tale of Three Arizona Embezzlements

Controls that should be in place:

- Do a solid nationwide background check and credit report before hiring
- Management or a board member receives a copy of the bank statement directly from the bank, with copies of cancelled checks, and reviews it carefully
- Management or a board member compares the checks clearing on the bank statement to the checks posted in the books.

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A Tale of Three Arizona Embezzlements

Controls that should be in place:

- Management or a board member reviews the complete general ledger every month – not just financial statements
- Set up controls so no one person has sole control over finances

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A Tale of Three Arizona Embezzlements

Controls that should be in place:

- Management or a board member compares the deposit totals per the count sheets, register reports and other detail to the deposits on the bank statement
- Management or a board member logs in to IRS.gov account to verify payroll taxes are being paid

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A Tale of Three Arizona Embezzlements

Controls that should be in place:

- Management or a board member retrieves the mail before the person handling the books.
- Trust but verify
- Have a solid whistleblower policy and procedures to report suspicion of fraud

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A Tale of Three Arizona Embezzlements

Controls that should be in place:

- Do not tempt employees by operating without good internal controls
- Protect honest employees by operating with good internal controls

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A Tale of Three Arizona Embezzlements

Fraud Diamond

- Incentive, rationalization and capability are internal. You can't control these.
- Opportunity can be controlled



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2026 CHURCH AND MINISTRY SEMINAR

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One Big Beautiful Bill Act – 2026 Changes

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One Big Beautiful Bill Act

Signed into law July 4, 2025

- Some provisions are retroactive
- Some provisions are for future years
- Ends some programs
- Creates other programs
- Expands some programs
- Restricts other programs

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One Big Beautiful Bill Act

Tipped Employees, effective 1/1/2025

If your Church has a coffee shop, tips are required to be reported properly through your payroll system.

For 2026, qualified tips will be required to reported on W-2 form box 12 with a code TP. Must also include tipped occupation code.

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One Big Beautiful Bill Act

Overtime Pay, effective 1/1/2025

- Employees who receive overtime pay that is **required** by the Fair Labor Standards Act receive a deduction for the **half-time portion** received.
- For 2026, qualified overtime must be reported on the W-2 form box 12, code TT.

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One Big Beautiful Bill Act

202622		Employee's social security number		For Official Use Only Do not fill in	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
d Control number		5 Medicare wages and tips		6 Medicare tax withheld	
e Employer's first name and initial Last name		7 State income tax		8 Allocated tips	
f Employee's first name and initial Last name		9 Dependent care benefits		10 Nonqualified plans	
g This is the half-time portion only, not time and a half		11 Nonqualified plans		12a Tipped income for box 12	
b https://www.federalregister.gov/documents/2026/04/13/2026-07104/occupations-that-customarily-and-regularly-receive-tips-definition-of-qualified-tips-29		12b Tipped income for box 12		12c Tipped income for box 12	
13 State income tax		14 State income tax		15 Local income tax	
16 State income tax		17 State income tax		18 Local income tax	
19 State income tax		20 State income tax		21 Local income tax	

W-2 Wages and Tax Statement

2026

Department of the Treasury - Internal Revenue Service
For Preparing and Filing Information

111

One Big Beautiful Bill Act

Charitable Contributions, effective 1/1/2026

- Non-itemizers will be allowed a deduction of up to 1,000/2,000 for charitable contributions
- High income donors will see less tax savings by donating. Savings will be limited to no more than the 35% tax bracket and only donations that exceed .5% of adjusted gross income.
- Even small donors can benefit.

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One Big Beautiful Bill Act

Charitable Contributions, effective 1/1/2026

- Donors older than 70 ½, will see increased savings by donating through their IRA accounts rather than directly.

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One Big Beautiful Bill Act

1099-Misc and 1099-NEC, effective for filing 2026 forms in 2027

- Changes filing requirement from \$600 to \$2,000



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One Big Beautiful Bill Act

1099-Misc and 1099-NEC, effective for filing 2026 forms in 2027

- Limit will adjust with inflation each year
- Likely will result in many fewer filings

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One Big Beautiful Bill Act

Moving expensive reimbursements, effective 1/1/2018

- Made permanent the provision of the TCJA of 2017 to not allow tax-free reimbursements of moving expenses or deductions
- Employers can only reimburse on a taxable basis.

116

One Big Beautiful Bill Act

New Scholarship Granting Organizations, effective 1/1/2027

- Can accept contributions and a donor can receive a dollar-for-dollar Federal Tax Credit of up to \$1,700/\$3,400
- Credits must be reduced by any state tax credit received
- Has income limitations for students

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One Big Beautiful Bill Act

New Scholarship Granting Organizations, effective 1/1/2027

- State must agree to participate – likely will be folded into the AZ STO programs
- Will benefit more taxpayers at the Federal level due to Arizona's low tax rate of 2.5%
- Valid for private, home-schooled or public school expenses

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I-9 Update

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I-9 Update

On March 16, 2026, the I-9 rules regarding substantive and technical violations for purposes of assessing penalties changed.

There are now 27 ways to get a substantive penalty with no 10-day cure period.

Most relate to failure to read the form and complete all lines accurately.

120



I-9 Update

Civil penalties for a single form can range from \$288 to \$2,861.

Penalties are based on a violation percentage based on the percent of forms with errors and other factors: size of employer; good faith; seriousness; number of unauthorized workers; and history of violations.

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I-9 Update

The form must be completed in its entirety.

The only valid version of this form currently is the 01/20/2025 edition which expires 05/31/2027.

The Spanish version of the form can only be used in Puerto Rico.

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E-Verify

This optional Federal Program is **mandatory** in Arizona.

Arizona New Hire Reporting is also mandatory.

No exceptions!

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Pastor's Discretionary Funds

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Pastor's Discretionary Funds

What is a discretionary fund?

- usually a budgeted line item, or
- a donor restricted fund
- used at Pastor's discretion without further approval, generally.

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Pastor's Discretionary Funds

Contributions to the fund are tax-deductible if under the control of the Church.

The use of the fund is not taxable to the Pastor if used for church business under an accountable reimbursement plan.

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Pastor's Discretionary Funds

Discretionary Funds must have a written policy:

- personal use is prohibited and monitored
- expenditures must benefit the mission of the church, not the pastor
- use of the fund must be documented under accountable plan rules
- should identify allowable/unallowable expenses and the maximum amount of a single transaction

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Pastor's Discretionary Funds

Allowable expenses:

- sometimes funds are used only for benevolence
- may cover other expenses, but none benefiting the Pastor or his family
- should not be used if there is budget available in another area

128

Pastor's Discretionary Funds

It should not be a separate checkbook held by the pastor without review or supervision.

The funds must be managed in a way that the Church retains control.

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Pastor's Discretionary Funds

If no written policy limiting the use of the funds AND Pastor has sole control AND use of the funds are not documented, the funds are taxable to the Pastor.

<https://www.gnjumc.org/content/uploads/2018/04/Sample-Pastors-Discretionary-Fund-Policy-for-xyz-Church-Final.pdf>

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The Church Network

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The Church Network

What is The Church Network?

- Inter-denominational professional association
- Strengthens and connects administrative church leaders – 1,400+ members
- Offers networking and continuing education
- Can become a Certified Church Administrator
- National Dues are \$225 annually
- Greater Phoenix Chapter has no annual dues

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The Church Network Conference



Save the Date

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Learn More

thechurchnetwork.com/CONFERENCE

Phoenix, AZ • July 27-30, 2027

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The Church Network

Need more information?
<https://thechurchnetwork.com/>

Join the Greater Phoenix Chapter: QR code
 or <https://forms.gle/NP4oEUNSGDb7bU2T6>



Join the Church Admin Community forum by emailing:
churchadmin+subscribe@groups.io

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