

INSIGHTS

FOR GREATER NJ ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

PAYCHEX[®]

About Paychex

Nearly 800,000

Customers



12 Million

People Paid



1.5 Million

401(k) Participants



Over 600

HR Professionals



Over 50 Years

of Excellence



#1 401(k)

Plan Provider³



Experienced

The largest provider of outsourced HR services in the U.S.¹

Principled

Named on of the World's Most Ethical companies[®] by Ethisphere[®] Institute

Trusted

Preferred provider for the national association of CPAs (AICPA), Enrolled Agents (NAEA), and tax professionals (NSTP).

Proven

Country's leading full-service payroll provider for small business²

1 *with more than 1.7 million work site employees | 2 Paying 1 in 12 U.S. private sector workers | 3 By 401(k) participating employer count as validated by publicly available information for calendar year 2023

Clergy Payroll Tax Information...and How Paychex can help...

Lets review... Employee's

What 2 types of employees work for religious organizations?

- the Ministers and Clergy, and the non-clergy also known as lay people.

What is a Minister or Clergy person?

- A minister is one, who is duly ordained, commissioned, or licensed by a religious body, such as a church or church denomination. The definition goes on to include priests, rabbis, imams, and other members who have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination.

What is a Non-Minister employee?

- Non-minister employees are workers who do not perform ministerial duties.

Lets review... Taxes...

Federal Taxes:

Non-minister employees would be subject to regular FIT taxes based on a completed form W-4

Ministers/Clergy may opt to have their FIT taxes set up as exempt from withholding

FUTA Taxes:

Churches and religious organizations that qualify under Section 501C(3) of the Internal Revenue Code are not liable for FUTA



FICA Taxes:

Ministers/Clergy

Are considered self-employed, for SS & Medicare, so both the employee and the employer are exempt from FICA. The employee would be responsible for **SECA**

SECA would be paid on qualified services – meaning services performance in the exercise of the ministry as a minister, priest, rabbi, etc. (**see next slide**)

Non-minister Employees

Wages paid to non-minister employees are subject to FICA for both the church and employee

Lets review... SECA...

What is SECA?

SECA stands for Self-Employed Contributions Act, where self-employed individuals will pay both portions, (EE & ER) or all amounts, of social security and Medicare taxes. The basic SECA tax rate is 15.3%, although individuals can deduct half the taxes from their adjusted gross income.

Employers do not withhold SECA taxes from the self-employed workers. It is the responsibility of the self-employed individual to pay their own SECA amounts, which is usually done Quarterly or with the Annual Form 1040.

SECA Offset - Paychex does not collect or remit SECA taxes

Not all members of clergy choose to exercise SECA. No two religious organizations are alike, so it's important to ask the right questions for clarification. The following options are optional only, as a work around, if the client is interested in SECA:

Option 1 – Set up a Per-pay-period deduction (code 12) to hold funds in the Employers account until Year End. The ER would then give those 'held' funds directly to the minister to remit with their personal return.

Option 2 – Increase the amount of FIT withheld for the minister so they can offset any amount due for SECA taxes with the overpaid FIT when they file their personal tax return

Option 3 – Employer Reimbursement for the cost of SECA - If a client insists on this option, the additional payments are NOT qualified as expense reimbursements – they are simply additional compensation. This may confuse the client, and they may argue that additional compensation means additional liability, which is correct. The IRS does not recognize these payments as non-taxable reimbursements, so they must be added to the payroll as a taxable earning (code 1) or cash fringe benefit (code 30).

Lets review... Housing Allowance vs Parsonage



Housing Allowance:

- A designated amount that is **paid** to a minister and used for expenses related to providing or renting a home within reasonable pay guidelines (off campus/property)
- Increases total comp and net pay (comparative to Charged Tips)
- Prints on W-2 in box 14
- Exempt from FICA, FIT, FUTA, SIT and possibly SUI
- Code 143 – Housing allowance paid directly to a qualified Minister

Housing Parsonage:

- House/Apartment/Living arrangement provided for the minister on church property
- Other Item – Does not add to Net Pay, added for tax purposes only – **not paid** to qualified minister
- This must be separated from the minister's salary
- Prints on W-2 in Box 14. Exempt from FICA, FIT, FUTA, SIT and possibly SUI
- Code 44 – Rental Value of housing for a qualified minister

Non-Minister Housing: Non-minister employees may reside on church property for church convenience

- Code 45 – Lodging provided to the Employee for the convenience of the Employer
- Other Item – **Does not add to net pay**
- Exempt from FICA, FIT, and FUTA.
- Only gets reported on the 940. It does not get reported on the W-2 or any other return

Transition

We'll provide around-the-clock payroll support

01

Day One

Here's what you'll provide:

- Federal ID Number
- Voided Check
- Worker/Company Info

02

Start New Account

After your account is set up, a full year to date audit will be completed by our Service Specialist

03

First Payroll

Paychex hosts live training sessions to help you run your first payroll with confidence.

04

Payroll Review

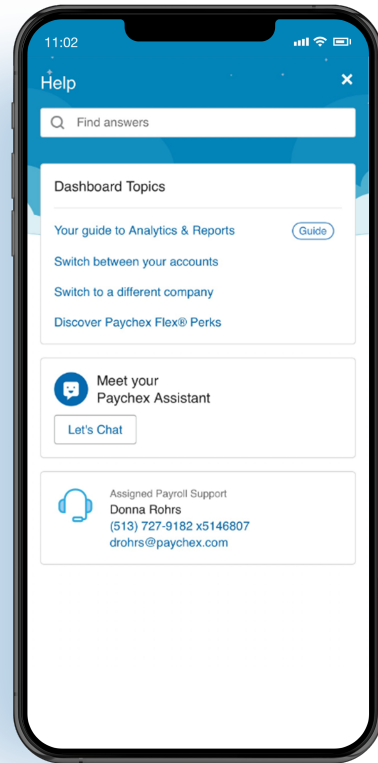
Your ongoing Service Team offers continued support and access to training guides and other resources.

05

Ongoing Support

Available to you customer support via chat, phone, email, or in-platform tools, with expert specialists ready to assist.

Ongoing Support



Online

- Full access to in-platform tools
- 24/7 chat assistance whenever you need it

Enhanced

- Access multi-channel support via phone & email
- Connect with agents equipped to handle your business needs

Premium

- Get support via phone, chat, and email
- Assigned a dedicated Paychex specialist to help manage your payroll

Flex Select

Plan Features

- Payroll Processing
- Mobile App
- Taxpay® Service
- Direct Deposit/Pay Card
- Check Signing/Insertion
- Check Logo
- Readychex®
- New Hire Reporting
- General Ledger Report
- Retirement Plan Summary Report

- Employee Self-Service
- HR Online Library
- Labor Compliance Poster Kit
- Learning Essentials
- Employee Tasks
- *Pay-on-Demand
- *Tax Credit Service
- Employee Screening Essentials - 15
- State Unemployment Insurance Service
- Data Exports

- Job Costing
- Labor Distribution
- Paychex Flex HR
- Time-Off Accrual
- Report Writer
- Workers' Compensation Payment Service
- Workers' Compensation Report
- General Ledger Service
- Employee Handbook Builder
- Garnishment Payment Service

Paychex also processes quarterly 941s and W2s

Paychex

Discount for

Greater NJ Annual
Conference Of The
United Methodist
Church

- **25% Discount**
- **Complimentary Digital W-2s**

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