

A Word About Moving Costs (with thanks to the Indiana Region for this wording)

Moving Expenses for Clergy are now a taxable item

The Tax Cuts and Jobs Act signed into law by President Donald Trump in December 2017 requires that taxes be paid on the reimbursement that employers provide to their employees irrespective of whether the employer reimburses the employee for this expense or pays the expense directly to a moving company. This applies to ministers, even though ministers are not considered employees for Social Security purposes. Prior to 2018 this cost was not considered income to the pastor. Since 2018 congregations who assist their ministers with relocation expenses should report that to the IRS. If the church pays the minister directly the amount should be added to the minister's W-2 that year in Box 1. If the church pays the moving company directly to a moving company, they should issue a Form 1099-Misc to their pastor and enter the amount in Box 7.

Since the minister will owe both state and federal income tax and SECA (Self-Employment Tax 15.3%) on this amount, congregations are encouraged to give their new minister an additional 25% above the cost of the move to cover the tax liability.

The congregation should report the reimbursement as income to the IRS in the year the payment is made, even if the move occurred in the previous tax year.

For more information: <https://www.capincrouse.com/tax-free-reimbursement-moving-expenses-suspended/>