Accountable Plan
A plan adopted by an organization for reimbursing out-of-pocket business expenses to volunteer workers and employees. The plan must be adopted by the responsible body. Each business expense should be substantiated with adequate records and receipts to the organization within a reasonable time for reimbursement or to close an advance payment. Any unused advance payment must be returned.

Annuity
A contract that pays a monthly (or quarterly, semi-annual or annual) income benefit for the life of a person or for a specified period of time.

Cafeteria Plan
The Cafeteria Plan comes from Section 125 of the Internal Revenue Code. Section 125 allows employers to offer workers a choice of cash or certain employer paid benefits including group term life insurance, medical insurance premiums, reimbursements of certain medical expense and dependent care. Note that the worker must have the option of receiving an employer paid benefit or cash. If cash is selected by the worker the amount paid is included on the W-2 while qualified benefits are not included on the W-2. (See also, Flexible Spending Arrangements below.)

Compensation
The total cost of a worker to the organization including salary, allowances and benefits, but exclusive of reimbursed expenses.

Contribution
In the context of the Church Treasurer a contribution is a gift of cash, services, time or property for which a value can be fixed and for which a receipt may be required.

Debt Financed
Property purchased by securing a mortgage loan.

Deferred Compensation
Method of supplementing an individual’s retirement benefits by deferring a portion of his or her current earnings. To qualify for a tax advantage, the IRS requires a written agreement between an individual and the employer stating the specified period or deferral of income. An election by an individual to defer income must be irrevocable and must be made prior to performing the service for which income deferral is sought.

Employer Identification Number (EIN)
An EIN is necessary for an organization once it incorporates. This 9-digit number must be used on all forms and filings to the IRS, and for opening a checking or savings account in the organization’s name.

Endowment Fund
Permanent and true endowments—funds created by third-party donors with the stipulation, as a condition of the gift, that the principal is to be maintained inviolate in perpetuity (principal is not expendable) and that only the income resulting from the investment of the fund may be expended in accordance with instructions by the donor. Purpose or time restricted term endowments—similar to permanent or true endowments except that the terms of the gift instrument permit the principal to be expended all or in part upon the happening of a particular event or the passage of a stated period of time. Quasi endowments—funds established by the board of directors or church council and functioning like an endowment fund. However, they are subject to change and restoration to current operating funds at the discretion of the board.

Excess Group-Term Life Insurance
The Internal Revenue Service has ruled under Internal Revenue Code Section 72(m) that the cost of group-term life insurance, or its equivalent, for benefits in excess of $50,000 purchased as a part of a qualified plan is to be included as part of the gross income of the participant for the tax year. The IRS has also ruled in IRC Section 79 that such cost is also subject to Social Security tax (FICA or SECA). The cost for such benefits is established by the IRS and is based on the age of the worker.

Excise Tax
Tax imposed on an act, occupation, privilege, manufacture, sale or consumption.

Federal Forms
FORM W-2—“Wage and Tax Statement” — This form is used to report annual income given to an employee. Three copies go to the employee, one is retained by the employer, and the fifth is submitted to the IRS, along with Form W-3.

FORM W-2C—“Statement of Corrected Income and Tax Amounts” — This form is used to correct an error on a previously distributed Form W-2. If the taxpayer has not yet filed an income tax return for the year shown, he or she must attach a copy of the original Form W-2 along with a copy of Form W-2C to their income tax return.

FORM W-2G—“Certain Gambling Winnings” — This form is filled in by the payor of gambling winnings. A copy is given to the winner. A copy is also filed with IRS. If any income tax has been withheld, also submit Form 945 to IRS.
FORM W-3—“Transmittal of Income and Tax Statements” — This form is used when submitting the Form W-2s to the Social Security Administration for the various employees.

FORM W-3C—“Transmittal of Corrected Income and Tax Statements” — This form is used when submitting the Form W-2C(s) to the Social Security Administration.

FORM W-4—“Employee’s Withholding Allowance Certificate” — This form is filled in by an employee upon hiring. The employee designates his or her withholding allowances for tax purposes. The information is then used to calculate the required amount of funds withheld from the employee’s pay.

FORM W-9—“Request for Taxpayer Identification Number and Certification” — This form is used to obtain the correct TIN from someone or some company that provided your business a service.

FORM 673—“Certificate of Registry” — This form is used by nonprofit schools to obtain a federal excise tax exemption.

FORM 843—“Claim for Refund and Request for Abatement” — This form is used to request a refund of overpaid income taxes on unrelated business.

FORM 941—“Employer’s Quarterly Federal Tax Return” — This form is used for the submission of quarterly payments of FICA taxes, both the employee and employer portion, and federal income taxes.

FORM 941-X—“Adjusted Employer’s QUARTERLY Federal Tax Return or Claim for Refund” — This form is used to correct errors reported on a previously filed Form 941.

FORM 945—“Annual Return of Withheld Federal Income Tax” — This form is used for withholding reported on Forms 1099 and W-2G.

FORM 990—“Return of Organization Exempt From Income Tax” — This form is used by a tax-exempt organization to provide IRS with information about its programs and accomplishments. However, churches, church-operated schools, church auxiliaries and separately incorporated schools below college level are not required to file this form.

FORM 990-T—“Tax-Exempt Organization Business Income Tax Return” — This form is used to report all income from unrelated business if the gross amount received is over $1,000.

FORM 990-N—“Electronic Notice (e-Postcard) for Tax-Exempt Organizations ...” — This form does not apply to churches, their integrated auxiliaries or church-operated schools below college level.

FORM 1040—“U.S. Individual Income Tax Return” — Used for filing individual income tax.

Schedule A—For reporting itemized deductions from income.

Schedule C—For reporting profit or loss for a business.

Schedule SE—Used for recording expenses and income by self-employed individuals.

FORM 1040ES—“Estimated Tax for Individuals” — These vouchers are used on a quarterly basis by ordained and commissioned ministers expecting to owe at least $1,000 in federal income tax and self-employment taxes.

FORM 1096—“Annual Summary and Transmittal of U.S. Information Returns” — This form is used when submitting various forms (such as 1099’s) for informational purposes to the IRS.

FORM 1098—“Mortgage Interest Statement” — This form is used to report mortgage interest payments made by the borrower to the lender. The lender fills-in the form, gives one copy to the borrower, retains one copy and submits the third copy to IRS. However, if a congregation assists its minister with the purchase of a home by means of a District Church Extension Fund loan, the congregation is the entity responsible for completing and distributing the form.

FORM 1098-C—“Contributions of Motor Vehicles, Boats, and Airplanes” — This form is used to provide a contemporaneous written acknowledgement to the donor (copies B, C) and when reporting the same information to the IRS (copy A) when the claimed value is $500 or more.

FORM 1099-MISC—“Miscellaneous Income” — This form is used to report miscellaneous income given to an individual. One copy is given to the individual, one is retained by the employer and the third is submitted to the IRS using Form 1096. (In 2020 Form 1099 NEC will be used to report nonemployee compensation)

FORM 1099-R—“Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.” — Filled-in by Concordia Plan Services and distributed to retirees under CRP and the Pension Plan for Pastors and Teachers.

FORM 5578—“Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax” — This form must be filed to provide the IRS with the annual certification of racial nondiscrimination required by Rev. Proc. 70-50, or included on Schedule E of Form 990.

FORM 8282—“Donee Information Return” — Form used by donee organizations to report information to the IRS about dispositions of certain charitable deduction property made within three years after the donor contributed it.

FORM 8283—“Noncash Charitable Contributions” — Used by individual donors when claiming a tax deduction for any noncash gifts that exceed $500.

FORM 8300—“Report of Cash Payments Over $10,000 Received in a Trade or Business” — Used to report any single cash transaction or two or more related transactions (i.e. any receipt, other than contributions) that exceeds $10,000, from trade and business activity.
FORM 8849—“Claim for Refund of Excise Taxes” —
Used to claim tax paid on gasoline or diesel fuel used in
school buses.

FORM SS4—“Application for Employer Identification
Number.” Use this form to apply for an employer iden-
tification number which is assigned for tax filing and
reporting purposes. Form SS4 can be completed and
filed online at irs.gov.

I-9 Employment Eligibility Verification—This form is to
be completed when hiring an employee to verify identity
and authorization for employment in the United States.
The form must be retained and available for inspection if
requested.

FICA
Federally Insured Contributions Act (Social Security and
Medicare). The employer and employee pay an equal
share of the tax.

Fiduciary
A person having responsibility for the assets of another
or others. A treasurer has fiduciary responsibility to the
church as an institution and to the members as donors
for the proper management of assets and gifts.

Flexible Spending Arrangements (FSA)
The health Flexible Spending arrangement (FSA) allows
the employee to designate a portion of his or her salary
for qualified health or dependent care expenses as pre-
tax dollars. Funds must be used in the year designated
or they will be forfeited. Employers may offer only one
of the two following options or none at all: 1) it can
provide a “grace period” of up to two and a half extra
months to use the remaining FSA money, or 2) it can al-
low employees to carry up to $500 per year to use in the
following year. Amounts designated by the employee
are not included on the W-2. The employer also receives
a tax saving through reduced FICA compensation and
Worker’s Compensation premiums. Federal reporting
requirements are the same as for cafeteria plans. See IRS
Publication 969.

Health Reimbursement Account (HRA)
An account established by an employer to help cover
employees’ out-of-pocket healthcare expenses; it has an
unfunded account balance; the account is reimbursed
by the employer as claims are incurred. See IRS Publica-
tion 969.

Health Savings Account
A health care option that combines an employer’s high
deductible health plan with a savings account to help
cover the employee’s qualified health care expenses. The
account is owned by the employee.

Housing Allowance
A portion of a minister’s gross salary designated by
resolution used to furnish and maintain a residence. The
allowance offers certain tax options and may be used
with a furnished parsonage, an owned home or rented
residence.

IRA
An individual retirement account, setup at a financial in-
stitution, such as LCEF, designed to help employees save
for retirement. There are several types of IRAs, the most
common are Traditional and Roth.

IRC
Internal Revenue Code — The code containing the rules
and regulations of the Internal Revenue Service. Codes
are usually noted by section.

Qualified Organization
An organization eligible to receive tax deductible con-
tributions under the Internal Revenue Code. All Synod
congregations and their auxiliaries and schools are
“qualified organizations” under the Synod’s blanket tax
exemption.

Quid Pro Quo
Something for something, exchange. A written disclo-
sure statement must be provided when a payment made
partly as a contribution and partly for goods and ser-

Recognized Service Organization
An organization formally recognized by The Lutheran
Church—Missouri Synod that extends the mission and
ministry of the Synod but is not a part of the Synod as
defined in the constitution and bylaws. lcms.org/rsos

Reimbursement
Pay back for expenses incurred.

SECA
Self-Employment Contributions Act — Funds Social
Security benefits for those individuals who are self-em-
ployed. Minister of the Gospel is subject to SECA.

Substantiation Charitable Contribution
A receipt or written acknowledgement provided to a do-
nor by a qualified organization reporting a donation and
required for compliance with the Internal Revenue Code.

Tax Sheltered Annuity (TSA)
Employer-sponsored tax-deferred retirement plan available
to non-profit organizations. It is also called a 403(b) plan.

Unrelated Business Income (UBI)
In a non-profit organization, income unrelated to the
business for which the company is incorporated.

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