



THE ULTIMATE YEAR-END CHECKLIST

ebook by Raul Rivera



THE ULTIMATE YEAR-END CHECKLIST

Copyright © 2017 by Four Winds Technologies

All rights reserved. No part of this file, book, or publication may be reproduced in any form or by any means, transmitted in any form or by any means, electronic, mechanical, including photocopying and recording for any purpose other than the personal use of the bearer of the license agreement or otherwise, without the written permission of Four Winds Technologies, Inc., P.O. Box 465017, Lawrenceville, GA 30042. The information in this program is subject to change without notice.

The information in this publication is only a guide and is not intended to be legal advice in any way. This guide is meant to be used as a reference work only, as it may or may not help you make informed decisions concerning your organization. It is not to be used in replacement of or as a substitute for a lawyer or CPA. As always, you should seek the counsel of a competent lawyer or CPA. The authors, and or publishers, are not responsible for any legal repercussions, adverse effects or consequences resulting from the use of any of the information discussed in this publication.

Any trademarks, service marks, product names or named features are assumed to be the property of their respective owners, and are used only for reference. There is no implied endorsement if we use one of these terms.

Contrary to popular belief, copying and sharing information, even without selling it is illegal. Under Title 17 of the United States Code, it is clear that such copying and sharing is an infringement that provides severe monetary and criminal penalties.



Table of Contents

INTRODUCTION 5

Item #1: Notify Members of Giving Deadline 5

Item #2: Know the \$250 Rule 5

Item #3: Practicing Printing Year-End Statements 5

Item #4: Update W-4's 6

Item #5: Gather Bank Statements 6

Item #6: Properly Report Love Offerings 6

Item #7: Make A List of All Contractors 6

Item #8: Prepare W-2 Information 7

Item #9: Prepare Fourth Quarter 941 Forms 8

Item #10: Prepare For Your Annual Board Meeting 8

Item #11: Properly Remove Old Board Members 9

Item #12: Properly Add New Board Members 9

Item #13: Sign Conflict Of Interest 10

Item #14: Prepare Form 8282 10

Item # 15: File Form 1098-C for Donation of Car,
Boat or Airplane 10

Item #16: Get Compliant With Section 4958 10



Item #17: Improve Your Chart of Accounts 11

Item #18: Review All Reimbursements..... 11

Item #19: Create and Update Employee File 12

Item #20: Calculate Unrelated Business Income Tax..... 12

Item #21: Locate Your 501(c)(3) Approval Letter 12

Item #22: Review Your Church Insurance Policy 13

Item #23: Review Your Bank Accounts..... 13

Item #24: Perform a Web Portal Audit 13

Item #25: Review Your Health Insurance Payments..... 13

Item #26: Consider a Section 74 Gift 14

Item #27: Rebuild Lost Tithe Records 14

Item #28: Prepare Housing/Parsonage Allowance 15

CONCLUSION..... 15



INTRODUCTION

The holiday season is upon us, and the end of the year is quickly approaching. During this time of year, we reflect on all of God's goodness in what He has done throughout the year, and we anxiously anticipate what He will do in the new year to come. It is, however, important that we not allow ourselves to get distracted from some important "end of the year" tax and administrative responsibilities. This checklist contains 28 items that your church should consider before ringing in the New Year.

ITEM #1: NOTIFY MEMBERS OF GIVING DEADLINE

Whether you print it in a church bulletin, announce it from the pulpit, and/or publish it on the church website, you should remind your members to be aware of two things:

1. Any member wanting to make a large contribution, desiring to get tax-deductible credit for this tax year, must give it to the church on or before midnight of December 31st or mail it to the church so that it is postmarked on or before December 31st. Also, remind your members that in order for their tithes and offerings to be tax-deductible, they must have possession of their giving statement from the church.
2. Additionally, members must have in their hands a written receipt including all individual contributions of \$250 or more if they want them to be tax-deductible. This brings us to item #2 on the checklist.

ITEM #2: KNOW THE \$250 RULE

Section 170(f) of the Internal Revenue Code requires that a written acknowledgment be given to the donor for any contribution in the amount of \$250.00 or more. For more information, please click [here](#).

ITEM #3: PRACTICING PRINTING YEAR-END STATEMENTS

Many software programs can have complicated year-end statement printing processes. Try doing a sample in December just in case you have trouble and need technical support. It is better to call the support department in December rather than in January with everyone else. You will most likely avoid long hold times.



ITEM #4: UPDATE W-4'S

Have all employees review their Form W-4. This is the form each employee must fill out before beginning employment at the church. Its purpose is to determine how much federal withholdings will be taken out of each paycheck. Employers must obtain this document at the point of hire and use it to withhold income for federal tax purposes. In addition, some of your church's employees may have experienced changes in their lives that would require updating the amount of federal income withholdings.

ITEM #5: GATHER BANK STATEMENTS

All of the church's bank accounts need to be reconciled and gathered into one notebook. Many banks no longer send the actual cancelled checks with the bank statements. By the end of December, it is a good idea to download and either print or save electronic copies of the cancelled checks for safe keeping. This is in case you need to refer to a particular check or entry that was made.

ITEM #6: PROPERLY REPORT LOVE OFFERINGS

Love offerings and gifts given to the pastor by the church or sanctioned by it must be counted and reported on the pastor's Form W-2 as taxable income. If there were any gifts given to volunteers, the same rules apply. Be sure that the recipient is alerted that they must report any gifts on his/her tax return. If the church's gift to a volunteer reaches or exceeds \$600.00, the church must issue a 1099-MISC to the volunteer. Guest speakers are far too often overlooked when it comes to this stipulation. They are subject to this rule in the same way as volunteers. Be sure to follow the instructions on the next checklist item for any individual who is issued a 1099-MISC.

Exception: Any non-cash gift of property having a value so small "as to make accounting for it unreasonable or administratively impracticable" is a nontaxable "de minimis fringe benefit." An example may be a gift basket or tickets to a ball game.

Proper documentation of a pastor's income is an important part of staying compliant with state and federal laws. However, most churches lack the resources to do this fast and accurately. StartCHURCH's minister's tax return service can help you complete this task. For more information, please call 1-844-277-8229 to speak to one of our team members today!

ITEM #7: MAKE A LIST OF ALL CONTRACTORS

Make a list of the independent contractors/service providers. If your church had any of the following people render services to the church, you must do two things: 1) each person must fill out a Form W-9



and give it to the church and 2) your church must give each contractor/service provider a Form 1099-MISC stating how much he/she earned from the church if the amount of income received from the church was \$600.00 or more for services or rent or \$10.00 or more if they were paid royalties. Below is a list of contractors for you to consider:

1. Guest speakers
2. Lawn service providers
3. Pest control providers
4. Landlord for rent collected
5. Attorneys /doctors (even if the attorney/doctor is incorporated)
6. Accountants
7. Guest singer/musicians
8. Hired cleaners
9. Contractors
10. Plumbers
11. Carpet installers
12. Piano repairmen
13. Computer service providers
14. Growth consultants
15. Hired stewardship campaign advisors

ITEM #8: PREPARE W-2 INFORMATION

Each year churches pay their ministers, musicians, nursery workers, and other ministers for their services. Make sure that you have the exact names, addresses, and Social Security numbers of each employee, and get ready to finalize the year-end totals for their Form W-2.



The Affordable Care Act has changed some of the requirements for the way that Form W-2s are filled out. Employers must now report the cost of health care coverage under an employer sponsored group health plan. According to the IRS, “Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer’s excludable contribution to health coverage continues to be excludable from an employee’s income, and it is not taxable.” The information submitted will simply be used, according to the IRS, to provide useful information for employees so that they may compare consumer information. The value of health care coverage, which usually includes both employer and employee contributions, should be reported in box 12 of Form W-2 with code DD for identification purposes. For more information on this requirement, please click [here](#) to review the IRS publication.

ITEM #9: PREPARE FOURTH QUARTER 941 FORMS

By the end of December, your church will have all of the information it needs to prepare its 4th quarter Form 941 report. This is a federal tax return to be completed by employers quarterly. That report is due by January 15th.

ITEM #10: PREPARE FOR YOUR ANNUAL BOARD MEETING

Each church must have at least one board meeting annually in order to comply with the minimum state and federal requirements. The annual board meeting should cover a variety of topics. Below is a list of some of the more important topics to help you with the agenda.

1. Election/appointment of directors/officers (see checklist item 12).
2. Official removal of directors/officers (see checklist item 11).
3. Ratification of prior acts: It is important to ratify prior acts that may not have been properly ratified in the past. This could include items such as opening a bank account, adopting bylaws and policies, or approval of salaries. As a general rule of thumb, anything that deals with church governance or finances, and is not covered in previous minutes, needs to be ratified retroactively. You should also retroactively approve items that were approved by an unbalanced board of directors.
4. Approval of compensation for pastors and staff (this should be done at least once every year).
5. Designation of housing allowances.



6. Review, update, and adopt essential policies such as:

- Automobile use policy
- Cell phone policy
- Continuing education policy
- Accountable reimbursement policy
- Medical expense reimbursement policy
- Benevolence policy
- Backup withholding policy
- Conflict of interest policy (see checklist item 13)
- Anti-terrorism policy
- Creative license agreement

7. Financial status report

8. Open floor

Are your board meeting minutes a mess? Let us help you! In just a few short weeks, [StartCHURCH®](#) can help you get your minutes in shape and help you get back on the road toward legal compliance. Whether it is amending bylaws to better protect you or creating the required annual minutes, just call us at 1-844-277-8229, and we can get started helping you right away!

ITEM #11: PROPERLY REMOVE OLD BOARD MEMBERS

During this past year or previous years, you may have had board members that either resigned or just quit participating in board meetings. Now is a good time to document their exits from the board by recording it in the minutes of the annual board meeting.

(Related Article: [“What to do When You Need to Remove a Board Member”](#))

Creating necessary board meeting minutes has never been easier with our [Ministry Corporate Records](#) applet. Also, a great tool for managing minutes in general is our Ministry Corporate Records Kit. Click [here](#) for more information.

ITEM #12: PROPERLY ADD NEW BOARD MEMBERS

Many churches list their board members in the state’s annual reports so that they show up online. However, very few churches properly add the new members to the board by recording those acts in the minutes of a board meeting. Adding the new members to the board through a board vote



and recording the vote in meeting minutes is equally as important as adding them to the state's annual report.

ITEM #13: SIGN CONFLICT OF INTEREST

Make sure that each board member signs a conflict of interest statement. The potential for a conflict of interest arises when a person on the board of directors who is responsible for promoting the interests of the church has a reason to also promote a personal interest. Therefore, to comply with best non-profit practices, each board member should sign a conflict of interest statement each year. At our [Ultimate Church Structure Conferences](#), which are held across the United States throughout the year, you will learn about conflict of interest as well as many more compliance issues. We also provide a full copy of a conflict of interest statement in our conference manual. Find a conference in a city near you by checking out our full conference schedule [here](#).

ITEM #14: PREPARE FORM 8282

If your church received any donated non-cash items valued at \$5,000.00 or more and you disposed of them within three years, then you are required to file Form 8282 with the IRS. An example situation where this form would need to be filed is if a golf cart is donated to the church, in an area where the golf cart is not useful to the church other than to sell it for pecuniary gain. If the church receives the donation, then sells, raffles off, or otherwise disposes of the golf cart within 3 years from the time of the donation, this form is necessary. Failure to properly file this form could have a negative tax impact on the donor.

You can find this form, and many other useful forms, by visiting the [StartCHURCH® Resource Center](#).

ITEM # 15: FILE FORM 1098-C FOR DONATION OF CAR, BOAT OR AIRPLANE

Order IRS Form 1098-C if the church has received a donation of a car, boat, or airplane. This is a special triplicate tax form that must be ordered and received by mail. You can order the form by calling 1-800-829-3676 and asking for 5 copies of Form 1098-C.

ITEM #16: GET COMPLIANT WITH SECTION 4958

Become familiar with IRS section 4958. Board members may be held personally responsible for approving excess benefit transactions unless they can demonstrate their approval was “not willful and due to reasonable cause.” Below is an example.



The IRS has defined an intermediate sanction as a penalty being assessed against the pastor, board members, or other related parties for infractions against section 4958, otherwise known as “excess benefit transactions.” The penalties for excess benefit transactions are at 10%, 25% or 200%. See the example below:

Pastor Tom begins receiving a salary of \$20,000.00 a year, but the board of directors does not put it in writing by creating a salary compensation agreement nor do they issue him a Form W-2 at the end of the year. Section 4958(a)(1) requires that an excise tax penalty be levied against the pastor personally in the amount of \$5,000.00 and that each board member that partook in the transaction also be liable to pay a penalty of 10% jointly and severally. This means that each board member would have to pay a fine of \$2,000.00. However, if the IRS performs an inquiry or an audit of the church’s finances and the IRS discovers an excess benefit transaction, the fine will be 200% of the excess benefit transaction. Remember, it does not matter if the salary was fair or not. IRS Code requires that the salary be put in writing and a Form W-2 be issued (Treasury Regulation 53-4958).

Most ministries are intimidated when it comes to trying to craft a legal salary agreement for the minister. However, we offer a [Compensation Agreement Service](#) to help alleviate the questions you have about establishing a proper compensation agreement. For more information you can click [here](#) or give us a call at 1-844-277-8229.

ITEM #17: IMPROVE YOUR CHART OF ACCOUNTS

In any accounting system that you choose, establishing the chart of accounts is essential to the success of the system. Each church has different needs for its chart of accounts based on the number of checking accounts it has. Every financial decision and new project that your church starts, including stewardship campaigns, affects the chart of accounts and determines the number of new accounts you will need to create within it.

ITEM #18: REVIEW ALL REIMBURSEMENTS

Early December is the best time of year to review all reimbursements issued by the church to staff, volunteers, officers, and board members. In essence, each reimbursement must meet the following requirements.

1. A request for reimbursement is submitted explaining the reason for the reimbursement and how it involves the business of furthering the purpose of the church.
2. The reimbursement has to be substantiated with receipts.



If any reimbursement that was issued does not meet both of the above requirements, then it should be reviewed further. Attempts should be made to recover receipts and have written requests submitted.

In addition, your church should have adopted an accountable reimbursement policy. This policy comes standard as part of our [StartRIGHT® Program](#).

ITEM #19: CREATE AND UPDATE EMPLOYEE FILE

Create and/or maintain a file for each employee: To best protect the interests of the church, each employee should have a personal file with the following items:

- Employment application
- Signed Form I-9
- Signed Form W-4
- Employment agreement
- Records and notes of personal achievements, reprimands, awards etc.

Be sure to check and make sure that the employee agreement has not expired. If it has, then write up a new one, and have the employee and employer sign it.

ITEM #20: CALCULATE UNRELATED BUSINESS INCOME TAX

Determine if your church owes unrelated business income tax. Under Internal Revenue Code section 512, if the church earns any income from unrelated business activities, then it must file Form 990-T to report such income. In short, the church must report any gross income of \$1,000.00 or more earned from unrelated business activities. Such activities are:

- Sales from a bookstore that is open during non-worship service hours.
- Rental income from a building that is debt-financed.
- Income from any activity that is not specifically associated with the tax-exempt purposes of the church.

ITEM #21: LOCATE YOUR 501(C)(3) APPROVAL LETTER

Many churches that have received official 501(c)(3) status lose track of their federal determination letter. This letter is evidence of your tax-exempt status and should be maintained at all times. If you are unable to locate your church's 501(c)(3) federal determination letter, then you may complete and



submit Form 4506-A to the IRS requesting that they send you a copy.

ITEM #22: REVIEW YOUR CHURCH INSURANCE POLICY

In preparation of your annual board meeting, now is the time to review your insurance policies. Your insurance needs are in a process of continual change. Rates often increase when you stay with one company for a long period of time, even if no claims have been filed, so be sure to shop around for the best rates and coverage. Whether it is liability insurance, vehicle insurance, locksmith insurance, or hazard insurance, December is the best time to see your insurance agent and discuss your church's needs for the coming year.

ITEM #23: REVIEW YOUR BANK ACCOUNTS

How much is your church paying for banking? With the number of interest-bearing accounts that are available, now is a good time to shop for banks that do not charge debit card fees and that pay a better interest rate on your savings.

ITEM #24: PERFORM A WEB PORTAL AUDIT

Every church's website gets static cling! It starts out clean, but it picks things up over time. **Some of those things - like the pastor's personal business listed on the church site, etc - are a violation of the Internal Revenue Code and need to be removed.** The end of the year is a great time for a web portal audit. Below is a list of what should not be on church website.

1. Links to a business owned by the pastor, employee, board member, or officer.
2. Links to personal, religious services independently offered by the pastor.
3. Endorsements of political candidates.
4. Unrelated business activities.

ITEM #25: REVIEW YOUR HEALTH INSURANCE PAYMENTS

The Affordable Care Act gives a refundable tax credit of 25% of the cost of health care insurance that the church pays for its employees. In order for the church to qualify for the tax credit, it has to meet three requirements, as listed below.

1. The church has to have less than 25 employees.
2. The average annual salary of the employees has to be less than \$50,000.00.



3. The premiums that the church pays have to be under a qualifying arrangement. This is a group insurance plan in which the church pays at least 50% of the insurance premium.

To get the credit, the church will have to prepare at least two tax forms, as listed below.

1. The church will have to prepare Form 8941 to calculate how much of a tax credit it will receive. Find Form 8941 [here](#).
2. The church will have to prepare Form 990-T and enter the grand total of the credit on line 44f of Form 990T. Find Form 990-T [here](#).

ITEM #26: CONSIDER A SECTION 74 GIFT

The Internal Revenue Code provides that the church or ministry can give a gift to an employee, including the pastor, so long as it meets the requirements of a qualified employee achievement award set forth in section 74 and 274(j)(B). The church is allowed to give a gift that is tangible to the employee provided that the following criteria is met.

1. The program is put in writing and awards are given under conditions and circumstances that do not create a significant likelihood of it being disguised compensation.
2. The award is tangible property. It cannot be travel, vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, or other securities. Good gift ideas can be a tablet, laptop, computer, office chair, or desk, etc.
3. The award is for length of service (after every completed 5th year of service) and is given as part of a meaningful presentation or ceremony. The award generally cannot surpass \$400 in value.

ITEM #27: REBUILD LOST TITHE RECORDS

It happens every year; churches of all sizes and backgrounds lose their tithe and offering records. The most common way this happens is through a church computer hard drive crash. How many times do we hear that **consistently backing up records is the best practice**, but how many actually do it?

Let me give you five quick steps to take to help alleviate a potentially frustrating situation between the church and its givers.

1. **Notify:** Make the church membership aware of the loss through whatever means you normally use. It can be in letter or through an announcement. It may not be the best idea to publish it on



your website. That may be too public of a forum and easily misinterpreted.

2. **Educate:** Ask every taxpayer that gave any contribution greater than \$250.00 to hold off on sending his/her tax return until the receipts have been reconstructed. Section 170 of the Internal Revenue Code requires for the taxpayer to have in his/her possession the actual qualifying receipts from the church before he/she can file a tax return and claim the deduction.
3. **Empower:** Anyone whose individual contributions to the church were all under \$250.00 can use his/her cancelled checks to calculate his/her deduction, and then at a time of his/her choosing, follow step five below.
4. **Locate:** Many churches save their tithe and offering envelopes and/or count sheets. If you are able to locate them, you can use those to reenter into the church record keeping software all of the information that was lost.
5. **Recreate:** The law provides that a church can use “reasonable means” to recreate its giving and receiving records. The taxpayer can present the cancelled checks to the church and based on that, the church can issue a written statement that lists all contributions including those in excess of \$250.00.

ITEM #28: PREPARE HOUSING/PARSONAGE ALLOWANCE

Internal Revenue Code section 107 requires that a housing/parsonage allowance exclusion be set up in advance of any salary being paid to the minister. The housing allowance exclusion is one of the most beneficial tax benefits offered to ministers and should be taken advantage of as often as possible. That being said, you will want to be sure that your housing allowance set up correctly. Consider having StartCHURCH® assist you in setting up your housing allowance! Click [here](#) to learn more.

CONCLUSION

As we head out of one year and into another, it is crucial to make sure that your organization remains compliant. This in-turn will allow you to focus on the calling and vision that God has given you and your church. Here at StartCHURCH®, it is our mission to guide you through compliance matters and allow you to do just that: focus on your ministry. In addition to completing 2017 by protecting what God has blessed you with, we pray you find blessings and joy in the new year.

