



## Year End Tax Refresher †

### REMIND PARISHIONERS “WIN-WIN” WAYS TO DONATE TO THE PARISH

**APPRECIATED INVESTMENTS:** Transferring investments directly to a parish can save donors from taxes on the appreciated value of their investments. This can save the donor money and increase the amount available to the parish.

**SENIORS WITH IRAs:** Seniors (OVER 70<sup>1/2</sup> years of age) can donate directly from their IRA to the parish and not have to claim income on the IRA distribution. This is referred to as a QCD, qualified charitable distribution.

**DONATION DEADLINE:** To qualify as a donation in 2023, the gift must be received by the parish by December 31 or it must arrive, post December 31, in an envelope postmarked in 2023. Backdating a check to December does not qualify as a 2023 donation.

† This Tax Refresher Bulletin is intended as a simple summary and reminder of year-end tax issues. No portion of this information is intended as tax advice for any individual, donor or donation. Individuals and donors should consult their own tax advisor when considering the legal or tax implications of a donation.

WHEN IN DOUBT,  
CALL THE FINANCE  
OFFICE

785-827-8746.

For additional  
information:  
[www.irs.gov](http://www.irs.gov)



### YEAR END REPORTING

**W-2 Reporting:** Issue a W-2 to report wages paid during 2023 to employees and the Social Security Admin., no later than January 31, 2024.

**1095 Reporting:** Form 1095, Employer Provided Health Insurance Offer and Coverage form must be issued to employees by March 1, 2024. These are provided by the Diocese for participants in the Diocesan health ins. program.

**1099 Reporting:** Form 1099 must be issued to recipients and government by Jan. 31, 2024 and the Gov't by Feb. 28, 2024 (paper filing).

### EMPLOYEE PAYMENTS AND W-2 INCOME REPORTING

1. **Wages** include all payments to employees for their services including salary, hourly, overtime, stipends (including Mass stipends) and contract payments to employees (e.g., teacher stipends for extra-curricular activity).
2. **Bonuses** include in employees' taxable income whether paid through the payroll system or by way of check, cash, cash equivalent (like gift certificates), prizes or non-cash property.
3. **Employee Gifts** are included in gross income except for certain achievement awards or "de minimus" benefits. Donors may not direct gifts to an employee or individual through the parish to obtain a charitable deduction.
4. **Sick Pay** include as wages.
5. **Employee reimbursements** are not taxable if an Accountable Reimbursement Plan ("ARP") is in place. An ARP requires employees to provide documentation identifying the purchase, and the parish business purpose for any reimbursement. Employee allowances are taxable unless the employee provides ARP documentation. In the absence of ARP documentation, payments of allowances are reportable as taxable income.
6. **Free or discounted parish school tuition\*** is reportable and taxable to employees who work in the parish but is non-taxable to school employees.
7. **Providing free or discounted day care/dependent care\*** is tax-free up to the **\$5,000** maximum.
8. **Personal Use of a Parish-Owned vehicle** is taxable to the employee.
9. **Employee Educational Assistance\*** is tax-free up to **\$5,250** if non-discriminatory, and employee cannot choose to receive cash in lieu of this benefit.
10. **Priests** assigned to the parish are employees and receive a W-2. They are **self-employed for FICA taxes**. Therefore, their W-2s will show no Social Security or Medicare wages or FICA withholding.

## EMPLOYEE PAYMENTS AND W-2 INCOME REPORTING, continued

11. **Flexible Spending Account** withholding amounts up to **\$3,050** for 2023. Contributions are not taxable for Federal, State or FICA taxes. Includes health insurance premiums, medical reimbursement and child care pre-tax deductions.
12. Special tax rules apply for **Members of Religious Orders**. If criteria are met, there is no W-2 or 1099 reporting. Go to [www.usccb.org/offices/general-counsel/tax-and-group-ruling](http://www.usccb.org/offices/general-counsel/tax-and-group-ruling) for detailed information. Payment must be made out to or include the name of the Religious Order.

\* Requires a written plan document to ensure that the plan is non-discriminatory, payments do not represent compensation for services provided by the employee and other compliance to ensure the benefit is non-taxable to the employee, except as noted.

## INDEPENDENT CONTRACTORS

Various factors determine the **proper classification** of **Independent Contractors** (IC) including:

- a. Behavioral Control (whether supervision/training is provided – little or none for an IC)
- b. Financial Control (whether the worker can realize a profit or a loss from the job – yes for an IC) and
- c. Relationship of the Parties (whether a specific person must do the work – less likely for an IC)

Before any work is done, obtain the following:

- d. **Form W-9** properly signed with taxpayer ID number provided.
- e. **Certificate of Insurance** for both liability and workers compensation that lists both the Diocese and the parish as “additional insured”.

**\$600 Rule:** Payments to vendors, **including supply priests**, totaling **\$600** or more in the calendar year are reported on Form **1099-MISC**. Include all “non-corporate” vendors for services except attorney’s fees which must be reported over \$600 even if incorporated.

If the vendor does not provide you with a taxpayer ID number, begin **backup withholding** at **24%**. Combine backup withholding from independent contractors and pay using IRS Form 945 if less than \$2,500 for the year. If \$2,500 or greater, see Pub 15 Section 11 for deposit instructions.

## CHARITABLE DONATIONS AND REQUIREMENTS

Parishes should provide donors with a summary of their donations for the year showing the parish name, parish tax ID#. Any contributions of **\$250 or more** must be listed individual and include:

- a. Amount of the cash contribution (includes payments via cash, checks and credit/debit cards)
- b. Description (but not the value) of non-cash contributions
- c. Statement that no goods or services were provided to the donor, or a description and good faith estimate of the fair market value (“FMV”) of goods and services, if any, that the parish provided to the donor for the contribution, and
- d. Statement that the goods or services, if any, that the parish provided in return for the contribution consisted entirely of **intangible religious benefits**, if that was the case.

**Auctions:** Provide a good faith estimate of the FMV of items purchased by donors at a **charity auction**. Donors are generally allowed to **deduct the purchase price LESS the FMV of the item purchased**. If a donation includes a **quid pro quo**, (payment is partly a donation and partly for goods or services) then the parish must provide a written disclosure statement to any donor where the donation exceeds **\$75**. The donor’s deduction is limited to the excess over the FMV of goods or services provided. The parish must provide a Good Faith Estimate of the FMV at the time of solicitation or receipt of the contribution.

Quid Pro Quo disclosure is not required if goods or services given to a donor have **insubstantial value**, (e.g., the FMV is lesser of 2% or \$50 (2023)) or the cost of items with organization’s name or logo is \$12.50 or less (2023)

For **non-cash contributions** (e.g., real estate or personal property) where the donor claims a FMV of **\$5,000+**, the donor must get an appraisal in order to deduct the charitable contribution. The donor will ask the Pastor to sign Section B, Part IV of **Form 8283** to acknowledge the gift was received (there is no responsibility to agree with the donor’s claimed FMV). The parish agrees to file **Form 8282** with the IRS and give a copy to the donor if the donated property is disposed of within 2 years.

Special rules apply to **contributions of motor vehicles**.