



# Clergy – Religious Workers

*Sprague  
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ACCOUNTANTS AND ENROLLED AGENTS

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## Ministers

Ministers are individuals duly ordained, commissioned, or licensed by a church. “Church” is used generically and does not refer to any particular religion. Most ministers who receive compensation are treated as dual-status taxpayers—employees for income tax purposes but not for Social Security and Medicare taxes. Many ministers also receive a parsonage allowance. See *Parsonage Housing Allowance*, later.

**Ministerial income.** Total ministerial income includes church wages, gross self-employment income from ministerial service, and tax-exempt allowances.

**Employee income and expenses.** The minister receives Form W-2 from the church employer.

- The minister’s wage income is reported in box 1, Form W-2.
- Social Security and Medicare taxes (FICA) are not withheld. The wages will be included in the minister’s self-employment tax computation.
- Ministers are not subject to federal income tax withholding. A minister and employer may agree to voluntary withholding.
- Parsonage or housing allowances are reported in box 14, Form W-2.

For tax years 2018 through 2025, unreimbursed employee business expenses are not deductible as itemized deductions. However, the allowable expenses may be subtracted from self-employment earnings when computing self-employment tax.

**Self-employment income and expenses.** Amounts received by a minister for performing marriages, baptisms, funerals, and other personal services, are generally self-employment income, even if Form 1099-NEC, *Nonemployee Compensation*, is not received by the minister.

- Self-employment income is reported on Schedule C (Form 1040), *Profit or Loss from Business*.
- Self-employment expenses are deductible on Schedule C (Form 1040), prorated to the extent the minister has tax-exempt income from a parsonage allowance.

**Expense reduction for tax-exempt income.** A minister who receives tax-exempt income (such as a parsonage allowance) as part of compensation must reduce deductions for Schedule C (Form 1040) self-employment expenses as follows.

$$\frac{\text{Tax-exempt income}}{\text{Total ministerial income}} = \text{Reduction percentage}$$

**Minister’s self-employment tax.** A minister reports income subject to self-employment tax on Schedule SE (Form 1040), *Self-Employment Tax*.

The following income is included as self-employment income on Schedule SE.

- Church wages from box 1, Form W-2, less associated employee expenses in full.
- Gross Schedule C (Form 1040) income from ministerial services, less associated self-employment expenses in full.
- Entire amount of parsonage allowance, including utilities, whether received in the form of allowances or provided in-kind to the minister. If housing and utilities are provided, include the fair rental value of the home and cost of utilities.

Do not include any of the following.

- Expense reduction due to tax-exempt income.
- Housing and housing allowance, including utilities, provided to retired ministers.