



Clergy & Their Taxes

1040 Department of the Treasury - Internal Revenue Service
U.S. Individual Income Tax Return

Name, Address, and SSN

Presidential Election Campaign

Single
 Married filing jointly (even if only one had income)
 Married filing separately. Enter spouse's SSN above and full name here.
 Yourself. If someone can claim you as a dependent, do not file a return.
 Spouse
 Dependent

We are online
and will begin at
2 pm

The American Anglican Council

Presents

Clergy and Their Taxes: A Three Part Webinar on Minister's Tax Issues

Part II – Personal Tax Update



Presenter: Todd Ensign, CPA
Tax Partner
Capin Crouse LLP



We'll begin in one minute!



Continuing 3 Part Webinar Series

October: The basics!

Today: The latest updates!

February 2nd: Tax prep tips!

Are We Having Fun Yet?!





January 2012

Personal Income Tax Update



Your Gift Bag!



- Happenings on “the Hill”!
- Fun facts!
- Hidden Treasures!



Happenings on The Hill – Whew!

History lesson

Let's Consider...

- EGTRRA 2001 - Bush
- JGTRRA 2003 - Bush
- ARRA 2009 – Obama
- TRA 2010 – Obama

EGTRRA — 2001 Economic Growth & Tax Relief Recon Act

- Sunsets passed set to expire 12/31/10:
 - Favorable tax rates
 - Marriage penalty relief
 - Education-related deductions
 - Itemized deduction limit
 - No phase-out of personal exemptions
 - AMT exemptions and credits
 - Other

- Again – set to expire 12/31/10

JGTRRA — 2003 Jobs & Growth Tax Relief & Reconciliation Act

- Under Sec. 303 these expired 12/31/10:
 - Favorable long-term capital gain treatment
 - Qualified dividends taxed at 15%

ARRA—American Recovery & Reinvestment Act of 2009

- Temporarily boosted credit incentives for higher ed
 - i.e. American Opportunity Tax credit
 - Liberalized rules for refundable child tax credit, and
 - Earned income tax credit
-
- These would have expired 12/31/10



TRA — 2010 Tax Relief Act – Passed 12/17/10

- Sunsets extended!
- Only through 2011
 - Expanded adoption credit
 - AMT exemption amounts
 - Nonrefundable tax credits offsetting AMT tax
 - Nonrefundable tax credits offsetting regular tax

Just to name a few...

TRA — 2010 Tax Relief Act — Passed 12/17/10

- Sunsets extended!
- 2 Years — end of 2012
 - Favorable tax rates
 - Reduced estate & trust tax rates
 - Increased standard deduction amounts
 - Itemized deduction limit
 - No phase-out of personal exemptions
 - Reduced capital gains/qualified dividend tax rate

TRA — 2010 Tax Relief Act – Passed 12/17/10

- Sunsets extended!
- 2 Years – end of 2012
 - Expanded credits:
 - Child tax credit
 - Earned income tax credit
 - Dependent care credit
 - Education-related incentives
 - Others
- Now set to expire 12/31/**2012**

TRA — 2010 Tax Relief Act – Signed 12/17/10

- **Stimulus** Incentive!
- Only through 2011
- Employee / self-employed payroll tax cut
- 2% reduction
- Yes!
- Continued?

- Questions abound...



Stimulus Incentive – under 2010 TRA

- 2% reduction
- Just for 2011
- Continued? Yes, but...
- Only to end of February...
- To be continued?



What Has Expired?

- At 12/31/10 – Making work pay credit

At 12/31/11 (can do for 2011 – no for 2012):

- Above line deduction for:
 - Qualified tuition and related expenses
 - \$250-elementary/secondary ed expenses
- Itemizers:
 - No state/local sales tax
 - Mortgage insurance premiums as interest
- Allowance of nonrefundable personal tax credits against tax

What Expired 12/31/11?

- Can do for 2011 – NO for 2012...
- Exclusion of 100% of gain on certain small bus stock
- Tax-free IRA's contributed (70 ½ - \$100K)
- Reduced adoption credit - \$13,360 to \$12,650
- AMT (Alternative Minimum Tax)
 - Reduced exemption amounts (MFJ \$72K-\$45K)
 - Personal nonrefundable credits cannot reduce AMT tax

What's NEW in 2012?

- Reporting foreign assets
 - U.S. taxpayers with “specified foreign financial assets” (see Code Sec. 6038D(b))
 - Single > \$50K at 12/31 or \$75K during year
 - MFJ > \$100K at 12/31 or \$150K during year
 - Form 8938, Statement of Specified Foreign Financial Assets
 - Filed with tax return
 - This does NOT replace TDF 90-22.1
 - **MAJOR** penalties for not filing if required
 - Read Form 8938 instructions! www.irs.gov

What's NEW in 2012?

- Your W-2 (maybe 😊)
- LOADS of confusion
 - Employers < 250 W-2's – NOT required – yet
 - Cost of employer provided health care coverage
 - Box 12 of W-2 – code “DD”
 - NOT – NOT taxable!
 - Information only

Churches and a Changing World!



Senator Grassley Investigation and ECFA Response



Senate Investigation – Process

Sen. Grassley investigated 6 churches

- Televised evangelists operating as churches
- Three year process
- One responded fully & joined ECFA
[Joyce Meyer Ministries]
- One responded fully
[World Healing Center (Benny Hinn)]

Senate Investigation – Churches

Four resisted with partial or no responses

1. World Changers Church International
(Creflo and Taffi Dollar)
2. New Birth Missionary Baptist Church
(Bishop Eddie Long)
3. Without Walls International Church
(Paula White)
4. Eagle Mountain International Church
(Kenneth Copeland)

Senate Investigation – Discoveries

Common Traits of Churches

- Multiple companies (many not filing 990s)
- Multiple, expensive homes of leaders
- Multiple vehicles (Rolls Royce, Bentley)
- Aircraft (often plural)
- Employment of relatives of CEO for high salaries
- Board controlled by family members

<http://finance.senate.gov/newsroom/ranking/release/?id=5fa343ed-87eb-49b0-82b9-28a9502910f7>

Senator Grassley & ECFA

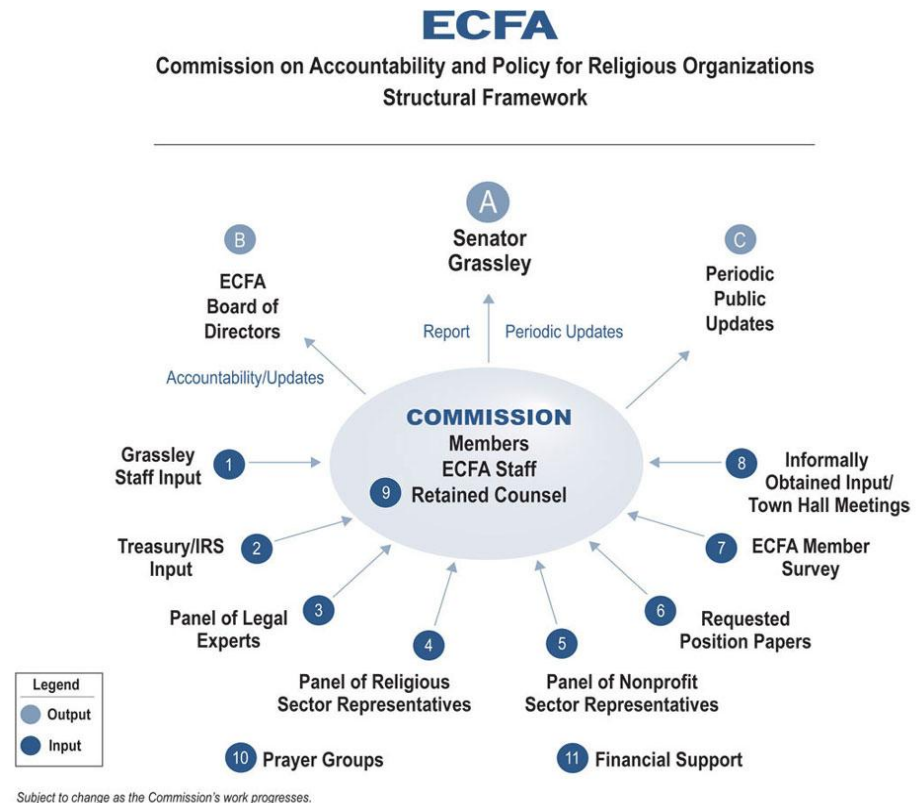
January 7, 2011

- Senator Grassley asked ECFA to address issues raised by his investigation
- ECFA formed: Commission on Accountability and Policy for Religious Organizations
- Many Issues to be considered
<http://www.ecfa.org/Content/Commission-Summary>

Commission on Accountability and Policy for Religious Organizations

By April 13, 2011:

- 15 Members appointed
- Structural plan
- Challenging objectives
- 2-3 year time-frame



Challenge to Minister's Housing Allowance



Housing Allowance Court Case

Case Status

- 10/2009 Freedom From Religion Foundation, Inc. filed case alleging minister housing allowance is unconstitutional
- 5/2010 Dist. Court: FFRF had “standing”
- 4/2011 Supreme Court “no standing”:
Arizona Christian School Tuition Org. v Winn
- FFRF dropped the case

Housing Allowance Court Case

What does it mean?

- The case applies to the exclusion from income tax for minister's housing
- Code Sec 107 = very exclusive
 - Minister of the "gospel"
 - Do others want a piece of the pie?
 - Do others want to see it abolished?
- We will see...

A Minister with Two Homes?



Driscoll vs. Commissioner

Facts of the Case

- Minister Driscoll was president of a para-church ministry
- He had a house in town, and a house at the lake
- The IRS agreed he had a “town home” & a “lake home”
- The IRS did not challenge his eligibility for a housing allowance

Court Opinions in *Driscoll*

He wins

Majority:

IRS conceded 2 homes & law doesn't prohibit 2 homes

Concurring:

IRS shouldn't have conceded 2 homes and should have raised eligibility, but didn't

He should lose

Minority:

Even though statute doesn't prohibit 2 homes, it is nearly impossible to have 2 homes at the same time, and he didn't have 2 homes

Impacts of *Driscoll*

- IRS will **never again** concede a minister has 2 homes
- Court case now describes why it is nearly impossible to have 2 homes
- Therefore, no more ministers with 2 homes
- Possible exceptions? (Winter homes)
- Really bad press for housing allowance, when it is being seriously questioned anyway

Other Updates?

- Employer provided cell phones
 - Primarily for substantial business reasons
 - Emergencies
 - Away from office
 - Time zone differences
 - Non-compensatory – taxable...
 - Promoting morale
 - Attracting a prospective employee

Other Updates?

- Employer provided cell phones
- Bottom line?
 - Personal use = de minimis
 - Employer documentation essential
 - Enjoy!

Other Updates?

- Employer reimbursement-cell phones
 - Non-taxable if:
 - Required by employer
 - Reasonable coverage
 - Reasonably calculated
 - Request employer documentation
 - Document coverage
 - Document reasonableness of calculation

Summary

- It's been busy
- Bush / Obama tax changes
- Sunset provisions
 - Some expired 2011
 - More to expire 2012
- Changes before election?
- Changes after election?



Summary

- Outcome of EFCA commission?
- Housing allowance here to stay?
- My forecast?





Let's Talk Numbers

2012 Key Federal Tax Figures

- Itemized deductions, or
- Standard deduction:
 - MFJ \$11,900 up from (\$11,600)
 - MFS \$ 5,950 (\$ 5,800)
 - HOH \$ 8,700 (\$ 8,500)
 - Single \$ 5,950 (\$ 5,800)
- Whichever is higher

2012 Key Federal Tax Figures

- FICA – Employee 5.65% (through February)
7.65% (March forward)
- FICA – Employer – unchanged 7.65%
- Social Security wage cutoff \$110,100
(\$106,800)
- Snow flurries ahead??
- Is social security secure?

2012 Key Federal Tax Figures

- Exemption deduction \$3,800 up from \$3,700
- Annual gift tax exclusion \$13,000 no change
- Foreign earned income exclusion \$99,100 up from \$92,900

2012 Key Federal Tax Figures

- Business mileage rate 55.5 cents (51/55.5)
- Moving mileage rate 23 cents (19/23.5)
- Medical same as moving
- Charitable mileage rate 14 cents unchanged

- Watch July 1st rate changes!

2012 Key Federal Tax Figures

- Max defined contribution plan \$50K (\$49K)
- Max salary reduction 401k/403b \$17K (16.5)
- 401k/403b > 50 catch up \$5,500 no change
- IRA contribution limit \$5,000 no change
- IRA over 50 catch up \$1,000 no change
- Highly compensated employee \$115K (110)

Hidden Treasure!



Reducing SECA Income & Tax

- UEBE reduces SECA Income & Tax.
- What is UEBE?
- Unreimbursed Employee Business Expenses! (not available for reimbursement by employer)
- Document, document, document!

TAX GRIEF!!



A few things...

TAX GRIEF!!

Actual housing expenses
year to year – Ouch!

Designated	\$40,000	\$40,000
Spent & exclude	\$30,000	\$10,000
Add back	\$10,000	\$30,000
Taxable income up		+\$20,000

TAX GRIEF!!

Cost of living increases – yes

Withholding/estimate increases – no

Surprise!!

TAX GRIEF!!

- Child tax credit – gone
- Exemptions decrease
- Education credits disappear
- Tax law changes

April 15th heartache!!

Housing Allowance Tips

- Is your housing allowance designated?
- Designate at fair rental value plus utilities?
- Designate if living in a church owned rectory!
- Document housing related expenses!
- Home equity / refi's – what's excludable?!
- Did we say DOCUMENT expenses?!
- NO business use of home
- Keep records with copy of return

Not Required to File a Return?

5 Good reason to file:

- 1) Federal tax withheld
- 2) Earned income tax credit
- 3) Additional child tax credit
- 4) American opportunity credit
- 5) Adoption credit

- Plus +

Not Required to File a Return?

6) Health Coverage Tax Credit

Certain individuals who are receiving Trade Adjustment Assistance, Reemployment Trade Adjustment Assistance, Alternative Trade Adjustment Assistance or pension benefit payments from the Pension Benefit Guaranty Corporation, may be eligible for a 2011 Health Coverage Tax Credit.

(Eligible individuals can claim a significant portion of their payments made for qualified health insurance premiums.)

Keep Watch & Plan For

- Expired Tax Provisions
- Provisions set to expire at end of 2012
- 2% social security increase March 1st
- Tax planning
- Watch your withholding and estimates
- Developing changes on the Hill
- Capin Crouse website www.capincrouse.com

Thoughts on Tax Filing

- Schedule D and Form 8949
- Consider direct deposit
- Consider electronic filing
- Tax professional needed?
- Review, review, review
- Document, document, document

- Tuesday, April 17th is due date

Hidden Treasure

- IRS website
- Plethora of information <http://www.irs.gov>
- Remember IRS Publication 17 at:

<http://www.irs.gov/pub/irs-pdf/p17.pdf>

Looking Ahead

- Webcast February 2nd – Tax prep do's and don'ts
- December tax planning webinar
- Future webinars...

QUESTIONS?



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God bless you!

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