



Big Tax Credits for Churches

Churches generally do not pay income tax and, in fact, are generally not required to file non-profit tax returns. However, most churches do pay "employer payroll taxes" on their staff, and recently enacted legislation provides Federal tax credits as offsets and, therefore, tax refunds against the church's payroll taxes. This PayDay will summarize two types of recent tax credits which can produce thousands of dollars each in Federal payroll tax refunds.

Tax Credit for Hiring Veterans

Churches who hire "qualified veterans" after November 21, 2011 and before January 1, 2013 may qualify for large Federal tax refunds as an incentive to hire veterans. A "qualified veteran" has generally been unemployed for at least 4 weeks during the year preceding or is a member of a family who is receiving food stamps.

This hiring tax credit for certain veterans is also available for other non-profit organizations who qualify for Section 501(c)(3) charity status. A church or charitable organization claims the Federal tax credit on brand new IRS Form 5884-C. This tax credit offsets FICA/Social Security taxes paid by the church/ministry organization.

The IRS just released guidance for this tax credit on February 9, 2012. You can find their guidance by "goggling" Notice 2012-13.

Tax Credit for Health Insurance Premiums - Year 2!

AccuPay's CPA/advisors helped several smaller churches claim this Federal tax credit last year, which resulted in Federal tax refunds ranging from \$2,000 - \$7,500 in amount. Churches who qualify for this "Small Business Health Insurance Tax Credit" are those with less than 25 "full-time equivalent employees", average wages paid of less than \$50,000 per "FTE" employee, and a church plan (group, denomination, etc.) which pays health insurance for one or more of their employees (pastors and other staff). This tax credit is claimed on IRS Forms 8941 and 990, which are due by May 15, 2012 for calendar year 2011.

This Federal tax credit offsets Federal income tax withholdings and Medicare taxes, whereas the veterans' hiring tax credit offsets the employer's share of FICA/Social Security taxes. You can obtain more detailed information about this church tax credit by linking on to our March 14, 2011 PayDay titled, "[Church Health Insurance Tax Credit.](#)"

Good Stewardship

Church and ministry organization leaders should learn about these new tax credits so they can generate legal federal tax refunds. Large churches with above 25 employees should learn about tax credits available for hiring veterans (November 22, 2011 - December 31, 2012), and churches with under 25 employees should thoroughly understand both tax credits.

Questions about either of these church tax credits can be addressed to AccuPay's Tax Director, Larry Shaub, CPA at larry@accupay.com. **We will not charge you for our advice or information we provide to you. Since we believe many churches will overlook these available tax credits for 2011 and 2012, please spread the word to your church colleagues and friends!**

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.