TOPICS:

- The IRS’s definition of minister
- Employment status: W-2 or 1099
- Housing/Parsonage allowance
- Reporting income and expenses
- Paying federal and state taxes
  - Social Security taxes
- Tax-favored savings plans
NOTE: This brochure is for information only. It is not a substitute for obtaining professional tax, legal or financial advice. The services of a professional person are recommended if advice is required with respect to the subjects herein.
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This manual does not include information related to any bills legislated by Congress in 2020 or executive memorandums signed by the President of the United States to financially relieve employees affected by the Coronavirus Disease 2019 (“COVID-19”). For more up-to-date information about these, as well as other COVID-19 resources, go to lcms.org. There you will find links to many helpful resources published by LCMS and its partnering ministries.
**Does IRS consider me a "minister"?**

As a qualified graduate (whether male or female) of a synodical educational institution, you will likely fill an assignment that has been duly extended by an authorized calling body. A qualified graduate includes a pastor (including ordained specific ministry pastor), teacher, Director of Christian Education, Director of Christian Outreach, Certified Lay Minister, deaconess, parish assistant, Director of Parish Music, and Director of Family Life Ministry who are listed on Synod's roster as a graduate or a worker who has completed an approved colloquy or distance learning program of the Synod. From that point on, your service in the ministry of The Lutheran Church--Missouri Synod (LCMS) as either an "ordained minister" or "commissioned minister" will be subject to special tax rules and entitled to certain privileges afforded IRS-recognized "ministers of the Gospel".

*The Tax Importance of your service "in ministry"*

To be entitled to the special tax treatments afforded to a "minister of the Gospel", you must earn your compensation "in the exercise of the ministry". The exercise of the ministry includes pastoring, teaching or holding administrative positions in any one of the synodical churches, parochial schools, colleges, or universities, and other religious organizations under the authority of a church. Then (under certain circumstances) ministers are permitted to exclude from taxable income the value of a parsonage or a housing allowance. To qualify for the exclusion, the parsonage or housing allowance must be pre-approved by your congregation's appropriate governing body and provided as part of your compensation for services as a minister of the Gospel.

Simply being ordained or commissioned and being on Synod's roster is not enough. If you are not conducting activities "in the exercise of the ministry", then you cannot take advantage of the parsonage or housing allowance exclusion. Both you and your authorized calling body may be penalized if this requirement is ignored. The only exception to this rule applies to retirees. Upon retirement, you may exclude 100% of your pension payments that represent compensation for past services performed as a minister (providing the amounts have been officially pre-designated as housing allowance and to the extent such payments are used to provide a home).
Employment Status

The IRS bases the determination of whether an individual is an employee or self-employed on common-law rules. The general common-law rule defining a person's employment status can be stated as follows:

The relationship of an employer and employee exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.

That is, an employee is subject to the will and control of the employer not only as to what shall be done but how it shall be done. In this connection, it is not necessary that the employer actually direct or control the manner in which the services are performed, it is sufficient that he/she has the right to do so.

As a minister of the Lutheran Church--Missouri Synod, you are regarded as an employee for income tax purposes and will be given a Form W-2 based on your working relationship with your employer. However, IRS specifically excludes ministers from the usual withholding or social security tax rules applicable to employees (a more detailed explanation of this special treatment follows under Social Security).

Based on IRS-issued guidelines, synodical parish pastors and all administrative and teaching personnel within the Synod and its colleges, seminaries, congregations, and schools are regarded as common-law employees.

Parsonage and Housing Allowance

In General

The parsonage or housing allowance is a favorable tax consideration granted to ministers. It is excluded from your taxable income to the extent that you use it for qualified housing related expenses. Special tax treatments depend on whether you live in a parsonage, rent a home, mortgaged a house, own your house debt-free, or have a home equity loan.

According to the IRS, a minister of the Gospel's gross income (subject to income tax) does not include:

1. The rental value of a home furnished to you (i.e., a parsonage or teacherage) as a part of your compensation (Parsonage allowance); or

2. The rental allowance paid to you to rent or provide a home (Housing allowance).
**Parsonage allowance**

If your employer furnishes you with a dwelling, its fair rental value is not a part of your taxable compensation for income tax purposes. The same applies to furniture, garage, repairs and utilities, if provided by your employer. However, the fair rental value and the other housing related benefits paid by your employer are included in income for self-employment tax computation.

If your dwelling is provided by your employer and you pay the cost of the utilities or other expenses connected with the home, your employer may designate a part of your compensation as "a housing allowance" to cover your costs. This designated amount is excluded from your taxable income to the extent used for qualified expenses. However, it is included in the self-employment tax computation.

**Housing allowance**

Your employer may pay you an allowance whether you live in a parsonage, a rental dwelling, or your own home. The amount of allowance may vary with these circumstances. Your housing allowance neither increases nor decreases your cost to the congregation. Rather, it is a part of your compensation that has been designated as a housing allowance.

However, suppose at the end of the year you determined, of your designated housing allowance (all of which had been excluded from your taxable income), a portion exceeded its lawful limitation (refer to “Housing Allowance Limitations” discussed later.) In that case, you must report the excess as taxable income. Generally, this is done by disclosing the excess amount on your individual tax return (Form 1040) where "Wages, salaries, tips, etc." must be reported; labeling it as "unused housing allowance."

For this publication references to "housing allowance" will include all allowances paid to a worker for providing a home. This also includes utilities allowance and furnishings allowance.

**The importance of "pre-designating" the housing allowance**

It is extremely important that your employer makes (by official resolution) the housing allowance designation sometime before you are paid your compensation. The designation may take the form of a specific dollar amount or a per cent of total compensation. The designation can never be made retroactively. It may be amended from time to time as necessary, but each amendment must be formally adopted by your employer and can only affect income paid afterwards.

Most employers' year-end checklists include making amendments to pre-designated housing allowances. They plan for such designations to go into effect on the first day of the following year. However, changes do not have to begin with the new year. For example, assume that on February 27 you decide to move into another home on June 1. If you expect that the expenses of your new home will exceed the amount of your existing pre-designated housing allowance, you should ask your employer to amend it. The amendment only applies to subsequent paychecks; therefore the new resolution should be adopted as soon as possible to help you maximize the year's allowable exclusion of income.
Renting or owning your own home

If your employer does not provide you a parsonage or teacherage and you either rent or own your home, your employer may designate part of your compensation as "housing allowance". To the extent that you "use" this housing allowance to rent or provide a home and your total expenses do not exceed the fair rental value of your home, furnished including utilities, it may be excluded from your taxable compensation. Use is determined by the amounts spent for rents, home repairs, real estate taxes, mortgage payments, a down payment to purchase your home, insurance, lawn care, utilities, furniture, remodeling and other home improvements (almost any expenditure to provide a home except food and maid service).

IRS has imposed another long-standing restriction to the amount you may actually exclude from taxable income, limiting your housing-related expenses to only one home, normally your primary residence. This restriction was re-affirmed recently by the court in the Driscoll case. As a matter of caution, consult with your tax advisor before adopting any contrary position in this regard.

In order to exclude any amount of the housing allowance, proof of your expenses in the form of receipts or canceled checks should be retained.

The housing allowance is excluded for income tax, but is not excluded from self-employment tax and must be included in the self-employment computation.

Housing allowance limitations

The housing allowance exclusion is limited to the smallest of the following amounts:

1. Amount of compensation pre-designated as housing allowance by your employer.
2. Fair rental value of your home, furnished, including utilities.
3. Amount actually spent during the year for housing and properly substantiated (save receipts)

An additional requirement is that the housing allowance must be “reasonable” in amount. In other words, the amount cannot be more than reasonable pay for a minister’s services.

'Debt-Free' Home

Usually if you own your home debt-free you will not be able to exclude as much housing allowance as others whose homes are mortgaged. The reason, of course, is that you are not making principal and interest mortgage payments. Thus, while the fair rental value of a home usually is high enough to cover such payments, the allowable housing allowance that can be taken on a debt-free home will generally be lower, since it is limited to the amount you actually spent to provide a home.
**Down payments and home improvements**

Planning to purchase a home or make a major costly improvement to your home? Whether these extraordinary expenses qualify as those used to provide a home depends on the financial arrangements and your annual housing allowance limitation.

If you anticipate spending additional cash to either buy a home or improve one, you might request your employer to pre-designate a sufficient portion of your income as housing allowance to meet your projected need (refer back to “The importance of "pre-designating" the housing allowance”). However, you may still be unable to exclude from income all of your actual expenses because these (added to your other usual expenses) will generally exceed the fair rental value of your home, furnished, including utilities. A little financial planning (i.e., paying less down in purchasing your home or financing your home improvements) can sometimes improve your ability to exclude these costs. Usually, a stream of payments spreading expenses over several years rather than a large single payment saves some loss of the exclusion to the extent your total actual expenses remain under the annual fair rental value limitation. In addition to saving tax, consider the cost of financing before deciding how you want to fund your project.

You should save receipts and other records for all of your home improvements and additions. These expenses affect the basis of your home which is a factor when calculating your gain on the sale of your home (refer to "Selling your home" discussed later). Some recognized experts in the field of church and clergy taxes agree that improvements, whether or not excludable under IRS Code §107 (relating to housing allowance), can be used to adjust the basis of your home.

**Home equity or personal loan payments**

Generally, your home equity or personal loan payments secured by a mortgage on a home that is otherwise debt-free cannot be considered as housing related expenses. However, you may consider these payments as housing-related if the loan proceeds were used to pay for home repairs, maintenance or furnishings.

**Reporting Income and Related Expenses**

**Income**

**In General**

Your "income" includes much more than your salary. In the preceding paragraphs for example, you learned that the annual fair rental value of a parsonage provided to ministers (though not subject to income tax) is considered income with respect to self-employment tax. The fair rental value of the parsonage may also be an income factor used when determining qualification for earned income credits (discussed later). The following items describe other types of gross income relevant to most ministers. Some of these items are taxable, some are not.
Auto, employer-provided

Bona fide employment-connected business use of an employer-owned auto may be treated as a nontaxable fringe benefit, and only personal use is taxable to the employee.

Thus, your personal usage of an employer-provided auto (e.g., commuting) must be treated as compensation income. Your employer has a choice between adopting certain IRS prescribed methods of evaluating your personal usage. This calculated amount is treated as if paid to you no less frequently than annually. You will find it reported in “wages” on your Form W-2.

Be sure to consider the taxable portion of this benefit when estimating your income and self-employment tax.

Auto reimbursement

If you use your own automobile for business use, your employer may reimburse you based on the actual expenses you incurred in maintaining your vehicle (e.g., gas, oil, repairs, licensing, depreciation, insurance, etc.) or on an amount per mile driven (called, "standard business mileage rate"). IRS prescribes the standard mileage rate; it is 58¢/mile. The rate may change for 2020. If the actual expense method is used, your total expenses must be prorated between business and personal use. Commuting (i.e., to and from your home and place of employment) is personal use, and taxable if your employer chooses to reimburse you for it.

Your reimbursements will be treated as a tax-free fringe benefit. An adequate record of your business use should be kept and given to your employer to avoid your reimbursements from being taxed. This includes recording or logging the mileage, date, destination, and business purpose for each trip you make. If you choose not to provide your employer with the business purpose of a trip because of its confidentiality, you must keep it yourself as evidence in the event IRS ever examines your tax return.

Cell phone, employer-provided

If your employer gives you a cell phone to make your business calls, its expense may be excluded from your gross income as a tax-free fringe benefit.

Cell phone reimbursement (owned by employee)

If your employer requires you to maintain and use your personal cell phone for business, you may be reimbursed for it under an accountable reimbursement plan tax-free. You may only realize this tax benefit if the type of cell phone coverage is reasonable, related to the needs of your employer’s business, the reimbursement is reasonably calculated so as not to exceed expenses you actually incurred in maintaining the cell phone, and the phone must not be provided to substitute any portion of your wages.

Car allowance

An auto allowance is a cash payment given to you by your employer for the purpose of covering your automobile business expenses. It is different from excludable auto reimbursements because your employer neither requires you to substantiate its entire usage for business or return the unused portion.
If your employer provides you with an auto allowance, it is considered taxable "compensation" and included with your wages reported in Box 1 on Form W-2. Employment-related auto expenses are not deductible on your personal income tax return.

To avoid taxation of any portion of your business auto expenses, discuss with your employer the possibility of implementing a plan to reimburse you directly upon presenting a record of your mileage or actual expenses. This method of direct reimbursement is also favorable to your employer because the reimbursed amounts do not have to be tracked and reported on your Form W-2.

**Educational assistance**

If your congregation has an educational assistance program, you may receive annual reimbursements of qualified educational expenses up to $5,250 tax-free (benefits in excess of this limit are taxable).

Qualified educational expenses under an educational assistance program include cost of books, equipment, fees, supplies, and post-secondary tuition, including graduate-level courses. Educational reimbursements that do not qualify for income exclusion must be added to your wages and are subject to income and self-employment taxes you pay by means of voluntary withholding or estimated payments.

If your reimbursed educational expenses are not eligible for income exclusion, they may qualify for a higher education deduction or credit.

**Forgiveness of debt**

If your congregation, as part of your compensation package, provides you a loan (typically for a down payment on a home) and forgives a portion of the loan annually, the forgiven portion will be treated as compensation and reported annually on your Form W-2. As this "income" provided housing debt retirement, you may include it as expenses to provide a home when determining how much of your housing allowance was used.

Loans made to you for purposes other than buying a home (i.e., paying-off student loans) may be canceled using this same method. The tax consequences are similar (compensation-related), however, retiring a student loan is not relevant to housing allowance.

If arrangements to evidence and secure repayment of such loans are not made with meticulous care, the IRS could claim they are not loans at all and tax the entire amount in the year “loaned”.

**Gifts**

Whether a gift is taxable or not depends on who is giving it to you and their reason or intent for giving it. For example, your congregation may give you a gift for some special occasion (except “Service Awards” the rules for which are described later). All cash and the value of non-cash "gifts" given to you directly by your employer or solicited from individual members in an organized manner (e.g., door collection) is taxable compensation. Your employer will report it on your W-2.

You can receive gifts directly from individual congregation members for reasons other than compensating you for your services. Such gifts, sometimes called "love" gifts, are not considered as taxable income.
However, if a church member gives you a "gift" out of appreciation for your pastoral duties (a "bonus" so to speak), the fair market value of such a gift is treated like an honorarium. You should report it as income on Schedule C of your federal income tax return. This form of compensation is subject to income and self-employment tax.

*Group-term life insurance coverage*

If your group-term life insurance coverage exceeds $50,000, IRS requires your employer to report a portion of the premium payment as taxable income. You will find the additional income added within "wages" on your W-2.

*Home loan*

Your employer may assist you with the purchase of your home by means of a Church Extension Fund loan or sale of a parsonage. If so, your employer will report your interest payments on IRS Form 1098. You and IRS receive a copy of this form.

If your employer directly loans you a down payment of more than $10,000 to purchase a home, no taxable compensation is reported unless the money is loaned at a rate below market. The tax treatment for compensation-related below-market loans depends on whether a demand or term loan is involved.

For demand loans, each year for as long as the loan remains outstanding additional wages will be added to your gross income equal to your employer's foregone interest amount (called, imputed interest).

Term loans, however, are treated differently. Your compensation is the excess of the amount loaned over the present value of the principal due under the loan. Instead of annual additions to income, the entire amount is considered to have been received on the date the loan is made. However, the compensation-related term loan can be treated like a demand loan (i.e., wages can be spread over the term of the loan) if: 1) the loan is non-transferable; and 2) conditional on your future performance of substantial services.

Additional compensation from compensation-related below-market loans is not subject to income tax or self-employment tax withholding. Therefore, you must consider your added tax liability when calculating your quarterly estimated tax payments. Another consideration should be made for the deductibility of mortgage interest (equal to the imputed amount) on Form 1040, Schedule A.

Below-market rules do not apply to any day on which the outstanding debt between you and your employer falls to $10,000 or below. Also, employee-relocation loans are exempt from the rules if the loan is: 1) secured by a mortgage on the new principal residence; 2) acquired as a result of the relocation; 3) the term or demand note is not transferable; and 4) the loan is conditional to your future performance of substantial service.

*Honorariums and other earned income*

How you report income on your tax return depends on the nature of the income. Salary received in service as a minister and reported to you on Form W-2 should be reported on Form 1040 as "Wages, Salaries, Tips, Etc." If your church-designated housing allowance exceeds the IRS-allowable housing
allowance exclusion (refer back to *Housing allowance limitations*), the excess amount should be reported on Form 1040 as wages on line 1, labeling it "unused allowance". Honoraria received as income for officiating at services, and fees for weddings, providing music, writing articles, giving lectures/speeches, or for radio or television appearances are taxable income and should be reported on Schedule C, "Profit or Loss from Business". Likewise, any expenses (e.g., mileage, etc.) directly associated with honoraria or other incidental income should be reported on Schedule C.

*Library and book reimbursements*

If your employment duties require you to purchase a library of books, your employer’s reimbursement for it may be treated as a nontaxable fringe benefit. However, it is unfortunate for you if you buy professional books used in your employment and are not reimbursed for them under an accountable plan because you may not claim a tax deduction for them.

*Meals and entertainment*

Your employer can fully reimburse you for these expenses under an accountable reimbursement plan (without including it in your income). You have no responsibility to report the reimbursement or expense to IRS in that case. Otherwise, the unreimbursed portion is not tax deductible (refer to *Business Expenses* for more information).

*Moving expenses, employer-paid*

According to IRS, moving costs paid by your employer either directly to a third party for your benefit or to you are taxable and included in your gross income.

If your employer reimburses you for any unqualified moving expenses, these costs will be added to your wages and are subject to income and self-employment taxes paid by means of voluntary withholding or estimated payments.

*Parsonage purchased for less than fair market value*

If your employer offers to sell you the parsonage at a price set at less than fair market value, the excess over the bargain sale price will be included in your compensation. You and your congregation must also consider whether the resulting compensation escalates your compensation to an unreasonable level. If it does, the church's tax-exempt status is jeopardized, and IRS can impose steep penalties against the church officers and you unless the transaction is corrected within a certain time prescribed by IRS.

Your additional compensation is subject to income and self-employment tax. As this income provides you a "down payment", you may include it as expenses to provide a home when determining how much of your housing allowance was used.

*Qualified tuition reductions*

If your congregation operates a school and has a qualified tuition reduction plan, you may be offered "free or reduced tuition" for your children's education. Although this benefit is available tax-free for any school employee (including commissioned teachers and Directors of Christian Education) regardless of position, some recognized experts in the field of church and clergy tax law agree that this is not tax-free for employees of a church (e.g., the pastor) that operates a private school. That being the case, pastors must treat the reduced tuition amount as income subject to income tax and
self-employment tax. While there is some argument that the pastor's magnitude of involvement in the school might make him eligible for the tax-free savings, there is no guarantee that IRS would share that idea and refrain from considering his duties to be more religious than educational. A call document that lists sufficient responsibilities for the school would strengthen your eligibility for this tax-free benefit.

**Salary offered, refusal to accept**

For whatever reason, you may decide to not accept your entire salary offered to you by your congregation. But did you know that you could be required by IRS to include in taxable income any portion of your salary that you refuse to accept? Tax courts have not been in agreement on this issue. However, the "constructive receipt doctrine" set forth in IRS regulations specifies that you do not have to have possession of income for it to be considered constructively received. Chances improve that IRS will apply this doctrine to you if it discovers that you are clearly receiving something, either cash or non-cash, in consideration for your services. In a church environment, salary reductions to either make your church contribution or to receive reduced tuition are two common examples of taxable non-cash consideration.

Generally, wages are taxable in the year paid to you (or payable had you not negotiated other like-payment arrangements). Under less common circumstances, they are taxable in the year your employer credits them to an account for your use (e.g., nonqualified expense account), otherwise sets them aside for you, or makes them available to you at any time upon your request.

**Selling your home**

You may be able to exclude (from gross income) the gain realized on the sale of your principal residence. In general, the exclusion cannot exceed $250,000 ($500,000 if married filing a joint return) AND applies only if you owned the home and used it as your principal residence for at least two of the five years prior to its sale or exchange. If you cannot meet these eligibility requirements because you changed your place of employment, you may still be able to exclude (from gross income) a fraction of the gain realized from the sale.

If you rent your home to someone else (or claim a tax deduction for office use of your home), then a certain amount of capital gains income must be recognized when you sell it. However, capital gains income is taxed at a lower rate than ordinary income and is not subject to self-employment tax.

If you own your home, we recommend seeking professional advice concerning the tax consequences of selling it.

**Service awards**

Current law and IRS regulations do prescribe a method by which your congregation can recognize your service anniversaries with tangible gifts on a non-taxable basis. Awards of intangible gifts, however, do not qualify for this exclusion. Examples of intangible gifts that are taxable include cash, gift cards, gift coupons, gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items selected or pre-approved by the employer), vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, and other similar items. Certain limits apply with respect to the monetary value and frequency of such awards. If your employer determines that the award does not qualify for income exclusion, its value will be included in “wages” on your Form W-2.
Transportation reimbursements

Transportation expenses are typical business expenses for most ministers. For tax purposes, these expenses are distinct from travel expenses. In general, transportation expenses include the local traveling you do from one place of work to another. If you are on a business trip away from home, your "transportation expenses" can be treated as travel expenses (refer to preceding paragraph for details about travel expenses). Commuting, the travel between your home and your principal place of work, is never considered a transportation expense regardless of the number of round trips in any given day.

Your employer may reimburse transportation expenses as a tax-free fringe benefit using one of two methods: standard mileage rate or the actual cost of operating your car for business travel. Refer to Auto reimbursement for more detailed information about these methods. It is unfortunate if your employer does not directly reimburse you for these under an accountable plan because you may not deduct them on your personal tax return.

Travel reimbursements

Travel expenses are your normal yet necessary expenses while you are on a business mission away from home. A business trip that lasts substantially longer than an ordinary day's work and is far enough to require either rest or sleep before returning home is considered "away from home". Examples of these expenses include: transportation (airfare, rail, bus), costs to operate your own car, taxi fares, gratuities, meals (not entertainment) and lodging, cleaning and laundry, telephone, etc.

You will need to account for and provide receipts to your employer to be reimbursed. These expenses are not tax-deductible on your federal income tax return.

 Expenses and Other Deductions

Business expenses

Your out-of-pocket business expenses relating to your employment and not directly reimbursed you by your employer under an accountable plan are not tax deductible. Also, if you receive any kind of cash "allowance" without being required by your employer to either account for its business use within a reasonable time or back the portion which is unaccounted, this allowance will be reported as compensation on your Form W-2 and is subject to income tax.

Business expenses for which you receive a direct reimbursement following an adequate and timely accounting of these to your employer are not included in your gross taxable income reported to IRS by your employer; neither are you required to report the payments on your individual income tax return. According to your employer’s accountable reimbursement plan, you will be required to substantiate these kinds of expenditures with receipts or other proof matter. Adequate accounting includes providing all the following for each expense: amount, time, place, business purpose (and possibly business relationship).

In contrast to the allowance method, the direct reimbursement method is best for you tax-wise.

The business expenses relating to income you earn from sources other than your employer is
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reported on Schedule C of your federal income tax return. A typical example is your transportation
to and from another church for which you were paid to preach as a guest. If your 2020 Schedule C
income is below $326,600 (if married)/$163,300 (if single), you may also claim a deduction equal to
20% of this income (“Qualified Business Income Deduction”). A minister’s wages earned and
reported on Form W-2 by your congregation is not eligible for this deduction.

**Charitable contributions**

The only way that you may claim a deduction for the gifts and contributions you give to your
church is if you itemize your deductions on Schedule A of your federal income tax return.

Most ministers support their church with regular contributions. If you ask your employer to deduct
from your paycheck a specified amount or percentage (tithe) as a donation to the church, your taxable
wages must not be reduced by the amount of your contribution.

**Home office expenses**

You may set-up an office in your home. However, chances are that none of the expenses to do
this are deductible. Several conditions must be met for home office costs to be deductible. For
example, it must be: an area regularly and exclusively used for business activity; AND it must be
considered your principal place of business. The most difficult condition to satisfy is whether your
home office is considered your "principal" place of business. In most cases, your church or school
wins out based on it being the place where you conduct a substantial portion of your administrative
or management activities related to your ministry. As a further restriction for employees, the home
office must do more than be convenient for them—it must be essential to performing their duties. If
your employer makes suitable space available for you to perform your administrative activities, your
choice to perform such duties at home is not considered essential by IRS.

Even if you do meet all the conditions to qualify for this deduction, living in a parsonage or
receiving a housing allowance will reduce the deductible amount. The loss is due to your already
having the tax-free use of your home. A pro rata portion of your home office deduction attributable
to your earned income which is excluded from tax as a housing allowance is not deductible.
Accordingly, you must report only the adjusted amounts on your IRS Form 8829 with an attached
explanation showing your calculations).

Also, claiming a deduction for home office expenses requires you to include (in gross income)
some capital gain when selling your home. The recognized gain (limited to the extent of "allowable"
depreciation) applies whether or not depreciation expenses were actually used to reduce income.

**Mortgage interest and real estate taxes (“Double-dipping”)**

Although mortgage interest and real estate taxes are considered when determining your housing
allowance exclusion (i.e., the nontaxable portion of your salary used to provide a home), you may
also claim deductions for them. However, you benefit from these deductible claims of mortgage
interest (on up to $750,000 of mortgage debt) and real estate taxes (capped at $10,000; or $5,000 if
married filing separate status) only if you choose to itemize all your tax deductions on Schedule A of
your federal income tax return rather than choosing the standard deduction available to you. This
 provision is a matter of law and a special benefit to ministers. Your employer may not diminish it.
Moving expenses

Job-related moving expenses are not tax deductible.

Student loan interest

If you pay interest on a qualified student loan (for yourself, spouse, or dependent), you may reduce your gross income up to $2,500 (in 2020) for these interest expenses. The deduction phases out ratably for single taxpayers with modified adjusted gross incomes between $70,000 and $85,000 ($140,000 and $170,000 for joint returns). You and IRS will receive an information return from those whom you pay $600 or more of deductible student loan interest.

Teacher’s classroom expenses

Educators teaching kindergarten through grade 12 (at least 900 hours per school year) can claim a tax deduction for up to $250 of their out-of-pocket classroom expenses. The deduction is claimed without having to itemize deductions on Schedule A. However, another tax law prohibits deducting expenses allocable to tax-free income limits. For example, if 40% of your income happens to be designated as housing allowance and excluded from tax, then 40% of your classroom expenses cannot be counted for this deduction. Only 60% of your total classroom expenses in this example, up to $250, would be deductible.

Vestments, professional dues, subscriptions

Expenses for vestments, professional dues, and subscriptions to professional journals are typical miscellaneous business expenses for employed teachers or pastors (refer to Business Expenses for more information). If unreimbursed, unfortunately these out-of-pocket business expenses are not tax deductible.

Credits

Earned income credit

When you file your Form 1040, you may claim the earned income credit (EIC) if you have met specific criteria prescribed by IRS. It is a special credit for qualifying individuals who work part-time, occasional, or full-time. The credit may either reduce the tax you owe or it could generate a refund if no tax is owed. Some persons raising children as well as those without may be entitled to the credit.

Depending on how much adjusted gross income (AGI) is shown on your tax return, you may be eligible for all or at least some portion of the earned income credit. The amount of AGI at or above which none is allowed (referred to as the “completed phase-out amount”) varies according to your filing status and the number of children you are raising. For example in 2020, the credit completely phases out if you have only one child and your AGI reaches $41,756 ($47,646 for joint returns); if you have 2 children and AGI reaches $47,440 ($53,330 for joint returns); if you have 3 or more children and AGI reaches $50,954 ($56,844 for joint returns); or you are between ages 25 and 65, without children, and your AGI reaches $15,820 ($21,710 for joint returns). The IRS, in its instructions for the Form 1040 series, provides tables showing the amount of earned income tax credit for each type of taxpayer.
Congress expressly excluded a minister’s housing allowance, TSA contributions or any other types of nontaxable earnings from the EIC definition of “earned income”. However, it also stated that “earned income” includes net earnings from self-employment. That being the case, ministers participating in Social Security will count housing allowance in determining their “earned income”. This illogical result, intentionally done or not, remains in effect until such time as Congress deems it appropriate to amend the law. If you think you qualify for the credit, refer to IRS Publication 596, *Earned Income Credit*, for more information.

**Child tax credit**

For parents with children, there is a tax credit provision of $2,000 for each qualifying child under the age of 17 and a partial credit of up to $500 for each dependent who is not a qualifying child (e.g. a qualifying relative). The maximum credit begins to reduce as your modified adjusted gross income exceeds certain thresholds. The phaseout thresholds are as follows: $400,000 for married taxpayers filing joint returns; and $200,000 for all other types of filing status. If your taxable income causes you to receive less than the full credit, you may receive an additional credit. The additional credit (claimed by filing IRS Form 8812) may give you a refund even if you do not owe a tax. For more information, refer to IRS Publication 972, *Child Tax Credit*.

**Lifetime learning credit**

The lifetime learning credit is a tax-favored provision that allows you to claim in 2020 a nonrefundable credit against federal income taxes equal to 20 percent of qualified tuition and educational fees (not books) that you paid for yourself, your spouse or dependents. Eligible courses include *any* course of instruction at an eligible educational institution (including undergraduate and *graduate-level* courses) to *acquire OR improve* job skills of the student. For expenses you paid in 2020 (up to $10,000), your maximum credit is $2,000. Qualified expenses paid with the proceeds of a loan are eligible for the credit rather than the loan's repayments. There is no limit to the number of years that you may claim the credit.

Income phase out ranges for the lifetime learning credits are: singles, $59,000-$69,000; married filing a joint return, $118,000-$138,000. In subsequent years, the ranges will be indexed for inflation.

The lifetime learning credit applies on a tax-return basis and covers a broader time frame and range of educational courses than the American opportunity tax credit described later. However you should consider the tax benefits of both provisions choosing that which your family qualifies and benefits from the most.

**American opportunity tax credit**

The American opportunity tax credit is another tax-favored educational incentive devised by Congress whereby you may claim a credit up to a maximum of $2,500 (credit equals 100% of the first $2,000 of tuition and qualifying expenses plus 25% of the next $2,000) per eligible student per year. Text books and course materials are included as qualifying expenses. Students in their first four years of postsecondary education are eligible for the credit. The income phase out range is to $80,000 - $90,000 for single taxpayers and $160,000 - $180,000 for joint filers. Forty percent of the credit is refundable. Students must be enrolled at least half-time to be eligible for the credit. Although your educational rank makes you ineligible for this tax benefit, perhaps your spouse or dependent children qualify.
The American opportunity tax credit has a narrower time frame and range of educational courses than the lifetime learning credit described earlier. However, you should consider the tax benefits of both provisions choosing that which your family qualifies and benefits from the most.

**TSA tax credit (called “saver’s credit”)**

A tax-sheltered annuity (TSA) credit provides an incentive for lower income taxpayers to start a TSA or contribute to an already-existing one. In 2020, if you are a joint filer with an adjusted gross income (AGI) of $65,000 or less; head of the household filer with an AGI of $48,750 or less; or single filer with an AGI of $32,500 or less, you are eligible to receive a nonrefundable credit for your TSA contribution in addition to the exclusion that already applies. The maximum annual contribution eligible for credit is $4,000 if you are a joint filer, $2,000 for all other filers; the credit rates (50%, 20%, or 10%) based on your AGI.

**Social Security and Medicare**

**Self-employment tax**

According to IRS:

"With respect to social security, ministers of the Gospel are self-employed"

Although ministers of The Lutheran Church--Missouri Synod should be regarded as employees for federal income tax reporting purposes, they are regarded as self-employed for social security purposes. Accordingly, you will pay the "self employment tax" rather than FICA taxes. This is usually computed by multiplying net self-employment earnings times .9235 and that result multiplied by the self-employment tax rate, currently 15.3%. Net self-employment earnings are computed as follows:

(+) **W-2 wages**--includes items of church income, i.e., taxable salary (does not include housing allowance), taxable fringe benefits, auto allowance, social security allowance, taxable cost of group term life insurance coverage in excess of $50,000, moving expense payments

(+) **Self-employment earnings** from other sources, i.e., honoraria, wedding fees, giving lectures, writing articles, etc. (as reported on Schedule C)

(+) **Parsonage/Housing allowance**-fair rental value of the parsonage and cost of any utilities paid for you by your employer or the portion of your salary excluded from taxable wages as housing allowance

(-) **Unreimbursed employee business expenses**

(-) **Business expenses** (as reported on Schedule C)

Note: a portion, approximately one-half, of your self-employment tax is deductible as an adjustment in computing income taxes (Form 1040, page 1, "Adjustments to Income") whether or not you can itemize deductions on Schedule A.

**Self-employment tax paid by your employer**

Because ministers pay a much higher percentage of social security tax than employees, some employers may offer to pay a portion of it for you. However, this form of relief is considered additional compensation for income tax and self-employment tax purposes.
Exemption from self-employment tax

The Lutheran Church-Missouri Synod does not oppose participation by its ministers in social security on the basis of religious principles. Conventions of the Synod have enacted resolutions encouraging participation in social security, implying that, as a church body that ordains ministers, it does not recognize a theological basis of opposing participation in social security.

You may not file for an exemption from the social security and Medicare taxes unless you meet several IRS requirements. The exemption must be filed within a limited time period, and it is available only to clergy who are opposed on the basis of religious considerations to the acceptance of social security benefits based on their ministerial services. Since Synod does not oppose participation by its ministers in social security on the basis of religious principles, that leaves you alone having to prove your individual objection. The exemption is effective upon approval of IRS.

Opting-out of social security cuts short your retirement benefits as well as medical coverage for you and your family. Medicare is tied-in with social security, so church workers would forego both forms of insurance. Also, you may be disappointed with your retirement benefits from Concordia Plan Services since these are computed with the expectation that social security and Medicare will be included. The Concordia Plan Services estimates that less than five percent of rostered church workers have opted-out of social security.

Tax Payment Methods: Federal, State, and Social Security

In General

The compensation of a minister earned in the exercise of the ministry is specifically excluded by the Internal Revenue Code from mandatory federal income tax withholding. In addition, minister's compensation is subject to self-employment tax which is also excluded from mandatory withholding. Therefore, you should either pay quarterly installments of estimated tax or mutually agree on voluntary withholding with your employer.

Quarterly estimated payments

Your quarterly tax payments (federal and self-employment) are due as shown below:

<table>
<thead>
<tr>
<th>For the period</th>
<th>Due date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 1 - Mar 31</td>
<td>Apr 15</td>
</tr>
<tr>
<td>Apr 1 - Jun 30</td>
<td>Jun 15</td>
</tr>
<tr>
<td>Jul 1 - Sep 30</td>
<td>Sep 15</td>
</tr>
<tr>
<td>Oct 1 - Dec 31</td>
<td>Jan 15</td>
</tr>
</tbody>
</table>

*due dates falling on a Saturday, Sunday, or legal holiday may be extended to the next business day; in 2020, IRS revised due dates for COVID-19 (for these, go to Tables for Estimated Taxes Worksheet in Appendix)

An Estimated Taxes Worksheet is provided near the end of this brochure to help you estimate these payments. You should remit your payments on current Forms 1040-ES payment vouchers obtained directly from the IRS. Alternatively, you can pay your tax online at www.eftps.gov. The IRS does not send out notices of taxes due. If changes in income or deductions revise your original estimate, that estimate may be adjusted on your next installment of estimated tax.
You will eventually report your self-employment tax liability based on your actual earnings and applicable deductions to IRS. This is done on Schedule SE, "Self-Employment Tax", and filed with your individual income tax return (IRS Form 1040).

IRS will apply all of your estimated tax payments (including any tax withheld by your employer, if applicable) towards your total tax liability (federal and self-employment). If your Form 1040 reports a "substantial" understatement of taxes paid, the Service will penalize you. However this penalty is not imposed if your total tax liability, reduced by your estimated payments and any income tax withheld, is less than $1,000. For more information, see IRS Publication 505, *Tax Withholding and Estimated Tax*.

**Voluntary withholding**

If both you and your employer agree, your employer may withhold and remit your income and self-employment tax liability to IRS on your behalf. The entire amount remitted is treated as "federal tax withheld" and not to be confused with FICA or Medicare withholding. If you have a sufficient amount withheld and remitted this way, you save yourself the trouble of sending in estimated quarterly tax payments.

Your employer may request you to complete a Form W-4 so that there is a record of your intent to have tax withheld. First, however, you must estimate your annual liabilities for federal income tax AND self-employment tax (see the *Estimated Taxes Worksheet*). These annual amounts must be combined and pro-rated according to the number of pay periods remaining for the current tax year. Complete the form as instructed with additional amounts to be deducted for self-employment tax. IRS recommends you consider using the tax withholding estimator at irs.gov when you have self-employment income and you want to pay the taxes owed through withholding from your wages.

Alternatively, your employer may merely have you submit a written request regarding the total amount of tax you want withheld from each paycheck.

**Tax-favored Savings Plans**

Tax-sheltered annuities (TSAs), individual retirement accounts (IRAs), and the Coverdell education savings accounts are types of tax-favored investments.

**403(b) Plans**

A 403(b) plan, also sometimes referred to as a tax-sheltered annuity, will enable an employee to postpone income tax on a portion of his or her earnings until retirement. This investment opportunity is available to all employees of tax-exempt organizations. For ministers, these contributions are also not included as income subject to self-employment tax.

Some Lutheran employers sponsor a 403(b) plan for their employees to allow them to make contributions to this tax-deferred investment, but do not make any separate contributions. If your employer sponsors such a plan, you may ask to have a portion of your current salary reduced and contributed to the plan. However, more employers are beginning to make additional contributions to their employee’s 403(b) accounts, either as a fixed percentage of employee compensation or as a “matching” contribution.
Lutheran employers participating in Concordia Retirement Plan may also add the Concordia Retirement Savings Plan (CRSP). The CRSP is a 403(b) tax-sheltered annuity plan administered through Fidelity Investments. Employer contributions to the CRSP are voluntary. Earnings below a certain amount may also qualify you for a tax credit. The credit is in addition to the tax-deferment benefit. Refer to TSA tax credit for details concerning qualifications for the bonus credit.

To determine your maximum contribution amount, contact Concordia Plan Services. Contributions in excess of the limit may be subject to excise taxes. For more information, obtain IRS Publication 571, Tax Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations.

**IRAs (traditional and Roth)**

You may contribute a portion of your earned income to deductible and nondeductible types of individual retirement accounts or annuities ("IRAs"). Also, you may open an IRA plan for your non-working spouse (if applicable). You and your spouse may each make annual contributions in aggregate to such plans of $6,000 through 2020. You, not your employer, open your own IRA account and fund it with your own contributions. Taxpayers aged 50 or older can annually make an additional $1,000 catch-up contribution to traditional and Roth IRAs. Contributions to IRAs are not deductible for self-employment tax purposes. For more information about their income tax-benefits and distribution restrictions, obtain IRS Publication 590, Individual Retirement Accounts.

**Coverdell Education Savings Accounts**

Another tax-favored savings plan is available to help low to middle-income families save for education expenses. Formerly called “Education IRA”, you can open one of these accounts for each of your children (under age 18). Although contributions are made to such plans with “after-tax” dollars, these funds are permitted to grow tax-free until distributed. Also, you may contribute to these plans for any given tax year up until the day your tax return is due. Thus, you may make 2020 contributions until April 15, 2021.

Annual contributions made to a Coverdell education savings account cannot exceed $2000. This amount is gradually phased out for joint tax filers having an adjusted gross income in the range of $190,000-$220,000 and $95,000-$110,000 for single filers.

Distributions may be used for elementary and secondary private, public or religious educational expenses. Distributions (including rollovers to another qualifying individual’s education IRA) can be made anytime before the beneficiary reaches age 30 or within 30 days thereafter. At the end of the 30-day deadline, any undistributed funds will be deemed distributed. Distributions for uses other than education require the beneficiary to include the earned interest in income and pay a 10-percent penalty. However, funds can be rolled over into another similar account for a member of the beneficiary's family (includes legal descendants, spouse, and adopted children all of whom must be under age 30) to further defer or possibly avoid payment of tax on the earnings. There are special rules lengthening the contribution and holding period for children with special needs. For more information about education IRAs, obtain IRS Publication 590, Individual Retirement Accounts.

**Health savings accounts**

Congress created health savings accounts (HSAs) to work in conjunction with high-deductible
health plans. If your congregation offers you a high-deductible health plan you may qualify to open separate HSA accounts for yourself and your covered spouse (if applicable) to save money for out-of-pocket medical expenses.

An HSA is an individually owned account that can be funded by you and/or your employer. You can be reimbursed tax-free from the account for your qualified medical expenses. Or, if not used, the money may accumulate with tax-free interest even into retirement. After age 65, you can continue withdrawing funds as needed for medical expenses tax free or you can withdraw funds for any other purpose and pay normal taxes.

HSAs can be set up through banks, investment firms, and some insurance companies. Also, the Lutheran Church Extension Fund offers HSAs. For more information about HSAs, refer to IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans.

Additional Information You May Need
Most other additional information you may need can be found in the following IRS publications:
Pub. 17, Your Federal Income Tax
Pub. 463, Travel, Entertainment, Gift, and Car Expenses
Pub. 505, Tax Withholding and Estimated Tax
Pub. 517, Social Security and Other Information for Members of the Clergy and Religious Workers
Pub. 523, Selling Your Home
Pub. 525, Taxable and Nontaxable Income
Pub. 529, Miscellaneous Deductions
Pub. 530, Tax Information for Homeowners
Pub. 535, Business Expenses
Pub. 571, Tax-Sheltered Annuity Plans (403 b Plans) for Employees of…Certain Tax-Exempt Organizations
Pub. 587, Business Use of Your Home
Pub. 590-A, Contributions to Individual Retirement Arrangements (IRAs)
Pub. 590-B, Distributions from Individual Retirement Arrangements (IRAs)
Pub. 596, Earned Income Credit
Pub. 936, Home Mortgage Interest Deduction
Pub. 946, How to Depreciate Property
Pub. 969, Health Savings Accounts and Other Tax-Favored Health Plans
Pub. 970, Tax Benefits for Education
Pub. 972, Child Tax Credit

You can get this information and tax forms by:
Telephone: 1-800-TAX-FORMS (1-800-829-3676) FAX: 1-703-487-4160

As always, your district manager or Mrs. Karen Sansone at Synod’s Accounting Department is available for questions. You can contact Karen by telephone: 800-248-1930, ext. 1441 or fax: 314-996-1089 or e-mail: karen.sansone@lcms.org.
# Estimated Taxes Worksheet 20__

Note: This worksheet is designed merely to estimate your tax liability for withholding purposes, not to calculate your actual tax.

**Self-employment tax computation:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary (including Housing Allowance, excluding TSA contributions)</td>
<td>$______(1)</td>
</tr>
<tr>
<td>Other earned net income (guest preaching, etc.)</td>
<td>$______(2)</td>
</tr>
</tbody>
</table>

Total Income $______(3)

Subtract:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unreimbursed employee expenses</td>
<td>$______(4)</td>
</tr>
<tr>
<td>Total self-employment income (line 3 minus line 4)</td>
<td>$______(5)</td>
</tr>
</tbody>
</table>

Multiplier x0.9235

Net self-employment income $______(6)

Self-employment tax rate x0.153

Self-employment tax $______(7)

**Federal income tax computation:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary (exclude Housing Allowance and TSA contributions)</td>
<td>$______(8)</td>
</tr>
<tr>
<td>Other earned net income</td>
<td>$______(9)</td>
</tr>
<tr>
<td>Taxable interest, dividends and capital gains</td>
<td>$______(10)</td>
</tr>
<tr>
<td>Other taxable income</td>
<td>$______(11)</td>
</tr>
</tbody>
</table>

Total income (add lines 8 thru 11) $______(12)

Subtract:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>½ Self-employment tax (line 7)</td>
<td>$______(13)</td>
</tr>
<tr>
<td>Deductible IRA contributions</td>
<td>$______(14)</td>
</tr>
<tr>
<td>Other adjustments (e.g., teacher’s classroom expenses, student loan interest)</td>
<td>$______(15)</td>
</tr>
</tbody>
</table>

Total subtractions (add line 13 thru 15) $______(16)

Adjusted gross income (line 12 minus line 16) $______(17)

Standard deduction (use applicable table) $______(18)

- or -

Estimated Schedule A deductions $______(19)

(enter the greater of lines 18 and 19 on line 20) $______(20)

Taxable income (line 17 minus line 20) $______(21)

Tax before nonrefundable credits (calculate using applicable table) $______(22)

Nonrefundable credits (child tax credit, credits for child care,
education, and low-income taxpayers’ TSA and IRA contributions) $______(23)

Tax after nonrefundable credits (line 22 minus line 23; if result is negative, enter “-0-“) $______(24)

Refundable credits (earned income credit, additional child tax credit) $______(25)

**Federal Income Tax** (line 24 minus line 25) $______(26)

Combined estimated tax liability (line 7 plus line 26) $______(27)

---

You can estimate your tax using IRS tax tables; those for 2020 are provided. Since IRS adjusts these tables annually, use caution obtaining current data for your future calculations.
## Tables for Estimated Taxes Worksheet

### 2020 Standard Deduction (line 18)

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single or married filing separately</td>
<td>$12,400</td>
</tr>
<tr>
<td>Married filing jointly or qualifying widow or widower</td>
<td>$24,800</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$18,650</td>
</tr>
</tbody>
</table>

### 2020 Personal Exemption (suspended until 2026)

<table>
<thead>
<tr>
<th>Per person</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Null</td>
</tr>
</tbody>
</table>

### 2020 Federal Tax Table (line 22)

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Individuals:</td>
<td></td>
</tr>
<tr>
<td>Not over $9,875</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $9,875 but not over $40,125</td>
<td>$987.50 plus 12% of the excess over $9,875</td>
</tr>
<tr>
<td>Over $40,125 but not over $85,525</td>
<td>$4,617.50 plus 22% of the excess over $40,125</td>
</tr>
<tr>
<td>Married filing joint returns:</td>
<td></td>
</tr>
<tr>
<td>Not over $19,750</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $19,750 but not over $80,250</td>
<td>$1,975 plus 12% of the excess over $19,750</td>
</tr>
<tr>
<td>Over $80,250 but not over $171,050</td>
<td>$9,235 plus 22% of the excess over $80,250</td>
</tr>
<tr>
<td>Married filing separate returns:</td>
<td></td>
</tr>
<tr>
<td>Not over $9,875</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $9,875 but not over $40,125</td>
<td>$987.50 plus 12% of the excess over $9,875</td>
</tr>
<tr>
<td>Over $40,125 but not over $85,525</td>
<td>$4,614.50 plus 22% of the excess over $40,125</td>
</tr>
<tr>
<td>Head of Household:</td>
<td></td>
</tr>
<tr>
<td>Not over $14,100</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $14,100 but not over $53,700</td>
<td>$1,410 plus 12% of the excess over $14,100</td>
</tr>
<tr>
<td>Over $53,700 but not over $85,500</td>
<td>$6,162 plus 22% of the excess over $53,700</td>
</tr>
</tbody>
</table>

### 2020 Quarterly Payment (line 27 divided by remaining quarters)

- **Period:** Jan 1—Mar 31  
  **Due:** 7/15/2020  
  **Amount:** $  
- **Period:** Apr 1—May 31  
  **Due:** 7/15/2020  
  **Amount:** $  
- **Period:** Jun 1—Aug 31  
  **Due:** 9/15/2020  
  **Amount:** $  
- **Period:** Sep 1—Dec 31  
  **Due:** 1/15/2020  
  **Amount:** $  

*The information contained in these tables changes annually and is published in IRS Form 1040-ES (www.irs.gov).*