



---

## **Taxable Wages, Payments and Bonuses for Employees**

The amount of taxes that a church should withhold from an employee's wages depends on the amount of the employee's wages and the information contained on his or her Form W-4. A new W-4 should be completed by every employee each year.

- A church must determine the wages of each employee that are subject to withholding and Social Security and Medicare taxes.
- Wages subject to federal withholding include pay given to an employee for service performed. The pay may be in cash or in other forms.
- Measure pay that is not in money (such as property) by its fair market value. Wages include a number of items in addition to salary. \*
- Taxable wages must include bonuses, Christmas and special occasion offerings, retirement "gifts," the portion of a pastor's self-employment tax paid by a church, the personal use of a church-provided car, and all business expense reimbursements under a non-accountable business expense reimbursement arrangement, and most reimbursements of a spouse's travel expenses.

\* (See Chapter 4 in Richard Hammar's annual Church & Clergy Tax Guide for a description of items of taxable income.)