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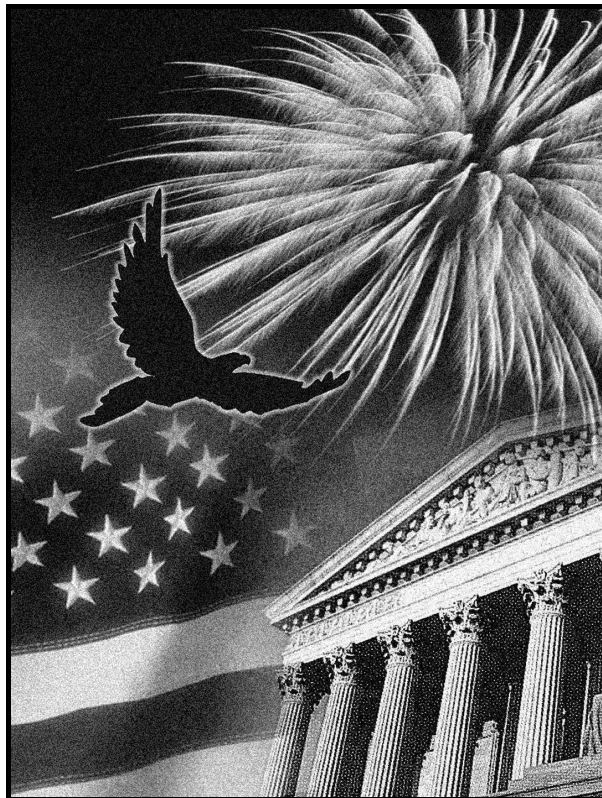
Internal
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Publication 517

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Social Security and Other Information for Members of the Clergy and Religious Workers

For use in preparing
2011 Returns



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What's New

Future developments. The IRS has created a page on IRS.gov for information about Pub. 517, at www.irs.gov/pub517. Information about any future developments affecting Pub. 517 (such as legislation enacted after we release it) will be posted on that page.

Self-employment tax deduction. For 2011, the self-employment tax deduction is revised to reflect an employer's equivalent portion of tax. Previously, the deduction was equal to one-half of the self-employment tax. See the Instructions for Schedule SE (Form 1040) for more information.

SE tax rate. For 2011, the Old Age, Survivors, and Disability Insurance (OASDI) portion of the SE tax is reduced by 2%, from 12.4% to 10.4%. The Medicare (HI) portion of the SE tax remains 2.9%. As a result, the SE tax rate is reduced from 15.3% to 13.3%. For more information, see the Instructions for Schedule SE (Form 1040).

Earnings subject to social security. For 2011, the maximum wages and self-employment income subject to social security tax remains \$106,800.

Deduction for self-employed health insurance. This deduction is no longer allowed on Schedule SE. However, you can still take it on Form 1040, line 29. See the Form 1040, line 29 instructions.

Modified AGI limit for traditional IRA contributions increased. For 2011, you may be able to take an IRA deduction if you were covered by a retirement plan at work and your modified AGI is:

- Less than \$110,000 if married filing jointly or qualifying widow(er),

- Less than \$66,000 if single or head of household, or
- Less than \$10,000 if married filing separately.

If you file a joint return and either you or your spouse was not covered by a retirement plan at work, you may be able to take an IRA deduction if your modified AGI is less than \$179,000.

Modified AGI limit for Roth IRA contributions increased. For 2011, you may be able to contribute to your Roth IRA if your modified AGI is:

- Less than \$179,000 if married filing jointly or qualifying widow(er),
- Less than \$122,000 if single, head of household, or married filing separately and did not live with your spouse at any time during the year, or
- Less than \$10,000 if married filing separately and you lived with your spouse at any time during the year.

Earned income credit (EIC). For 2011, the maximum amount of income you can earn and still claim the EIC has increased. You may be able to take the EIC if you earned less than \$43,998 (\$49,078 for married filing jointly) and you have three or more qualifying children; \$40,964 (\$46,044 for married filing jointly) and you have two qualifying children; \$36,052 (\$41,132 for married filing jointly) and you have one qualifying child; and \$13,660 (\$18,740 for married filing jointly) and you do not have any qualifying children.

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

Three federal taxes are paid on wages and self-employment income—income tax, social security tax, and Medicare tax. Social security and Medicare taxes are collected under one of two systems. Under the Self-Employment Contributions Act (SECA), the self-employed person pays all the taxes. Under the Federal Insurance Contributions Act (FICA), the employee and the employer each pay half of the taxes. No earnings are subject to both systems.

This publication contains information for the following classes of taxpayers.

- Ministers.
- Members of a religious order.
- Christian Science practitioners and readers.
- Religious workers (church employees).
- Members of a recognized religious sect.

Table 1. Are Your Ministerial Earnings* Covered Under FICA or SECA?

Find the class to which you belong in the left column and read across the table to find if you are covered under FICA or SECA. Do not rely on this table alone. Also read the discussion for the class in the following pages.

Class	Covered under FICA?	Covered under SECA?
Minister	NO. Your ministerial earnings are exempt.	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.
Member of a religious order who has not taken a vow of poverty	NO. Your ministerial earnings are exempt.	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.
Member of a religious order who has taken a vow of poverty	YES, if: <ul style="list-style-type: none"> • Your order elected FICA coverage for its members, or • You worked outside the order and the work was not required by, or done on behalf of, the order. NO, if neither of the above applies.	NO. Your ministerial earnings are exempt.
Christian Science practitioner or reader	NO. Your ministerial earnings are exempt.	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.
Religious worker (church employee)	YES, if your employer did not elect to exclude you. NO, if your employer elected to exclude you.	YES, if your employer elected to exclude you from FICA. NO, if you are covered under FICA.
Member of a recognized religious sect	YES, if you are an employee and do not have an approved exemption from the IRS. NO, if you have an approved exemption.	YES, if you are self-employed and do not have an approved exemption from the IRS. NO, if you have an approved exemption.

* Ministerial earnings are the self-employment earnings that result from [ministerial services](#), defined and discussed later.

Note. Unless otherwise noted, in this publication references to members of the clergy include ministers, members of a religious order (but not members of a recognized religious sect), and Christian Science practitioners and readers.

This publication covers the following topics about the collection of social security and Medicare taxes from members of the clergy, religious workers, and members of a recognized religious sect.

- Which earnings are taxed under FICA and which under SECA. See [Table 1](#).
- How a member of the clergy or a member of a recognized religious sect can apply for an exemption from self-employment tax.
- How a member of the clergy or religious worker figures net earnings from self-employment.

This publication also covers certain income tax rules of interest to ministers and members of a religious order.

A [Comprehensive Example](#) shows filled-in forms for a minister who has income taxed under SECA, other income taxed under FICA, and income tax reporting of items specific to a minister.



In the back of Publication 517 is a set of [worksheets](#) that you can use to figure the amount of your taxable ministerial income and allowable deductions. You will find these worksheets right after the [Comprehensive Example](#).

Note. In this publication, the term “church” is generally used in its generic sense and not in reference to any particular religion.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at taxforms@irs.gov. Please put "Publications Comment" on the subject line. You can also send us comments from www.irs.gov/formspubs/. Select "Comment on Tax Forms and Publications" under "Information about."

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

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Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Tax questions. If you have a tax question, check the information available on IRS.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

- 54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 525** Taxable and Nontaxable Income
- 529** Miscellaneous Deductions
- 535** Business Expenses
- 590** Individual Retirement Arrangements (IRAs)
- 596** Earned Income Credit (EIC)

Form (and Instructions)

- SS-8** Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
- SS-16** Certificate of Election of Coverage Under the Federal Insurance Contributions Act
- Schedule C (Form 1040)** Profit or Loss From Business (Sole Proprietorship)
- Schedule C-EZ (Form 1040)** Net Profit From Business (Sole Proprietorship)
- Schedule SE (Form 1040)** Self-Employment Tax
- 1040-ES** Estimated Tax for Individuals
- 1040X** Amended U.S. Individual Income Tax Return
- 4029** Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits

- 4361** Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners
- 8274** Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes

Ordering publications and forms. See [How To Get Tax Help](#), near the end of this publication, for information about getting these publications and forms.

Social Security Coverage

This section gives information about which system (SECA or FICA) is used to collect social security and Medicare taxes from members of the clergy (ministers, members of a religious order, and Christian Science practitioners and readers) and religious workers (church employees).

Coverage of Members of the Clergy

The services you perform in the exercise of your ministry, of the duties required by your religious order, or of your profession as a Christian Science practitioner or reader are covered by social security and Medicare under SECA. Your earnings for these [ministerial services](#) (defined later) are subject to self-employment (SE) tax unless one of the following applies.

- You are a member of a religious order who has taken a vow of poverty.
- You ask the Internal Revenue Service (IRS) for an exemption from SE tax for your services and the IRS approves your request. See [Exemption From Self-Employment \(SE\) Tax](#), later.
- You are subject only to the social security laws of a foreign country under the provisions of a social security agreement between the United States and that country. For more information, see [Bilateral Social Security \(Totalization\) Agreements](#) in Publication 54.

Your earnings that are not from ministerial services may be subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general. See [Ministerial Services](#), later.

Ministers

If you are a minister of a church, your earnings for the services you perform in your capacity as a minister are subject to SE tax, even if you perform these services as an employee of that church. However, you can request that the IRS grant you an exemption, as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later. For the specific services covered, see [Ministerial Services](#), later.

Ministers defined. Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. They are given 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.

If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.

Employment status for other tax purposes. Even though, for social security tax purposes, you are considered a self-employed individual in performing ministerial services, you may be considered an employee for income tax or retirement plan purposes in performing those same ministerial services. For income tax or retirement plan purposes, some of your income may be considered self-employment income and other income may be considered wages.

Unless you are exempt from SECA, you will pay SE tax on both your wages and your self-employment income.

Common-law employee. Under common-law rules, you are considered either an employee or a self-employed person. Generally, you are an employee if you perform services for someone who has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see Publication 15-A, Employer's Supplemental Tax Guide.

If you are employed by a congregation for a salary, you are generally a common-law employee and income from the exercise of your ministry is considered wages for income tax purposes. However, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, are not considered wages; such amounts are self-employment income for both income tax purposes and social security tax purposes.

Example. A church hires and pays you a salary to perform ministerial services subject to its control. Under the common-law rules, you are an employee of the church while performing those services.

Form SS-8. If you are not certain whether you are an employee or a self-employed person, you can get a determination from the IRS by filing Form SS-8.

Members of Religious Orders

If you are a member of a religious order who has not taken a vow of poverty, your earnings for ministerial services you perform as a member of the order are subject to SE tax. See [Ministerial Services](#), later. However, you can request that the IRS grant you an exemption as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later.

Vow of poverty. If you are a member of a religious order and have taken a vow of poverty, you are already exempt from paying SE tax on your earnings for ministerial services you perform as an agent of your church or its agencies.

You do not need to request a separate exemption. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order.

Services covered under FICA at the election of the order. However, even if you have taken a vow of poverty, the services you perform for your church or its agencies may be covered under social security. Your services are covered if your order, or an autonomous subdivision of the order, elects social security coverage for its current and future vow-of-poverty members.

The order or subdivision elects coverage by filing Form SS-16. It can elect coverage for certain vow-of-poverty members for a retroactive period of up to 20 calendar quarters before the quarter in which it files the certificate. If the election is made, the order or subdivision pays both the employer's and employee's share of the tax. You do not pay any of the FICA tax.

Services performed outside the order. Even if you are a member of a religious order who has taken a vow of poverty and are required to turn over to the order amounts you earn, your earnings are subject to federal income tax withholding and employment (FICA) tax if you:

- Work for an organization outside your religious community, and
- Perform work that is not required by, or done on behalf of, the order.

In this case, you are considered an employee of that outside organization. You may, however, be able to take a charitable deduction for the amount you turn over to the order. See Publication 526, Charitable Contributions.

Lay employees. Lay employees generally are covered by social security. However, see [Election by Church To Exclude Their Employees From FICA Coverage](#), later, under *Coverage of Religious Workers (Church Employees)*.

Rulings. Organizations and individuals may request rulings from the IRS on whether they are religious orders, or members of a religious order, respectively, for FICA tax, SE tax, and federal income tax withholding purposes. To request a ruling, follow the procedures in Revenue Procedure 2011-1, 2011-1 I.R.B. 1, available at www.irs.gov/irb/2011-01_IRB/ar06.html.

Christian Science Practitioners and Readers

Generally, your earnings from services you perform in your profession as a Christian Science practitioner or reader are subject to SE tax. However, you can request an exemption as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later.

Practitioners. Christian Science practitioners are members in good standing of the Mother Church, The First Church of Christ, Scientist, in Boston, Massachusetts, who practice healing according to the teachings of Christian Science. Christian Science practitioners are specifically exempted from licensing by state laws.

Some Christian Science practitioners also are Christian Science teachers or lecturers. Income from teaching or lecturing is considered the same as income from their work as practitioners.

Readers. For tax purposes, Christian Science readers are considered the same as ordained, commissioned, or licensed ministers.

Coverage of Religious Workers (Church Employees)

If you are a religious worker (a church employee) and are not in one of the classes already discussed, your wages are generally subject to social security and Medicare tax under FICA, not SECA. Some exceptions are discussed next.

Election by Church To Exclude Their Employees From FICA Coverage

Churches and qualified church-controlled organizations (church organizations) that are opposed for religious reasons to the payment of social security and Medicare taxes can elect to exclude their employees from FICA coverage. If your employer makes this election, it does not pay the employer's portion of the FICA taxes or withhold from your pay your portion of the FICA taxes. Instead, your wages are subject to SECA and you must pay SE tax on your wages if they exceed \$108.28 during the tax year. However, you can request an exemption from SE tax if you are a member of a recognized religious sect, as discussed below.

Churches and church organizations make this election by filing two copies of Form 8274. For more information about making this election, see Form 8274.

Election by Certain Church Employees Who Are Opposed to Social Security and Medicare

You may be able to choose to be exempt from social security and Medicare taxes, including the SE tax, if you are a member of a recognized religious sect or division and work for a church (or church-controlled nonprofit division) that does not pay the employer's part of the social security tax on wages. This exemption does not apply to your service, if any, as a minister of a church or as a member of a religious order.

Make this choice by filing Form 4029. See [Requesting Exemption—Form 4029](#), later, under *Members of Recognized Religious Sects*.

U.S. Citizens and Resident and Nonresident Aliens

To be covered under the SE tax provisions (SECA), individuals generally must be citizens or resident aliens of the United States. Nonresident aliens are not covered under SECA unless a social security agreement in effect between the United States and the foreign country determines that you are covered under the U.S. social security system.

To determine your alien status, see Publication 519, U.S. Tax Guide for Aliens.

Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa. If you are a resident of one of these U.S. possessions but not a U.S. citizen, for SE tax purposes you are treated the same as a citizen

or resident alien of the United States. For information on figuring the tax, see [Self-Employment Tax: Figuring Net Earnings](#), later.

Ministerial Services

Ministerial service, in general, is the service you perform in the exercise of your ministry, in the exercise of your duties as required by your religious order, or in the exercise of your profession as a Christian Science practitioner or reader. Income you receive for performing ministerial services is subject to SE tax unless you have an exemption as explained later. Even if you have an exemption, only the income you receive for performing ministerial services is exempt. The exemption does not apply to any other income.

The following discussions provide more detailed information on ministerial services of ministers, members of a religious order, and Christian Science practitioners and readers.

Ministers

Most services you perform as a minister, priest, rabbi, etc., are ministerial services. These services include:

- Performing sacerdotal functions,
- Conducting religious worship, and
- Controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination.

You are considered to control, conduct, and maintain a religious organization if you direct, manage, or promote the organization's activities.

A religious organization is under the authority of a religious body that is a church or denomination if it is organized for and dedicated to carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith.

Services for nonreligious organizations.

Your services for a nonreligious organization are ministerial services if the services are assigned or designated by your church. Assigned or designated services qualify even if they do not involve performing sacerdotal functions or conducting religious worship.

If your services are not assigned or designated by your church, they are ministerial services only if they involve performing sacerdotal functions or conducting religious worship.

Services that are not part of your ministry.

Income from services you perform as an employee that are not ministerial services is subject to social security and Medicare tax withholding (not self-employment tax) under the rules that apply to employees in general. The following are not ministerial services.

- Services you perform for nonreligious organizations other than the services stated above.
- Services you perform as a duly ordained, commissioned, or licensed minister of a church as an employee of the United States, the District of Columbia, a foreign

government, or any of their political subdivisions. This is true even if you are performing sacerdotal functions or conducting religious worship. (For example, if you perform services as a chaplain in the Armed Forces of the United States, those services are not ministerial services.)

- Services you perform in a government-owned and operated hospital. (These services are considered performed by a government employee, not by a minister as part of the ministry.) However, services that you perform at a church-related hospital or health and welfare institution, or a private nonprofit hospital, are considered to be part of the ministry and are considered ministerial services.

Books or articles. Writing religious books or articles is considered to be in the exercise of your ministry and is considered a ministerial service.

This rule also applies to members of religious orders and to Christian Science practitioners and readers.

Members of Religious Orders

Services you perform as a member of a religious order in the exercise of duties required by the order are ministerial services. The services are considered ministerial because you perform them as an agent of the order.

For example, if you are directed to perform services for another agency of the supervising church or an associated institution, you are considered to perform the services as an agent of the order.

However, if you are directed to work outside the order, the employment will not be considered a duty required by the order unless:

- Your services are the kind that are ordinarily performed by members of the order, and
- Your services are part of the duties that must be exercised for, or on behalf of, the religious order as its agent.

Effect of employee status. Ordinarily, if your services are not considered directed or required of you by the order, you and the outside party for whom you work are considered employee and employer. In this case, your earnings from the services are taxed under the rules that apply to employees in general, not under the rules for services provided as agent for the order. This is true even if you have taken a vow of poverty.

Example. Pat Brown and Chris Green are members of a religious order and have taken vows of poverty. They renounce all claims to their earnings. The earnings belong to the order.

Pat is a licensed attorney. The superiors of the order instructed her to get a job with a law firm. Pat joined a law firm as an employee and, as she requested, the firm made the salary payments directly to the order.

Chris is a secretary. The superiors of the order instructed him to accept a job with the business office of the church that supervises the order. Chris took the job and gave all his earnings to the order.

Pat's services are not duties required by the order. Her earnings are subject to social security and Medicare tax under FICA and to federal income tax.

Chris' services are considered duties required by the order. He is acting as an agent of the order and not as an employee of a third party. He does not include the earnings in gross income, and they are not subject to income tax withholding, social security and Medicare tax, or SE tax.

Christian Science Practitioners and Readers

The exemption from SE tax, discussed next, applies only to the services a Christian Science practitioner or reader performs in the exercise of his or her profession. If you do not have an exemption, amounts you receive for performing these ministerial services are subject to SE tax.

Exemption From Self-Employment (SE) Tax

You can request an exemption from SE tax if you are a member of the clergy (minister, member of a religious order, or Christian Science practitioner or reader) or a member of a recognized religious sect.



Generally, members of religious orders who have taken a vow of poverty are already exempt from paying SE tax, as discussed earlier under [Members of Religious Orders](#) under Social Security Coverage. They do not have to request the exemption.

Who cannot be exempt. You cannot be exempt from SE tax if you made one of the following elections to be covered under social security. These elections are irrevocable.

- You elected to be covered under social security by filing Form 2031, Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious

Orders, and Christian Science Practitioners, for your 1986, 1987, 2000, or 2001 tax year.

- You elected before 1968 to be covered under social security for your ministerial services.

Requesting exemption. [Table 2](#) briefly summarizes the procedure for requesting exemption from the SE tax. More detailed explanations follow.



If you are a minister, member of a religious order, or Christian Science practitioner, an approved exemption only applies to earnings you receive for [ministerial services](#), discussed earlier. It does not apply to any other self-employment income.

Members of the Clergy

To claim the exemption from SE tax, you must meet all of the following conditions.

- You file Form 4361, described later under [Requesting Exemption—Form 4361](#).
- You are conscientiously opposed to public insurance because of your individual religious considerations (not because of your general conscience), or you are opposed because of the principles of your religious denomination.
- You file for other than economic reasons.
- You inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to public insurance if you are a minister or a member of a religious order (other than a vow-of-poverty member). This requirement does not apply to Christian Science practitioners or readers.
- You establish that the organization that ordained, commissioned, or licensed you, or your religious order, is a tax-exempt religious organization.
- You establish that the organization is a church or a convention or association of churches.

Table 2. **The Self-Employment Tax Exemption Application and Approval Process**

	Who Can Apply	
	Members of the Clergy	Members of Recognized Religious Sects
How	File Form 4361	File Form 4029
When	File by the due date (including extensions) of your income tax return for the second tax year in which you had at least \$400 of net earnings from self-employment (at least part from ministerial services)	File anytime
Approval	If approved, you will receive an approved copy of Form 4361	If approved, you will receive an approved copy of Form 4029
Effective Date	For all tax years after 1967 in which you have at least \$400 of net earnings from self-employment	First day of first quarter after the quarter in which Form 4029 was filed

- You did not make an election discussed earlier under [Who cannot be exempt](#).
- You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed on the statement.

Requesting Exemption—Form 4361

To request exemption from SE tax, file Form 4361 in triplicate (original and two copies) with the IRS.



The IRS will return to you a copy of the Form 4361 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

When to file. File Form 4361 by the date your income tax return is due, including extensions, for the second tax year in which you have net earnings from self-employment of at least \$400. This rule applies if any part of your net earnings for each of the 2 years came from your services as a:

- Minister,
- Member of a religious order, or
- Christian Science practitioner or reader.

The 2 years do not have to be consecutive tax years.



The approval process can take some time, so you should file Form 4361 as soon as possible.

Example 1. Rev. Lawrence Jaeger, a clergyman ordained in 2011, has net self-employment earnings of \$450 in 2011 and \$500 in 2012. He must file his application for exemption by the due date, including extensions, for his 2012 income tax return. However, if Rev. Jaeger does not receive IRS approval for an exemption by April 15, 2013, his SE tax for 2012 is due by that date.

Example 2. Rev. Louise Wolfe has \$300 in net self-employment earnings as a minister in 2011, but earned more than \$400 in 2010 and expects to earn more than \$400 in 2012. She must file her application for exemption by the due date, including extensions, for her 2012 income tax return. However, if she does not receive IRS approval for an exemption by April 15, 2013, her SE tax for 2012 is due by that date.

Example 3. In 2009, Rev. David Moss was ordained a minister and had \$700 in net self-employment earnings as a minister. In 2010, he received \$1,000 as a minister, but his related expenses were over \$1,000. Therefore, he had no net self-employment earnings as a minister in 2010. Also in 2010, he opened a book store and had \$8,000 in net self-employment earnings from the store. In 2011, he had net self-employment earnings of \$1,500 as a minister and \$10,000 net self-employment earnings from the store.

Rev. Moss had net earnings from self-employment in 2009 and 2011 that were \$400 or more each year, and part of the self-employment earnings in each of those years was for his services as a minister, so he must file his application for exemption by the due

date, including extensions, for his 2011 income tax return.

Death of individual. The right to file an application for exemption ends with an individual's death. A surviving spouse, executor, or administrator cannot file an exemption application for a deceased clergy member.

Effective date of exemption. An approved exemption is effective for all tax years after 1967 in which you have \$400 or more of net earnings from self-employment and any part of those earnings is for services as a member of the clergy. Once the exemption is approved, it is irrevocable.

Example. Rev. Trudy Austin, ordained in 2008, had \$400 or more in net self-employment earnings as a minister in both 2008 and 2011. She files an application for exemption on February 20, 2012. If an exemption is granted, it is effective for 2008 and the following years.

Refunds of SE tax. If, after receiving an approved Form 4361, you find that you overpaid SE tax, you can file a claim for refund on Form 1040X before the period of time for filing ends. This is generally within 3 years from the date you filed the return or within 2 years from the date you paid the tax, whichever is later. A return you filed, or tax you paid, before the due date is considered to have been filed or paid on the due date.

If you file a claim after the 3-year period but within 2 years from the time you paid the tax, the credit or refund will not be more than the tax you paid within the 2 years immediately before you file the claim.

Members of Recognized Religious Sects

If you are a member of a recognized religious sect, or a division of a recognized religious sect, you can apply for an exemption from payment of social security and Medicare taxes on both your self-employment income and the wages you earn from an employer who also has an exemption.

Exception. If you received social security benefits or payments, or anyone else received these benefits or payments based on your wages or self-employment income, you cannot apply. However, if you pay your benefits back, you may be considered for exemption. Contact your local Social Security Administration office to find out the amount to be paid back.

Eligibility requirements. To claim this exemption from SE tax, all the following requirements must be met.

1. You must file Form 4029, discussed later under [Requesting Exemption—Form 4029](#).
2. As a follower of the established teachings of the sect or division, you must be conscientiously opposed to accepting benefits of any private or public insurance that makes payments for death, disability, old age, retirement, or medical care, or provides services for medical care.
3. You must waive all rights to receive any social security payment or benefit and agree that no benefits or payments will be made to anyone else based on your wages and self-employment income.

4. The Commissioner of Social Security must determine that:

- a. Your sect or division has the established teachings as in (2) above,
- b. It is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their dependent members in a manner that is reasonable in view of the members' general level of living, and
- c. The sect or division has existed at all times since December 31, 1950.

Requesting Exemption—Form 4029

To request the exemption, file Form 4029 in triplicate (original and two copies) with the Social Security Administration at the address shown on the form. The sect or division must complete part of the form.



The IRS will return to you a copy of the Form 4029 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

When to file. You can file Form 4029 at any time.

If you have an approved exemption from SE tax and for some reason that approved exemption ended, you must file a new Form 4029 if you subsequently meet the [eligibility requirements](#), discussed earlier. See *Effective date of exemption*, next, for information on when the newly approved exemption would become effective.

If you have a previously approved exemption from SE tax and you change membership to another recognized religious sect, without any change to your eligibility requirements, then you do not need to file a new Form 4029.

Effective date of exemption. An approved exemption generally is effective on the first day of the first quarter after the quarter in which Form 4029 is filed. For example, if you meet all eligibility requirements and file Form 4029 on January 30, 2012, and your exemption is approved, it will become effective on April 1, 2012.

The exemption does not apply to any tax year beginning before you meet the [eligibility requirements](#) discussed earlier.

The exemption will end if you fail to meet the eligibility requirements or if the Commissioner of Social Security determines that the sect or division fails to meet them. You must notify the IRS within 60 days if you are no longer a member of the religious group, or if you no longer follow the established teachings of this group. The exemption will end on the date you notify the IRS.

Refunds of SE tax paid. To get a refund of any SE tax you paid while the exemption was in effect, file Form 1040X. For information on filing this form, see [Refunds of SE tax](#) under *Requesting Exemption—Form 4361*, earlier.

Exemption From FICA Taxes

Generally, under FICA, the employer and the employee each pay half of the social security and Medicare tax. Both the employee and the employer, if they meet the [eligibility requirements](#) discussed earlier, can apply to be exempt

from their share of FICA taxes on wages paid by the employer to the employee.

A partnership in which each partner holds a religious exemption from social security and Medicare is an employer for this purpose.



If the employer's application is approved, the exemption will apply only to FICA taxes on wages paid to employees who also received an approval of identical applications.

Information for employers. If you have an approved Form 4029 and you have an employee who has an approved Form 4029, do not report wages you paid to the employee as social security and Medicare wages.

If you have an employee who does not have an approved Form 4029, you must withhold the employee's share of social security and Medicare taxes and pay the employer's share.

Form W-2. When preparing a Form W-2 for an employee with an approved Form 4029, enter "Form 4029" in box 14, "Other." Do not make any entries in boxes 3, 4, 5, or 6.

Forms 941, 943, and 944. If both you and your employee have received approved Forms 4029, do not include these exempt wages on the following forms. Instead, follow the instructions given below.

- Form 941, Employer's QUARTERLY Federal Tax Return: check the box on line 4 and enter "Form 4029" in the empty space below the check box.
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees: enter "Form 4029" to the right of the wage entry spaces on lines 2 and 4.
- Form 944, Employer's ANNUAL Federal Tax Return: check the box on line 3 and enter "Form 4029" in the empty space below the check box.

Effective date. An approved exemption from FICA becomes effective on the first day of the first calendar quarter after the quarter in which Form 4029 is filed. The exemption will end on the last day of the calendar quarter before the quarter in which the employer, employee, sect, or division fails to meet the requirements.

Self-Employment Tax: Figuring Net Earnings

There are two methods for figuring your net earnings from self-employment as a member of the clergy or a religious worker.

- Regular method.
- Nonfarm optional method.



You may find [Worksheets 1 through 4](#) helpful in figuring your net earnings from self-employment. Blank worksheets are in the back of this publication, after the [Comprehensive Example](#).

Regular Method

Most people use the regular method. Under this method, figure your net earnings from self-employment by totaling your gross income

for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner or reader. Then, subtract your allowable business deductions and multiply the difference by 92.35% (.9235). Use Schedule SE (Form 1040) to figure your net earnings and SE tax.

If you are an employee of a church that elected to exclude you from FICA coverage, figure net earnings by multiplying your church wages shown on Form W-2 by 92.35% (.9235). Do not reduce your wages by any business deductions when making this computation. Use Schedule SE (Form 1040), Section B, to figure your net earnings and SE tax.



If you have an approved exemption, or you are automatically exempt, do not include the income or deductions from ministerial services in figuring your net earnings from self-employment.

Amounts included in gross income. To figure your net earnings from self-employment (on Schedule SE (Form 1040)), include in gross income:

1. Salaries and fees for your [ministerial services](#) (discussed earlier),
2. Offerings you receive for marriages, baptisms, funerals, masses, etc.,
3. The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience,
4. The fair rental value of a parsonage provided to you (including the cost of utilities that are furnished) and the rental allowance (including an amount for payment of utilities) paid to you, and
5. Any amount a church pays toward your income tax or SE tax, other than withholding the amount from your salary. This amount is also subject to income tax.

For the income tax treatment of items (2) and (4), see [Income Tax: Income and Expenses](#), later.

Example. Pastor Roger Adams receives an annual salary of \$39,000 as a full-time minister. The \$39,000 includes \$5,000 that is designated as a rental allowance to pay utilities. His church owns a parsonage that has a fair rental value of \$12,000 per year. Pastor Adams is given the use of the parsonage. He is not exempt from SE tax. He must include \$51,000 (\$39,000 plus \$12,000) when figuring his net earnings for SE tax purposes.

The results would be the same if, instead of the use of the parsonage and receipt of the rental allowance for utilities, Pastor Adams had received an annual salary of \$51,000 of which \$17,000 (\$5,000 plus \$12,000) per year was designated as a rental allowance.

Overseas duty. Your net earnings from self-employment are determined without any foreign earned income exclusion or the foreign housing exclusion or deduction if you are a U.S. citizen or resident alien serving abroad and living in a foreign country.

For information on excluding foreign earned income or the foreign housing amount, see Publication 54.

Example. Paul Jones was the minister of a U.S. church in Mexico. He earned \$35,000 in that position and was able to exclude it all for

income tax purposes under the foreign earned income exclusion. The United States does not have a social security agreement with Mexico, so Mr. Jones is subject to U.S. SE tax and must include \$35,000 when figuring net earnings from self-employment.

Specified U.S. possessions. The exclusion from gross income for amounts derived from American Samoa or Puerto Rico does not apply in computing net earnings from self-employment. Also see [Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa](#), earlier, under [U.S. Citizens and Resident and Nonresident Aliens](#).

Amounts not included in gross income. Do not include the following amounts in gross income when figuring your net earnings from self-employment.

- Offerings that others made to the church.
- Contributions by your church to a tax-sheltered annuity plan set up for you, including any salary reduction contributions (elective deferrals) that are not included in your gross income.
- Pension payments or retirement allowances you receive for your past ministerial services.
- The rental value of a parsonage or a parsonage allowance provided to you after you retire.

Allowable deductions. When figuring your net earnings from self-employment, deduct all your nonemployee ministerial expenses. These are ministerial expenses you incurred while not working as a common-law employee of the church. They include expenses incurred in performing marriages and baptisms, and in delivering speeches. Deduct these expenses on Schedule C or C-EZ (Form 1040), and carry the net amount to line 2 of Schedule SE (Form 1040), Section A or B.

Wages earned as a [common-law employee](#) (explained earlier) of a church are generally subject to self-employment tax unless an exemption is requested, as discussed earlier under [Exemption From Self-Employment \(SE\) Tax](#). Subtract any allowable expenses, including unreimbursed employee business expenses, from those wages, include the net amount on line 2 of Schedule SE (Form 1040), Section A or B, and attach an explanation. Do not complete Schedule C or C-EZ (Form 1040). However, for income tax purposes, the expenses are allowed only as an itemized deduction on Schedule A (Form 1040) if they exceed 2% of adjusted gross income.

Note. You can no longer deduct the amount of your self-employed health insurance deduction (Form 1040, line 29) in figuring your SE tax. However, you can still take this deduction on Form 1040, line 29. See the Form 1040, line 29 instructions.

Employee reimbursement arrangements. If you received an advance, allowance, or reimbursement for your employee expenses, how you report this amount and your employee expenses depends on whether the reimbursement was paid to you under an accountable plan or a nonaccountable plan. If you are not sure if you are reimbursed from an accountable plan or a nonaccountable plan, ask your employer.

Accountable plans. To be an accountable plan, your employer's reimbursement arrangement must include all three of the following rules.

- Your expenses must have a business connection—that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.
- You must adequately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.

The reimbursement is not reported on your Form W-2. Generally, if your expenses equal your reimbursement, you have no deduction. If your expenses are more than your reimbursement, you can deduct your excess expenses for SE tax and income tax purposes.

Nonaccountable plan. A nonaccountable plan is a reimbursement arrangement that does not meet all three of the rules listed under *Accountable plans*, above. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan.

- Excess reimbursements you fail to return to your employer.
- Reimbursement of nondeductible expenses related to your employer's business.

Your employer will combine any reimbursement paid to you under a nonaccountable plan with your wages, salary, or other compensation and report the combined total in box 1 of your Form W-2. Since reimbursements under a nonaccountable plan are included in your gross income, you can deduct your related expenses (for SE tax and income tax purposes) regardless of whether they are more than, less than, or equal to your reimbursement.

For more information on accountable and nonaccountable plans, see Publication 463, *Travel, Entertainment, Gift, and Car Expenses*.

Husband and Wife Missionary Team

If a husband and wife are both duly ordained, commissioned, or licensed ministers of a church and have an agreement that each will perform specific services for which they are paid jointly or separately, they must divide the self-employment income according to the agreement.

If the agreement is with one spouse only and the other spouse is not paid for any specific duties, amounts received for their services are included only in the self-employment income of the spouse having the agreement.

Maximum Earnings Subject to SE Tax

For 2011, the maximum net earnings from self-employment subject to social security (old age, survivors, and disability insurance) tax is \$106,800 minus any wages and tips you earned that were subject to social security tax. The tax rate for the social security part is 10.4%. In

addition, all of your net earnings are subject to the Medicare (hospital insurance) part of the SE tax. This tax rate is 2.9%. The combined self-employment tax rate is 13.3%.

Nonfarm Optional Method

You may be able to use the nonfarm optional method for figuring your net earnings from self-employment. In general, the nonfarm optional method is intended to permit continued coverage for social security and Medicare purposes when your income for the tax year is low.

You may use the nonfarm optional method if you meet all the following tests.

1. You are self-employed on a regular basis. This means that your actual net earnings from self-employment were \$400 or more in at least 2 of the 3 tax years before the one for which you use this method. The net earnings can be from either farm or nonfarm earnings or both.
2. You have used this method less than 5 years. (There is a 5-year lifetime limit.) The years do not have to be consecutive.
3. Your net nonfarm profits were:
 - a. Less than \$4,851, and
 - b. Less than 72.189% of your gross nonfarm income.

If you meet the three tests, use Table 3 to figure your net earnings from self-employment under the nonfarm optional method.

Table 3. Figuring Nonfarm Net Earnings

IF your gross nonfarm income is ...	THEN your net earnings are equal to ...
\$6,720 or less	Two-thirds of your gross nonfarm income.
More than \$6,720	\$4,480.

Actual net earnings. Multiply your total earnings subject to SE tax by 92.35% (.9235) to get actual net earnings. Actual net earnings are equivalent to net earnings under the "Regular Method."

More information. For more information on the nonfarm optional method, see Publication 334, *Tax Guide for Small Business*, and the Schedule SE (Form 1040) instructions.

Income Tax: Income and Expenses

Some income and expense items are treated the same for both income tax and SE tax purposes and some are treated differently.

Note. For purposes of this section, references to members of the clergy are only to ministers or members of a religious order.

Income Items

The tax treatment of offerings and fees, outside earnings, rental allowances, rental value of parsonage, earnings of members of religious orders, and foreign earned income is discussed here.

Offerings and Fees

If you are a member of the clergy, you must include in your income offerings and fees you receive for marriages, baptisms, funerals, masses, etc., in addition to your salary. If the offering is made to the religious institution, it is not taxable to you.

Outside Earnings

If you are a member of a religious organization and you give your outside earnings to the organization, you still must include the earnings in your income. However, you may be entitled to a charitable contribution deduction for the amount paid to the organization. For more information, see Publication 526.

Exclusion of Rental Allowance and Fair Rental Value of a Parsonage

Ordained, commissioned, or licensed ministers of the gospel may be able to exclude from income tax the rental allowance or fair rental value of a parsonage that is provided to them as pay for their services. Services include:

- [Ministerial services](#), discussed earlier,
- Administrative duties and teaching at theological seminaries, and
- The ordinary duties of a minister performed as an employee of the United States (other than as a chaplain in the Armed Forces), a state, possession, political subdivision, or the District of Columbia.

This exclusion applies only for income tax purposes. It does not apply for SE tax purposes, as discussed earlier under [Amounts included in gross income](#) under *Self-Employment Tax: Figuring Net Earnings*.

Designation requirement. The church or organization that employs you must officially designate the payment as a housing allowance before the payment is made. A definite amount must be designated. The amount of the housing allowance cannot be determined at a later date.

If you are employed and paid by a local congregation, a resolution by a national church agency of your denomination does not effectively designate a housing allowance for you. The local congregation must officially designate the part of your salary that is to be a housing allowance. However, a resolution of a national church agency can designate your housing allowance if you are directly employed by the national agency. If no part has been officially designated, you must include your total salary in your income.

Rental allowances. If you receive in your salary an amount officially designated as a rental allowance (including an amount to pay utility costs), you can exclude the allowance from your gross income if:

- The amount is used to provide or rent a home, and
- The amount is not more than reasonable pay for your services.

The amount you exclude cannot be more than the fair rental value of the home, including furnishings, plus the cost of utilities.

Fair rental value of parsonage. You can exclude from gross income the fair rental value of a house or parsonage, including utilities, furnished to you as part of your earnings. However, the exclusion cannot be more than the reasonable pay for your services. If you pay for the utilities, you can exclude any allowance designated for utility costs, up to your actual cost.

Example. Rev. Joanna Baker is a full-time minister. The church allows her to use a parsonage that has an annual fair rental value of \$24,000. The church pays her an annual salary of \$67,000, of which \$7,500 is designated for utility costs. Her actual utility costs during the year were \$7,000.

For income tax purposes, Rev. Baker excludes \$31,000 from gross income (\$24,000 fair rental value of the parsonage plus \$7,000 from the allowance for utility costs). She will report \$60,000 (\$59,500 salary plus \$500 of unused utility allowance). Her income for SE tax purposes, however, is \$91,000 (\$67,000 salary + \$24,000 fair rental value of the parsonage).

Home ownership. If you own your home and you receive as part of your salary a housing or rental allowance, you may exclude from gross income the smallest of:

- The amount actually used to provide a home,
- The amount officially designated as a rental allowance, or
- The fair rental value of the home, including furnishings, utilities, garage, etc.

Excess rental allowance. You must include in gross income the amount of any rental allowance that is more than the smallest of:

- Your reasonable salary,
- The fair rental value of the home plus utilities, or
- The amount actually used to provide a home.

Include in the total on Form 1040, line 7. On the dotted line next to line 7, enter "Excess allowance" and the amount.

TIP You may deduct the home mortgage interest and real estate taxes you pay on your home even though all or part of the mortgage is paid with funds you get through a tax-free rental or parsonage allowance. However, these expenses can be deducted only as itemized deductions on Schedule A (Form 1040).

Retired ministers. If you are a retired minister, you can exclude from your gross income the rental value of a home (plus utilities) furnished to you by your church as a part of your pay for past services, or the part of your pension that was designated as a rental allowance. However, a minister's surviving spouse cannot exclude the rental value unless the rental value is for ministerial services he or she performs or performed.

Teachers or administrators. If you are a minister employed as a teacher or administrator by a church school, college, or university, you are performing ministerial services for purposes of the housing exclusion. However, if you perform services as a teacher or administrator on the faculty of a nonchurch college, you cannot exclude from your income a housing allowance or the value of a home that is provided to you.

TIP If you live in faculty lodging as an employee of an educational institution or academic health center, all or part of the value of that lodging may be nontaxable under a different rule. In Publication 525, see Faculty lodging in the discussion on meals and lodging under Fringe Benefits.

If you serve as a minister of music or minister of education, or serve in an administrative or other function of your religious organization, but are not authorized to perform substantially all of the religious duties of an ordained minister in your church (even if you are commissioned as a minister of the gospel), the housing exclusion does not apply to you.

Theological students. If you are a theological student serving a required internship as a part-time or assistant pastor, you cannot exclude a parsonage or rental allowance from your income unless you are ordained, commissioned, or licensed as a minister.

Traveling evangelists. You can exclude a designated rental allowance from out-of-town churches if you meet all of the following requirements.

- You are an ordained minister.
- You perform ministerial services at churches located away from your community.
- You actually use the rental allowance to maintain your permanent home.

Cantors. If you have a bona fide commission and your congregation employs you on a full-time basis to perform substantially all the religious functions of the Jewish faith, you can exclude a rental allowance from your gross income.

Earnings—Members of Religious Orders

Your earnings may be exempt from both income tax and SE tax if you are a member of a religious order who:

- Has taken a vow of poverty,
- Receives earnings for services performed as an agent of the order and in the exercise of duties required by the order, and
- Renounces the earnings and gives them to the order.

See [Members of Religious Orders](#), earlier, under [Social Security Coverage](#).

Foreign Earned Income

Certain income may be exempt from income tax if you work in a foreign country or in a specified U.S. possession. Publication 54 discusses the foreign earned income exclusion. Publication 570, Tax Guide for Individuals With Income

From U.S. Possessions, covers the rules for taxpayers with income from U.S. possessions. You can get these free publications from the Internal Revenue Service or from most U.S. Embassies or consulates.

Expense Items

The tax treatment of ministerial trade or business expenses, expenses allocable to tax-free income, and health insurance costs is discussed here.

Ministerial Trade or Business Expenses as an Employee

When you figure your income tax, you must itemize your deductions on Schedule A (Form 1040) to claim allowable deductions for ministerial trade or business expenses incurred while working as an employee. You also may have to file Form 2106, Employee Business Expenses (or Form 2106-EZ, Unreimbursed Employee Business Expenses).

These expenses are claimed as miscellaneous itemized deductions and are subject to the 2%-of-adjusted-gross-income (AGI) limit. See Publication 529 for more information on this limit.

However, any of your employee business expenses that are allocable to tax-free income will not be deductible (discussed next).

Expenses Allocable to Tax-Free Income

If you receive a rental or parsonage allowance that is exempt from income tax (tax free), you must allocate a portion of the expenses of operating your ministry to that tax-free income. You cannot deduct the portion of your expenses that is allocated to your tax-free rental or parsonage allowance.

Exception. This rule does not apply to your deductions for home mortgage interest or real estate taxes on your home.

Figuring the allocation. Figure the portion of your otherwise deductible expenses that you cannot deduct (because that portion must be allocated to tax-free income) by multiplying the expenses by the following fraction:

$$\frac{\text{Tax-free rental or parsonage allowance}}{\text{All income (taxable and tax free) earned from your ministry}}$$

When figuring the allocation, include the income and expenses related to the ministerial duties you perform both as an employee and as a self-employed person.

TIP Reduce your otherwise deductible expenses only in figuring your income tax, not your SE tax.

Example. Rev. Charles Ashford received \$40,000 in earnings for ministerial services consisting of a \$28,000 salary for ministerial services performed as an employee, \$2,000 for weddings and baptisms performed as a self-employed person, and a \$10,000 tax-free parsonage allowance. He incurred \$4,000 of unreimbursed expenses connected with his

earnings for ministerial services. \$3,500 of the \$4,000 is for employee expenses related to his ministerial salary, and \$500 is related to the weddings and baptisms he performed as a self-employed person.

The nondeductible (tax-free) portion of expenses related to Rev. Ashford's ministerial salary is figured as follows:

$$(\$10,000 \div \$40,000) \times \$3,500 = \$875$$

The nondeductible (tax-free) portion of expenses related to Rev. Ashford's wedding and baptism income is figured as follows:

$$(\$10,000 \div \$40,000) \times \$500 = \$125$$

Required statement. If you receive a tax-free rental or parsonage allowance and have ministerial expenses, attach a statement to your tax return. The statement must contain all of the following information.

- A list of each item of taxable ministerial income by source (such as wages, salary, weddings, baptisms, etc.) plus the amount.
- A list of each item of tax-free ministerial income by source (parsonage allowance) plus the amount.
- A list of each item of otherwise deductible ministerial expenses plus the amount.
- How you figured the nondeductible part of your otherwise deductible expenses.
- A statement that the other deductions claimed on your tax return are not allocable to your tax-free income.

See the [attachments](#) prepared for the [Comprehensive Example](#), later. Following the example, you will find blank worksheets for your own use.

Health Insurance Costs of Self-Employed Ministers

If you are self-employed, you may be able to deduct the amount you paid in 2011 for medical and dental insurance and qualified long-term care insurance for you, your spouse, and your dependents.

If you qualify, you can take this deduction as an adjustment to income on Form 1040, line 29. See the Instructions for Form 1040 to figure your deduction.

The following special rules apply to the self-employed health insurance deduction.

- The expenses taken into account for purposes of this deduction are not allowed as a medical expense deduction on Schedule A (Form 1040).
- The deduction is not allowed for any month you are eligible to participate in a subsidized plan of your (or your spouse's) employer.
- The deduction cannot exceed your net earnings from the business under which the insurance plan is established. Your net earnings under this rule do not include the income you earned as a [common-law employee](#) (discussed earlier) of a church.

More information. For more information about the self-employed health insurance deduction, see chapter 6 in Publication 535.

Deduction for SE Tax

For 2011, you can deduct 57.51% of your SE tax in figuring adjusted gross income if your SE tax is \$14,204.40 or less. If your SE tax for 2011 is more than \$14,204.40, you can deduct the sum of \$1,067 plus 50% of your SE tax. This is an income tax deduction only, on Form 1040, line 27.



This is not a deduction in figuring net earnings from self-employment subject to SE tax.

Income Tax Withholding and Estimated Tax

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. An employee usually has income tax withheld from his or her wages or salary. However, your salary is not subject to federal income tax withholding if both of the following conditions apply.

- You are a duly ordained, commissioned, or licensed minister, a member of a religious order (who has not taken a vow of poverty), or a Christian Science practitioner or reader.
- Your salary is for ministerial services (see [Ministerial Services](#), earlier).

If your salary is not subject to withholding, or if you do not pay enough tax through withholding, you may need to make estimated tax payments to avoid penalties for not paying enough tax as you earn your income.

You generally must make estimated tax payments if you expect to owe taxes, including SE tax, of \$1,000 or more, when you file your return.

Determine your estimated tax by using the worksheet in Form 1040-ES. Pay the entire estimated tax for 2012 or the first installment by April 17, 2012. See Form 1040-ES for the different payment methods. The April 17 date applies whether or not your tax home and your abode are outside the United States and Puerto Rico. For more information, see chapter 2 of Publication 505, Tax Withholding and Estimated Tax.

If you perform your services as a common-law employee of the church and your salary is not subject to income tax withholding, you can enter into a voluntary withholding agreement with the church to cover any income and SE tax that may be due.

Filing Your Return

You must file an income tax return for 2011 if your gross income was at least the amount shown in the third column of [Table 4](#).

Additional requirements. Even if your income was less than the amount shown in [Table 4](#), you must file an income tax return on Form 1040, and attach a completed Schedule SE (Form 1040), if:

- You are not exempt from SE tax, and you have net earnings from self-employment

(discussed earlier under [Self-Employment Tax: Figuring Net Earnings](#)) of \$400 or more in the tax year,

- You are exempt from SE tax on earnings from ministerial services and you have \$400 or more of other net earnings subject to SE tax, or
- You had wages of \$108.28 or more from an electing church or church-controlled organization (see [Coverage of Religious Workers \(Church Employees\)](#), earlier, under [Social Security Coverage](#)).

Self-employment tax. If you are liable for SE tax, you must file Schedule SE (Form 1040) with your return.

If you filed Form 4361 and did not receive approval from the IRS, you must pay SE tax on your [ministerial earnings](#), as explained earlier. Ministerial earnings and expenses from nonemployee ministerial services should be reported on Schedule C or C-EZ (Form 1040). The net amount should then be carried over to line 2 of Schedule SE (Form 1040), Section A or B. However, if you were a duly ordained minister who was an employee of a church and you must pay SE tax on the wages you earned for those services, do not report those wages on Schedule C or C-EZ (Form 1040). Instead, report those wages less any allowable expenses (including any unreimbursed employee business expenses), on line 2 of Schedule SE (Form 1040), Section A or B, and attach an explanation.

Note. For income tax purposes, the unreimbursed employee business expenses that you incurred as an employee of the church and subtracted from your wages on line 2 of Schedule SE (Form 1040) are allowed only as an itemized deduction on Schedule A (Form 1040) if they exceed 2% of adjusted gross income. You cannot deduct these expenses on Schedule C or C-EZ (Form 1040) as a trade or business expense.

Exemption from SE tax. If you filed Form 4361 and received IRS approval not to be taxed on those earnings, and you do not have any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter "Exempt—Form 4361" on the dotted line next to Form 1040, line 56. However, if you had net earnings from another trade or business of \$400 or more subject to SE tax, see line A at the top of Schedule SE (Form 1040), Section B.

If you filed Form 4029 and received IRS approval not to be taxed on those earnings, and you do not have any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter "Exempt—Form 4029" on the dotted line next to Form 1040, line 56.

More information. For more information on filing your return, including when and where to file it, see the Instructions for Form 1040.

Retirement Savings Arrangements

Retirement savings arrangements are plans that offer you a tax-favored way to save for your retirement. You generally can deduct your contributions to the plan. Your contributions and the

earnings on them are not taxed until they are distributed.

Retirement plans for the self-employed. To set up one of the following plans you must be self-employed.

- Qualified retirement plan (also called a Keogh or H.R. 10 plan).
- SEP (simplified employee pension) plan.
- SIMPLE (savings incentive match plan for employees) plan.

The common-law rules determine whether you are an employee or a self-employed person for purposes of setting up a retirement plan. See [Employment status for other tax purposes](#), earlier, under *Social Security Coverage of Members of the Clergy*. This is true even if your compensation for [ministerial services](#) (defined earlier) is subject to SE tax.

For example, if a congregation pays you a salary for performing ministerial services and you are subject to the congregation's control, you generally are a common-law employee. You are not a self-employed person for purposes of setting up a retirement plan. This is true even if your salary is subject to SE tax.

On the other hand, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services that are reported on Schedule C or C-EZ (Form 1040), are earnings from self-employment for all tax purposes.

For more information on establishing a SEP, SIMPLE, or qualified retirement plan, see Publication 560, *Retirement Plans for Small Business*.

Individual retirement arrangements (IRAs). The traditional IRA and the Roth IRA are two individual retirement arrangements you can use to save money for your retirement. Generally, your maximum contribution for 2011 to either of these plans (or to a combination of the two) is the smaller of your taxable compensation or \$5,000 (\$6,000 if you are age 50 or older).

However, your contributions to a Roth IRA may be further limited if your adjusted gross income is above a certain amount. Roth IRA contributions are not deductible, but if you satisfy certain requirements, all earnings in the Roth IRA are tax free and neither your nondeductible contributions nor any earnings on them are taxable when withdrawn.

If you contribute to a traditional IRA, your deduction may be reduced or eliminated if you or your spouse is covered by an employer retirement plan (including, but not limited to, a SEP, SIMPLE, or qualified retirement plan).

For more information on IRAs, see Publication 590.

Tax-sheltered annuity plans. Church employees, members of religious orders, and duly ordained, commissioned, or licensed ministers working as ministers or chaplains can participate in tax-sheltered annuity (403(b)) plans. For more information, see Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans) For Employees of Public Schools and Certain Tax-Exempt Organizations*.

Deducting contributions to tax-sheltered annuity plans. If you are an employee, your employer may exclude allowable contributions to a 403(b) plan from your income. These contributions will not be included in your total wages

on your Form W-2, but you will pay tax on distributions from your plan. However, if you choose to have contributions made to a Roth contribution program, they will not be excluded from your income, but will be distributed tax free.

An exception to the above applies if you are a minister or chaplain and, in the exercise of your ministry, you are either self-employed or employed by an organization that is not exempt from tax under section 501(c)(3) of the Internal Revenue Code. If the exception applies to you, you can deduct your contributions to a 403(b) plan as explained next.

- If you are self-employed, deduct your contributions on Form 1040, line 28.
- If you are not self-employed and your employer does not exclude your contributions from your earned income, deduct your contributions on Form 1040, line 36. Enter the amount of your deduction and "403(b)" on the dotted line next to line 36.

Retirement savings contributions credit. You may be able to take a tax credit of up to \$1,000 (up to \$2,000 if filing jointly) for certain contributions you make to any of the retirement plans or IRAs discussed earlier. The credit is based on the contributions you make and your credit rate. The credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income. Figure the credit on Form 8880, *Credit for Qualified Retirement Savings Contributions*.

You cannot take the credit if any of the following apply.

1. You were born after January 1, 1994.
2. You were a student who during any part of 5 calendar months (not necessarily consecutive) of 2011:
 - a. Was enrolled as a full-time student at a school, or

b. Took a full-time, on-farm training course given by a school or a state, county, or local government agency.

3. Someone, such as your parent(s), claims an exemption for you on his or her 2011 tax return.
4. Your adjusted gross income for 2011 is more than:
 - a. \$56,500, if your filing status is married filing jointly,
 - b. \$42,375, if your filing status is head of household, or
 - c. \$28,250, if your filing status is single, married filing separately, or qualifying widow(er) with dependent child.

Full-time student. You are a full-time student if you are enrolled for the number of hours or courses the school considers to be full time.

Adjusted gross income. When figuring adjusted gross income, you must add back any exclusion or deduction claimed for the year for:

1. Foreign earned income,
2. Foreign housing costs,
3. Income of bona fide residents of American Samoa, and
4. Income of bona fide residents of Puerto Rico.

More information. For more information about the credit, see Publication 590.

Earned Income Credit

The earned income credit is a credit for certain people who work. If you qualify for it, the earned income credit reduces the tax you owe. Even if

Table 4. 2011 Filing Requirements for Most Taxpayers

IF your filing status is ...	AND at the end of 2011 you were ...*	THEN file a return if your gross income was at least ...**
single	under age 65 65 or older	\$ 9,500 10,950
married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$19,000 20,150 21,300
married filing separately	any age	\$ 3,700
head of household	under 65 65 or older	\$12,200 13,650
qualifying widow(er) with dependent child	under 65 65 or older	\$15,300 16,450

* If you were born on January 1, 1947, you are considered to be age 65 at the end of 2011.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). **Do not** include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2011, or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than \$25,000 (\$32,000 if married filing jointly). If (a) or (b) applies, see the instructions for Form 1040, lines 20a and 20b, to figure the taxable part of social security benefits you must include in gross income.

*** If you did not live with your spouse at the end of 2011 (or on the date your spouse died) and your gross income was at least \$3,700, you must file a return regardless of your age.

you do not owe tax, you can get a refund of the credit.

You cannot take the credit for 2011 if your earned income (or adjusted gross income) is:

- \$13,660 or more (\$18,740 or more if married filing jointly) and you do not have a qualifying child,
- \$36,052 or more (\$41,132 or more if married filing jointly) and you have one qualifying child,
- \$40,964 or more (\$46,044 or more if married filing jointly) and you have two qualifying children, or
- \$43,998 or more (\$49,078 if married filing jointly) and you have three or more qualifying children.

Earned income. Earned income includes your:

1. Wages, salaries, tips, and other taxable employee compensation (even if these amounts are exempt from FICA or SECA), and
2. Net earnings from self-employment that are **not** exempt from SECA (you do not have an approved Form 4029 or 4361) with the following adjustments.
 - a. Subtract the amount you claimed (or should have claimed) on Form 1040, line 27, for the deductible part of your SE tax.
 - b. Add any amount from Schedule SE, line 4b and line 5a.

To figure your earned income credit, see the Form 1040 instructions for lines 64a and 64b.



*If you are a minister and have an approved Form 4361, your earned income will still include wages and salaries earned as an employee, but it will **not** include amounts you received for nonemployee ministerial duties, such as fees for performing marriages and baptisms, and honoraria for delivering speeches.*

More information. For detailed rules on this credit, see Publication 596. To figure the amount of your credit, you can either fill out a worksheet or have the IRS compute the credit for you. You may need to complete Schedule EIC and attach it to your tax return.

Comprehensive Example

Rev. John White is the minister of the First United Church. He is married and has one child. The child is considered a qualifying child for the child tax credit. Mrs. White is not employed outside the home. Rev. White is a common-law employee of the church, and he has not applied for an exemption from SE tax.

The church paid Rev. White a salary of \$31,000. In addition, as a self-employed person, he earned \$4,000 during the year for weddings, baptisms, and honoraria. He made estimated tax payments during the year totaling \$7,000. He taught a course at the local community college, for which he was paid \$3,400.

Rev. White owns a home next to the church. He makes a \$650 per month mortgage payment of principal and interest only. He paid \$1,800 in real estate taxes for the year on the home. The church paid him \$800 per month as his parsonage allowance (excluding utilities). The home's fair rental value for the year (excluding utilities) is \$9,840. The utility bills for the year totaled \$960. The church paid him \$100 per month designated as an allowance for utility costs.

The parts of Rev. and Mrs. White's income tax return are explained in the order they are completed. They are illustrated in the order that Rev. White will assemble the return to send it to the IRS.

Form W-2 From Church

The church completed its [Form W-2](#) for Rev. White as follows.

Box 1. The church entered Rev. White's \$31,000 salary.

Box 2. The church left this box blank because Rev. White did not request federal income tax withholding.

Boxes 3 through 6. Rev. White is considered a self-employed person for purposes of social security and Medicare tax withholding, so the church left these boxes blank.

Box 14. The church entered Rev. White's total parsonage and utilities allowance for the year and identified them.

Form W-2 From College

The community college gave Rev. White a [Form W-2](#) that showed the following.

Box 1. The college entered Rev. White's \$3,400 salary.

Box 2. The college withheld \$272 in federal income tax on Rev. White's behalf.

Boxes 3 and 5. As an employee of the college, Rev. White is subject to social security and Medicare withholding on his full salary from the college.

Box 4. The college withheld \$142.80 in social security taxes.

Box 6. The college withheld \$49.30 in Medicare taxes.

Schedule C-EZ (Form 1040)

Some of Rev. White's entries on [Schedule C-EZ](#) are explained here.

Line 1b. Rev. White reports the \$4,000 from weddings, baptisms, and honoraria.

Line 2. Rev. White reports his expenses related to the line 1b amount. He paid \$87 for marriage and family booklets and drove his car 490 miles for business (245 miles from January 1 through June 30, and 245 miles from July 1 through December 31), mainly in connection with honoraria. Rev. White used the standard mileage rate to figure his car expense, as follows.

$$\begin{aligned} 245 \text{ miles} \times 51 \text{ cents } (\$0.51)^1 &= \$125 \\ 245 \text{ miles} \times 55.5 \text{ cents } (\$0.555)^2 &= 136 \\ \text{Total} &= \$261 \end{aligned}$$

¹ This is the standard mileage rate for January 1 to June 30 of 2011.

² This is the standard mileage rate for July 1 to December 31 of 2011.

These expenses total \$348 (\$261 + \$87). However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance.

First, Rev. White uses Worksheet 1 (see [Attachment 1](#) later) to figure what percentage of his business expenses are not deductible. Then he completes Worksheet 2 (see [Attachment 1](#) later) to show that 23% (or \$80 = \$348 × 23% (.23)) of his business expenses are not deductible because they are allocable to his tax-free allowance. He subtracts the \$80 from the \$348, enters the \$268 difference on line 2, and adds a note at the bottom of the page to see the attached statement.

Rev. White attaches Worksheets 1 and 2 to his return. This is part of his required statement. See [Attachment 1](#) later.

Line 3. He enters his net profit of \$3,732 (\$4,000 – \$268) on line 3 and on Form 1040, line 12.

Lines 4 through 8b. Rev. White fills out these lines to report information about his car.

Form 2106-EZ

Rev. White fills out [Form 2106-EZ](#) to report the unreimbursed business expenses he had as a common-law employee of First United Church.

Line 1. Before completing line 1, Rev. White fills out Part II because he used his car for church business. His records show that he drove 2,774 business miles (1,387 miles from January 1 through June 30, and 1,387 miles from July 1 through December 31), which he reports in Part II. Then, he figures his car expense for his line 1 entry.

$$\begin{aligned} 1,387 \text{ miles} \times 51 \text{ cents } (\$0.51)^1 &= \$707 \\ 1,387 \text{ miles} \times 55.5 \text{ cents } (\$0.555)^2 &= 770 \\ \text{Total} &= \$1,477 \end{aligned}$$

¹ This is the standard mileage rate for January 1 to June 30 of 2011.

² This is the standard mileage rate for July 1 to December 31 of 2011.

Line 4. He enters \$231 for his professional publications and booklets.

Line 6. Before entering the total expenses on line 6, Rev. White must reduce them by the amount allocable to his tax-free parsonage allowance. After completing Worksheet 3 (see [Attachment 1](#), later), he finds that 23% [or \$393 = (\$1,477 + \$231) × 23% (.23)] of his employee business expenses are not deductible. He subtracts \$393 from \$1,708 (\$1,477 + \$231) and enters the result, \$1,315, on line 6, adding a note at the bottom of the page about the attached statement. He also enters \$1,315 on Schedule A (Form 1040), line 21.

Schedule A (Form 1040)

Rev. White fills out [Schedule A](#) as explained here.

Line 6. He deducts \$1,800 in real estate taxes paid in 2011.

Line 10. He deducts \$5,572 of home mortgage interest paid in 2011 (reported on Form 1098, Mortgage Interest Statement (not shown)).

Line 16. Rev. and Mrs. White contributed \$4,800 in cash during the year to various qualifying charities. Each individual contribution was less than \$250 and they have the required records for all donations.

Line 21. Rev. White enters his unreimbursed employee business expenses from Form 2106-EZ, line 6.

Lines 25, 26, and 27. He can deduct only the part of his employee business expenses that exceeds 2% of his adjusted gross income. After he completes page 1 of Form 1040, he fills out these lines to figure the amount he can deduct.

Line 29. The total of all the Whites' itemized deductions is \$12,781, which he enters here and on Form 1040, line 40.

Schedule SE (Form 1040)

After Rev. White prepares Schedule C-EZ and Form 2106-EZ, he fills out [Schedule SE \(Form 1040\)](#). He reads the chart on page 1 of the schedule and determines that he can use *Section A—Short Schedule SE* to figure his self-employment tax. Rev. White is a minister, so his salary from the church is not considered church employee income. Thus, he does not have to use *Section B—Long Schedule SE*. He fills out the following lines in Section A.

Line 2. Rev. White attaches a statement (see [Attachment 2](#), Worksheet 4, later) that explains how he figures the amount (\$43,744) to enter.

Line 4. He multiplies \$43,744 by 92.35% (.9235) to get his net earnings from self-employment (\$40,398).

Line 5. The amount on line 4 is less than \$106,800, so Rev. White multiplies the amount on line 4 (\$40,398) by 13.3% (.133) to get his self-employment tax of \$5,373. He enters that amount here and on Form 1040, line 56.

Line 6. Rev. White multiplies the amount on line 5 by 57.51% (.5751) to get his deduction for the employer-equivalent portion of self-employment tax of \$3,090. He enters that amount here and on Form 1040, line 27.

Form 1040

After Rev. White prepares Form 2106-EZ and the other schedules, he fills out Form 1040. He files a joint return with his wife. First, he fills out the address area and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the form as follows.

Line 7. Rev. White reports \$34,640. This amount is the total of his \$31,000 church salary, \$3,400 college salary, and \$240 (\$1,200 - \$960), his excess utility allowance. The two salaries were reported to him in box 1 of the Forms W-2 he received.

Line 12. He reports his net profit of \$3,732 from Schedule C-EZ, line 3.

Line 27. He enters \$3,090, the deductible part of his SE tax from Schedule SE, line 6.

Line 40. He enters the total itemized deductions from Schedule A, line 29.

Line 51. The Whites can take the child tax credit for their daughter, Jennifer. Rev. White figures the credit by completing the Child Tax Credit Worksheet (not shown) in the Instructions for Form 1040. He enters \$1,000 credit on line 51.

Line 56. He enters the self-employment tax from Schedule SE, line 5.

Line 62. He enters the federal income tax withheld, as shown in box 2 of his Form W-2 from the college.

Line 63. He enters the \$7,000 estimated tax payments he made for the year.

Line 75. He wants to have any overpayment of tax applied to his 2012 estimated tax.

Attachment 1

[Attachment 1](#) (Worksheets 1, 2, and 3) shows the computation of expenses that are nondeductible because they are allocable to tax-free ministerial income and the allowance deductions.

Attachment 2

[Attachment 2](#) (Worksheet 4) shows the computation of net self-employment income.

22222		a Employee's social security number 011-00-2222		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-0246810				1 Wages, tips, other compensation 31000.00		2 Federal income tax withheld					
c Employer's name, address, and ZIP code First United Church 1042 Main Street Hometown, TX 77099				3 Social security wages		4 Social security tax withheld					
				5 Medicare wages and tips		6 Medicare tax withheld					
				7 Social security tips		8 Allocated tips					
d Control number				9		10 Dependent care benefits					
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12			
John E. White 1040 Main Street Hometown, TX 77099						13 Statutory employee Retirement plan Third-party sick pay		12b			
						<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c			
						14 Other Parsonage Allowance 9600.00 Utilities Allowance 1200.00		12d			
f Employee's address and ZIP code				15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
								18 Local wages, tips, etc.		19 Local income tax	
										20 Locality name	

Form **W-2 Wage and Tax Statement** **2011** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

22222		a Employee's social security number 011-00-2222		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-1357913				1 Wages, tips, other compensation 3400.00		2 Federal income tax withheld 272.00					
c Employer's name, address, and ZIP code Hometown College 40 Honor Road Hometown, TX 77099				3 Social security wages 3400.00		4 Social security tax withheld 142.80					
				5 Medicare wages and tips 3400.00		6 Medicare tax withheld 49.30					
				7 Social security tips		8 Allocated tips					
d Control number				9		10 Dependent care benefits					
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12			
John E. White 1040 Main Street Hometown, TX 77099						13 Statutory employee Retirement plan Third-party sick pay		12b			
						<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c			
						14 Other		12d			
f Employee's address and ZIP code				15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
								18 Local wages, tips, etc.		19 Local income tax	
										20 Locality name	

Form **W-2 Wage and Tax Statement** **2011** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

For the year Jan. 1–Dec. 31, 2011, or other tax year beginning _____, 2011, ending _____, 20 _____ See separate instructions.

Your first name and initial John E.	Last name White	Your social security number 011 00 2222
If a joint return, spouse's first name and initial Susan R.	Last name White	Spouse's social security number 011 00 1111
Home address (number and street). If you have a P.O. box, see instructions. 1040 Main Street		Apt. no. ▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Hometown, TX 77099		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input checked="" type="checkbox"/> You <input checked="" type="checkbox"/> Spouse
Foreign country name	Foreign province/county	Foreign postal code

Filing Status

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶

4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 Qualifying widow(er) with dependent child

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
(1) First name	Last name			
Jennifer	White	111 00 1113	daughter	<input checked="" type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here

Boxes checked on 6a and 6b 2

No. of children on 6c who:

- lived with you 1
- did not live with you due to divorce or separation (see instructions) _____

Dependents on 6c not entered above _____

Add numbers on lines above 3

d Total number of exemptions claimed

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	Excess allowance \$ 240	7	34,640
8a	Taxable interest. Attach Schedule B if required		8a	
b	Tax-exempt interest. Do not include on line 8a	8b		
9a	Ordinary dividends. Attach Schedule B if required		9a	
b	Qualified dividends	9b		
10	Taxable refunds, credits, or offsets of state and local income taxes		10	
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	3,732
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13	
14	Other gains or (losses). Attach Form 4797		14	
15a	IRA distributions	15a		
b	Taxable amount	15b		
16a	Pensions and annuities	16a		
b	Taxable amount	16b		
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
18	Farm income or (loss). Attach Schedule F		18	
19	Unemployment compensation		19	
20a	Social security benefits	20a		
b	Taxable amount	20b		
21	Other income. List type and amount		21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶		22	38,372

Adjusted Gross Income

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	3,090
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Tuition and fees. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 35	36	3,090
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	35,282

Tax and Credits

Table with 3 columns: Line number, Description, and Amount. Includes lines 38-55 for Tax and Credits.

Standard Deduction for - People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. All others: Single or Married filing separately, \$5,800. Married filing jointly or Qualifying widow(er), \$11,600. Head of household, \$8,500.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 56-61 for Other Taxes.

Payments

Table with 3 columns: Line number, Description, and Amount. Includes lines 62-72 for Payments.

If you have a qualifying child, attach Schedule EIC.

Refund

Table with 3 columns: Line number, Description, and Amount. Includes lines 73-75 for Refund.

Direct deposit? See instructions.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 76-77 for Amount You Owe.

Third Party Designee

Form for Third Party Designee with fields for name, phone, and identification number.

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Joint return? See instructions. Keep a copy for your records.

Table for signatures with columns for signature, date, occupation, and phone number.

Paid Preparer Use Only

Form for Paid Preparer Use Only with fields for name, signature, date, and firm information.

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0074

2011

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedule A (Form 1040).**

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

John E. White and Susan R. White

011-00-2222

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30						
Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.																																				
	1 Medical and dental expenses (see instructions)	1																																			
	2 Enter amount from Form 1040, line 38 2	2																																			
	3 Multiply line 2 by 7.5% (.075)	3																																			
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4																																				
Taxes You Paid	5 State and local (check only one box):	5																																			
	a <input type="checkbox"/> Income taxes, or																																				
	b <input type="checkbox"/> General sales taxes																																				
	6 Real estate taxes (see instructions)	6						1,800																													
	7 Personal property taxes	7																																			
8 Other taxes. List type and amount ▶	8																																				
9 Add lines 5 through 8	9																																				
Interest You Paid	10 Home mortgage interest and points reported to you on Form 1098	10					5,572																														
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	11																																			
	12 Points not reported to you on Form 1098. See instructions for special rules	12																																			
	13 Mortgage insurance premiums (see instructions)	13																																			
	14 Investment interest. Attach Form 4952 if required. (See instructions.)	14																																			
	15 Add lines 10 through 14	15																																			
Gifts to Charity	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions.	16					4,800																														
	17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	17																																			
	18 Carryover from prior year	18																																			
	19 Add lines 16 through 18	19																																			
Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20																																			
Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	21					1,315																														
	22 Tax preparation fees	22																																			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶	23																																			
	24 Add lines 21 through 23	24						1,315																													
	25 Enter amount from Form 1040, line 38 25 35,282	25																																			
	26 Multiply line 25 by 2% (.02)	26							706																												
27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27																																				
Other Miscellaneous Deductions	28 Other—from list in instructions. List type and amount ▶	28																																			
Total Itemized Deductions	29 Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40	29																																			
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here																																				

**SCHEDULE C-EZ
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

**Net Profit From Business
(Sole Proprietorship)**

► **Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.**
► **Attach to Form 1040, 1040NR, or 1041.** ► **See instructions on page 2.**

OMB No. 1545-0074

2011

Attachment
Sequence No. **09A**

Name of proprietor
John E. White

Social security number (SSN)
011-00-2222

Part I General Information

**You May Use
Schedule C-EZ
Instead of
Schedule C
Only If You:**

- Had business expenses of \$5,000 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee.
- Did not receive any credit card or similar payments that included amounts that are not includible in your income (see instructions for line 1a).

And You:

- Had no employees during the year.
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

<p>A Principal business or profession, including product or service Minister</p>	<p>B Enter business code (see page 2) 5 4 1 9 9 0</p>
<p>C Business name. If no separate business name, leave blank.</p>	<p>D Enter your EIN (see page 2)</p>
<p>E Business address (including suite or room no.). Address not required if same as on page 1 of your tax return. 1042 Main Street City, town or post office, state, and ZIP code Hometown, TX 77099</p>	
<p>F Did you make any payments in 2011 that would require you to file Form(s) 1099? (see the Schedule C instructions) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>G If "Yes," did you or will you file all required Forms 1099? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	

Part II Figure Your Net Profit

1a Merchant card and third party payments. For 2011, enter -0-	1a	-0-			
b Gross receipts or sales not entered on line 1a (see instructions)	1b	4,000			
c Income reported to you on Form W-2 if the "Statutory Employee" box on that form was checked. Caution. See Schedule C instructions before completing this line	1c				
d Total of lines 1a, 1b, and 1c. If any adjustments to line 1a, you must use Schedule C (see instructions)	1d	4,000			
2 Total expenses (see page 2). If more than \$5,000, you must use Schedule C	2	268*			
3 Net profit. Subtract line 2 from line 1d. If less than zero, you must use Schedule C. Enter on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 and Schedule SE, line 2 (see instructions). (If you entered an amount on line 1c, do not report the amount from line 1c on Schedule SE, line 2.) Estates and trusts, enter on Form 1041, line 3	3	3,732			

Part III Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 2.

4 When did you place your vehicle in service for business purposes? (month, day, year) ► 7/15/2007 .

5 Of the total number of miles you drove your vehicle during 2011, enter the number of miles you used your vehicle for:

a Business 490 **b** Commuting (see page 2) -0- **c** Other 7,247

6 Was your vehicle available for personal use during off-duty hours? **Yes** **No**

7 Do you (or your spouse) have another vehicle available for personal use? **Yes** **No**

8a Do you have evidence to support your deduction? **Yes** **No**

b If "Yes," is the evidence written? **Yes** **No**

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 14374D

Schedule C-EZ (Form 1040) 2011

*See attached statement.

**SCHEDULE SE
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Self-Employment Tax

▶ **Attach to Form 1040 or Form 1040NR.** ▶ **See separate instructions.**

OMB No. 1545-0074

2011
Attachment
Sequence No. **17**

Name of person with **self-employment** income (as shown on Form 1040)
John E. White

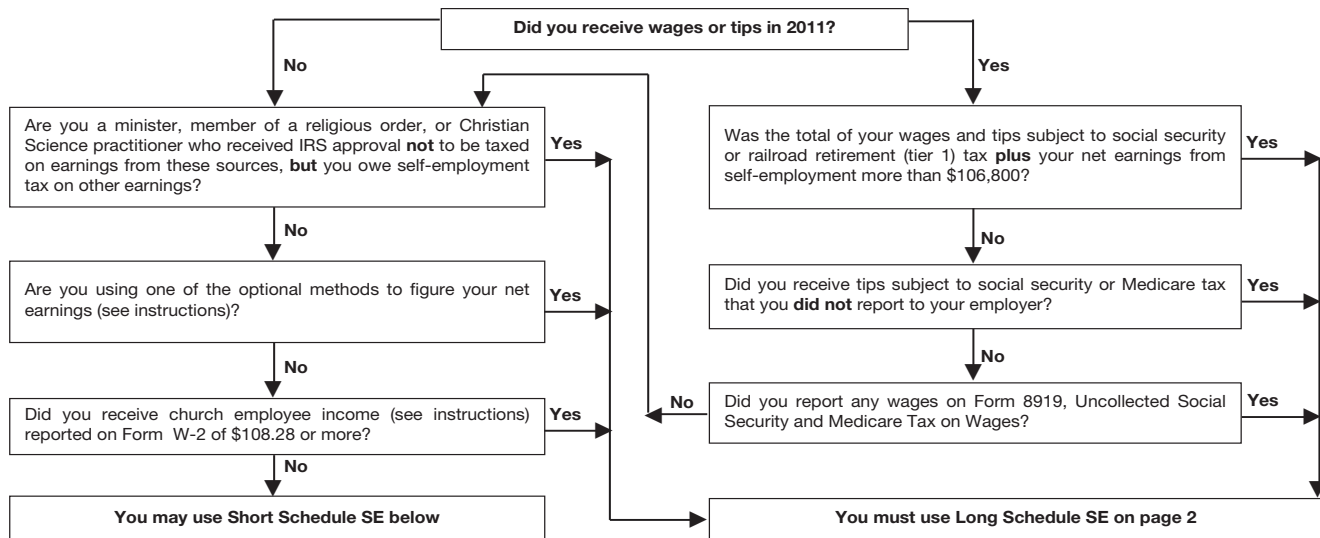
Social security number of person
with **self-employment** income ▶

011-00-2222

Before you begin: To determine if you must file Schedule SE, see the instructions.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1a		
b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Y	1b	()
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report	2	43,744*	
3 Combine lines 1a, 1b, and 2	3	43,744	
4 Multiply line 3 by 92.35% (.9235). If less than \$400, you do not owe self-employment tax; do not file this schedule unless you have an amount on line 1b ▶ Note. If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	4	40,398	
5 Self-employment tax. If the amount on line 4 is: • \$106,800 or less, multiply line 4 by 13.3% (.133). Enter the result here and on Form 1040, line 56 , or Form 1040NR, line 54 • More than \$106,800, multiply line 4 by 2.9% (.029). Then, add \$11,107.20 to the result. Enter the total here and on Form 1040, line 56 , or Form 1040NR, line 54	5	5,373	
6 Deduction for employer-equivalent portion of self-employment tax. If the amount on line 5 is: • \$14,204.40 or less, multiply line 5 by 57.51% (.5751) • More than \$14,204.40, multiply line 5 by 50% (.50) and add \$1,067 to the result. Enter the result here and on Form 1040, line 27 , or Form 1040NR, line 27	6	3,090	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2011

*See attached statement.

Unreimbursed Employee Business Expenses

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040 or Form 1040NR.**

2011

Attachment
Sequence No. **129A**

Your name <i>John E. White</i>	Occupation in which you incurred expenses <i>Minister</i>	Social security number <i>011 00 2222</i>
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You Can Use This Form Only if All of the Following Apply.

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2011.

Caution: You can use the standard mileage rate for 2011 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

Part I Figure Your Expenses

1 Complete Part II. Multiply line 8a by 51¢ (.51) for miles driven before July 1, 2011, and by 55.5¢ (.555) for miles driven after June 30, 2011. Add the amounts, then enter the result here	1	1,477	
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2		
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3		
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4	231	
5 Meals and entertainment expenses: \$ _____ × 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	5		
6 Total expenses. Add lines 1 through 5. Enter here and on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 7). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.)	6	1,315*	

Part II Information on Your Vehicle. Complete this part **only** if you are claiming vehicle expense on line 1.

7 When did you place your vehicle in service for business use? (month, day, year) ▶ 7 / 15 / 2007

8 Of the total number of miles you drove your vehicle during 2011, enter the number of miles you used your vehicle for:

a Business 2,774 b Commuting (see instructions) -0- c Other 4,963

9 Was your vehicle available for personal use during off-duty hours? **Yes** **No**

10 Do you (or your spouse) have another vehicle available for personal use? **Yes** **No**

11a Do you have evidence to support your deduction? **Yes** **No**

b If "Yes," is the evidence written? **Yes** **No**

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 20604Q Form **2106-EZ** (2011)

*See attached statement.

Attachment 1—John E. White 011-00-2222

Worksheet 1. Figuring the Percentage of Tax-Free Income

Note. For each line, enter the appropriate amount in **all** boxes that are not shaded.

	Source of Income		(a) Taxable	(b) Tax-free	(c) Total
1	W-2 salary as a minister (from box 1 of Form W-2)	1	31,000		31,000
2	Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1d of Schedule C or C-EZ)	2	4,000		4,000
Note. Complete either lines 3a–3e or lines 4a–4i. • If your church provides you with a parsonage, complete lines 3a–3e. • If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i.					
3a	FRV* of parsonage provided by church	3a			
b	Utility allowance, if any	3b			
c	Actual expenses for utilities	3c			
d	Enter the smaller of line 3b or 3c	3d			
e	Excess utility allowance (subtract line 3d from line 3b)	3e			
4a	Parsonage or rental allowance	4a	9,600		
b	Utility allowance, if separate	4b	1,200		
c	Total allowance (add lines 4a and 4b)	4c	10,800		
d	Actual expenses for parsonage	4d	9,600		
e	Actual expenses for utilities	4e	960		
f	Total actual expenses for parsonage and utilities (add lines 4d and 4e)	4f	10,560		
g	FRV* of home, plus the cost of utilities	4g	10,800		
h	Enter the smaller of line 4c, 4f, or 4g	4h		10,560	10,560
i	Excess allowance (Subtract line 4h from line 4c)	4i	240		240
5	Ministerial income (for columns (a), (b), and (c), add lines 1 through 4i)	5	35,240	10,560	45,800
6	Percentage of tax-free income:	$\frac{\text{Total tax-free income (line 5(b))}}{\text{Total income (line 5(c))}} = \frac{\$ 10,560}{\$ 45,800}$		=	23 %**

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses will not be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.

Attachment 1—John E. White 011-00-2222 (continued)

Worksheet 2. Figuring the Allowable Deduction for Schedule C or C-EZ Expenses

1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): <u>23</u> %			
2	Business use of car for entire year: <u>490</u> miles. Multiply the miles entered by 51 cents (\$0.51) for miles driven before July 1, 2011, and by 55.5 cents (\$0.555) for miles driven after June 30, 2011. Add the dollar amounts, then enter the result here.	2		261
3	Meals and entertainment: \$ _____ × 50% (.50)	3		
4	Other expenses (list item and amount)			
a	<i>Marriage and family booklets</i>	4a	87	
b		4b		
c		4c		
d		4d		
e		4e		
f	Total other expenses (add lines 4a through 4e)	4f		87
5	Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)	5		348
6	Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)	6		80
7	Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27a, or Schedule C-EZ, line 2.	7		268

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 3. Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses

		<i>Column A</i>	<i>Column B</i>
1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): <u>23</u> %		
2	Use of car for church business for entire year: <u>2,774</u> miles. Multiply the miles entered by 51 cents (\$0.51) for miles driven before July 1, 2011, and by 55.5 cents (\$0.555) for miles driven after June 30, 2011. Add the dollar amounts, then enter the result here.	2	1,477
3	Meals and entertainment	3	
4	Other expenses (list item and amount)		
a	<i>Professional publications and booklets</i>	4a	231
b		4b	
c		4c	
d		4d	
e		4e	
5	Total expenses. In Column A, add lines 2 and 4a through 4e and enter the result. In Column B, enter the amount from line 3.	5	1,708
6	Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2	6	
7	Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)	7	1,708
8	In Column A, enter the amount from line 7. In Column B, multiply line 7 by 50% (.50)	8	1,708
9	Add the amounts on line 8 of both columns and enter the total here	9	1,708
10	Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)	10	393
11	Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.	11	1,315

* None of the other deductions claimed in this return are allocable to tax-free income.

Attachment 2—John E. White 011-00-2222

Worksheet 4. Figuring Net Self-Employment Income for Schedule SE (Form 1040)

1	W-2 salary as a minister (from box 1 of Form W-2)	1		31,000
2	Net profit from Schedule C, line 31, or Schedule C-EZ, line 3	2		3,732
3a	Parsonage or rental allowance (from Worksheet 1, line 3a or 4a)	3a	9,600	
b	Utility allowance (from Worksheet 1, line 3b or 4b)	3b	1,200	
c	Total allowance (add lines 3a and 3b)	3c		10,800
4	Add lines 1, 2, and 3c	4		45,532
5	Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)	5	80	
6	Total unreimbursed employee business expenses after the 50% reduction for meals and entertainment (from Worksheet 3, line 9)	6	1,708	
7	Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)	7		1,788
8	Net self-employment income. Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.	8		43,744

Worksheets

These worksheets are provided to help you figure your taxable ministerial income, your allowable deductions, and your net self-employment income.

Worksheet 1. Figuring the Percentage of Tax-Free Income

Note. For each line, enter the appropriate amount in **all** boxes that are not shaded.

	Source of Income		(a) Taxable	(b) Tax-free	(c) Total
1	W-2 salary as a minister (from box 1 of Form W-2)	1			
2	Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1d of Schedule C or C-EZ)	2			
<p>Note. Complete either lines 3a–3e or lines 4a–4i.</p> <ul style="list-style-type: none"> • If your church provides you with a parsonage, complete lines 3a–3e. • If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i. 					
3a	FRV* of parsonage provided by church	3a			
b	Utility allowance, if any	3b			
c	Actual expenses for utilities	3c			
d	Enter the smaller of line 3b or 3c	3d			
e	Excess utility allowance (subtract line 3d from line 3b)	3e			
4a	Parsonage or rental allowance	4a			
b	Utility allowance, if separate	4b			
c	Total allowance (add lines 4a and 4b)	4c			
d	Actual expenses for parsonage	4d			
e	Actual expenses for utilities	4e			
f	Total actual expenses for parsonage and utilities (add lines 4d and 4e)	4f			
g	FRV* of home, plus the cost of utilities	4g			
h	Enter the smaller of line 4c, 4f, or 4g	4h			
i	Excess allowance (Subtract line 4h from line 4c)	4i			
5	Ministerial income (for columns (a), (b), and (c), add lines 1 through 4i)	5			
6	Percentage of tax-free income:	$\frac{\text{Total tax-free income (line 5(b))}}{\text{Total income (line 5(c))}} = \%$			

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses will not be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.

Worksheet 2. Figuring the Allowable Deduction for Schedule C or C-EZ Expenses

1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): _____%		
2	Business use of car for entire year: _____ miles. Multiply the miles entered by 51 cents (\$0.51) for miles driven before July 1, 2011, and by 55.5 cents (\$0.555) for miles driven after June 30, 2011. Add the dollar amounts, then enter the result here.	2	
3	Meals and entertainment: \$ _____ × 50% (.50)	3	
4	Other expenses (list item and amount)		
a		4a	
b		4b	
c		4c	
d		4d	
e		4e	
f	Total other expenses (add lines 4a through 4e)	4f	
5	Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)	5	
6	Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)	6	
7	Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27a, or Schedule C-EZ, line 2.	7	

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 3. Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses

		<i>Column A</i>	<i>Column B</i>
1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): _____%		
2	Use of car for church business for entire year: _____ miles. Multiply the miles entered by 51 cents (\$0.51) for miles driven before July 1, 2011, and by 55.5 cents (\$0.555) for miles driven after June 30, 2011. Add the dollar amounts, then enter the result here.	2	
3	Meals and entertainment	3	
4	Other expenses (list item and amount)		
a		4a	
b		4b	
c		4c	
d		4d	
e		4e	
5	Total expenses. In Column A, add lines 2 and 4a through 4e and enter the result. In Column B, enter the amount from line 3.	5	
6	Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2	6	
7	Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)	7	
8	In Column A, enter the amount from line 7. In Column B, multiply line 7 by 50% (.50)	8	
9	Add the amounts on line 8 of both columns and enter the total here	9	
10	Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)	10	
11	Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.	11	

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 4. **Figuring Net Self-Employment Income for Schedule SE (Form 1040)**

1	W-2 salary as a minister (from box 1 of Form W-2)	1		
2	Net profit from Schedule C, line 31, or Schedule C-EZ, line 3	2		
3a	Parsonage or rental allowance (from Worksheet 1, line 3a or 4a)	3a		
b	Utility allowance (from Worksheet 1, line 3b or 4b)	3b		
c	Total allowance (add lines 3a and 3b)	3c		
4	Add lines 1, 2, and 3c	4		
5	Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)	5		
6	Total unreimbursed employee business expenses after the 50% reduction for meals and entertainment (from Worksheet 3, line 9)	6		
7	Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)	7		
8	Net self-employment income. Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.	8		

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free help with your return. Free help in preparing your return is available nationwide from IRS-certified volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-moderate income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Most VITA and TCE sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, visit IRS.gov or call 1-800-906-9887 or 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's website at www.aarp.org/money/taxaide.

For more information on these programs, go to IRS.gov and enter keyword "VITA" in the upper right-hand corner.



Internet. You can access the IRS website at IRS.gov 24 hours a day, 7 days a week to:

- Check the status of your 2011 refund. Go to IRS.gov and click on *Where's My Refund*. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2011 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Download forms, including talking tax forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- Use the online Internal Revenue Code, regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant available online at www.irs.gov/individuals.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* You can check the status of your refund on the new IRS phone app. Download the free IRS2Go app by visiting the iTunes app store or the Android Marketplace. IRS2Go is a new way to provide you with information and tools. To check the status of your refund by phone, call 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2011 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- *Other refund information.* To check the status of a prior-year refund or amended return refund, call 1-800-829-1040.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



Walk-in. Many products and services are available on a walk-in basis.

- *Products.* You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery

stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

- *Services.* You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.



Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Taxpayer Advocate Service. The Taxpayer Advocate Service (TAS) is your voice at the IRS. Our job is to ensure that every taxpayer is treated fairly, and that you know and understand your rights. We offer free help to guide you through the often-confusing process of resolving tax problems that you haven't been able to solve on your own. Remember, the worst thing you can do is nothing at all.

TAS can help if you can't resolve your problem with the IRS and:

- Your problem is causing financial difficulties for you, your family, or your business.
- You face (or your business is facing) an immediate threat of adverse action.
- You have tried repeatedly to contact the IRS but no one has responded, or the IRS has not responded to you by the date promised.

If you qualify for our help, we'll do everything we can to get your problem resolved. You will be assigned to one advocate who will be with you at every turn. We have offices in every state, the

District of Columbia, and Puerto Rico. Although TAS is independent within the IRS, our advocates know how to work with the IRS to get your problems resolved. And our services are always free.

As a taxpayer, you have rights that the IRS must abide by in its dealings with you. Our tax toolkit at www.TaxpayerAdvocate.irs.gov can help you understand these rights.

If you think TAS might be able to help you, call your local advocate, whose number is in your phone book and on our website at www.irs.gov/advocate. You can also call our toll-free number at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

TAS also handles large-scale or systemic problems that affect many taxpayers. If you know of one of these broad issues, please report it to us through our Systemic Advocacy Management System at www.irs.gov/advocate.

Low Income Taxpayer Clinics (LITCs). Low Income Taxpayer Clinics (LITCs) are independent from the IRS. Some clinics serve individuals whose income is below a certain level and who need to resolve a tax problem. These clinics provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. Some clinics can provide information about taxpayer rights and responsibilities in many different languages for individuals

who speak English as a second language. For more information and to find a clinic near you, see the LITC page on www.irs.gov/advocate or IRS Publication 4134, *Low Income Taxpayer Clinic List*. This publication is also available by calling 1-800-829-3676 or at your local IRS office.

Free tax services. Publication 910, IRS Guide to Free Tax Services, is your guide to IRS services and resources. Learn about free tax information from the IRS, including publications, services, and education and assistance programs. The publication also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on the telephone. The majority of the information and services listed in this publication are available to you free of charge. If there is a fee associated with a resource or service, it is listed in the publication.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.



DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.

- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Links to other Internet based Tax Research Materials.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
 - The first release will ship the beginning of January 2012.
 - The final release will ship the beginning of March 2012.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for \$30 (plus a \$6 handling fee).



To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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Tax Publications for Individual Taxpayers See [How To Get Tax Help](#) for a variety of ways to get publications, including by computer, phone, and mail.

General Guides						
1	Your Rights as a Taxpayer	531	Reporting Tip Income	908	Bankruptcy Tax Guide	
17	Your Federal Income Tax For Individuals	535	Business Expenses	915	Social Security and Equivalent Railroad Retirement Benefits	
334	Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)	536	Net Operating Losses (NOLs) for Individuals, Estates, and Trusts	925	Passive Activity and At-Risk Rules	
509	Tax Calendars for 2012	537	Installment Sales	926	Household Employer's Tax Guide For Wages Paid in 2012	
910	IRS Guide to Free Tax Services	541	Partnerships	929	Tax Rules for Children and Dependents	
Specialized Publications			544	Sales and Other Dispositions of Assets	936	Home Mortgage Interest Deduction
3	Armed Forces' Tax Guide	547	Casualties, Disasters, and Thefts	946	How To Depreciate Property	
54	Tax Guide for U.S. Citizens and Resident Aliens Abroad	550	Investment Income and Expenses (Including Capital Gains and Losses)	947	Practice Before the IRS and Power of Attorney	
225	Farmer's Tax Guide	551	Basis of Assets	950	Introduction to Estate and Gift Taxes	
463	Travel, Entertainment, Gift, and Car Expenses	554	Tax Guide for Seniors	969	Health Savings Accounts and Other Tax-Favored Health Plans	
501	Exemptions, Standard Deduction, and Filing Information	555	Community Property	970	Tax Benefits for Education	
502	Medical and Dental Expenses (Including the Health Coverage Tax Credit)	556	Examination of Returns, Appeal Rights, and Claims for Refund	971	Innocent Spouse Relief	
503	Child and Dependent Care Expenses	559	Survivors, Executors, and Administrators	972	Child Tax Credit	
504	Divorced or Separated Individuals	561	Determining the Value of Donated Property	1542	Per Diem Rates (For Travel Within the Continental United States)	
505	Tax Withholding and Estimated Tax	570	Tax Guide for Individuals With Income From U.S. Possessions	1544	Reporting Cash Payments of Over \$10,000 (Received in a Trade or Business)	
514	Foreign Tax Credit for Individuals	571	Tax-Sheltered Annuity Plans (403(b) Plans) For Employees of Public Schools and Certain Tax-Exempt Organizations	1546	Taxpayer Advocate Service – Your Voice at the IRS	
516	U.S. Government Civilian Employees Stationed Abroad	575	Pension and Annuity Income	Spanish Language Publications		
517	Social Security and Other Information for Members of the Clergy and Religious Workers	584	Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)	1SP	Derechos del Contribuyente	
519	U.S. Tax Guide for Aliens	587	Business Use of Your Home (Including Use by Daycare Providers)	17(SP)	El Impuesto Federal sobre los Ingresos Para Personas Físicas	
521	Moving Expenses	590	Individual Retirement Arrangements (IRAs)	547(SP)	Hechos Fortuitos Desastres y Robos	
523	Selling Your Home	594	The IRS Collection Process	584(SP)	Registro de Pérdidas por Hechos Fortuitos (Imprevistos), Desastres y Robos (Propiedad de Uso Personal)	
524	Credit for the Elderly or the Disabled	596	Earned Income Credit (EIC)	594SP	El Proceso de Cobro del IRS	
525	Taxable and Nontaxable Income	721	Tax Guide to U.S. Civil Service Retirement Benefits	596SP	Crédito por Ingreso del Trabajo	
526	Charitable Contributions	901	U.S. Tax Treaties	850(EN/SP)	English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service	
527	Residential Rental Property (Including Rental of Vacation Homes)	907	Tax Highlights for Persons with Disabilities	1544(SP)	Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)	
529	Miscellaneous Deductions					
530	Tax Information for Homeowners					

Commonly Used Tax Forms See [How To Get Tax Help](#) for a variety of ways to get forms, including by computer, phone, and mail.

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1040	U.S. Individual Income Tax Return	2441	Child and Dependent Care Expenses
Sch A	Itemized Deductions	2848	Power of Attorney and Declaration of Representative
Sch B	Interest and Ordinary Dividends	2848(SP)	Poder Legal y Declaración del Representante
Sch C	Profit or Loss From Business	3903	Moving Expenses
Sch C-EZ	Net Profit From Business	4562	Depreciation and Amortization
Sch D	Capital Gains and Losses	4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
Sch E	Supplemental Income and Loss	4868(SP)	Solicitud de Prórroga Automática para Presentar la Declaración del Impuesto sobre el Ingreso Personal de los Estados Unidos
Sch EIC	Earned Income Credit	4952	Investment Interest Expense Deduction
Sch F	Profit or Loss From Farming	5329	Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
Sch H	Household Employment Taxes	6251	Alternative Minimum Tax—Individuals
Sch J	Income Averaging for Farmers and Fishermen	8283	Noncash Charitable Contributions
Sch R	Credit for the Elderly or the Disabled	8582	Passive Activity Loss Limitations
Sch SE	Self-Employment Tax	8606	Nondeductible IRAs
1040A	U.S. Individual Income Tax Return	8812	Additional Child Tax Credit
Sch B	Interest and Ordinary Dividends	8822	Change of Address
1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	8829	Expenses for Business Use of Your Home
1040-ES	Estimated Tax for Individuals	8863	Education Credits (American Opportunity, and Lifetime Learning Credits)
1040X	Amended U.S. Individual Income Tax Return	8949	Sales and Other Dispositions of Capital Assets
2106	Employee Business Expenses	9465	Installment Agreement Request
2106-EZ	Unreimbursed Employee Business Expenses	9465(SP)	Solicitud para un Plan de Pagos a Plazos
2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts		