

ARE BONUSES, CHRISTMAS GIFTS OR SPECIAL OCCASION GIFTS INCOME?

Bonuses paid to ministers or staff members are income. (Treasury Regulation 1.61-2(a)(1).

Christmas or other special occasion gifts for a birth-

day, anniversary or pastor appreciation are most probably income. Although Section 102 of the IRS Code states that gifts are not income, an employer cannot make a gift to an employee (especially not a non-profit employer) unless the value of the gift is very small, like a turkey or a ham. Any “gift” made to a minister out of church funds, for whatever reason, is income.

Members, on the other hand, may make tax-free gifts to ministers if no concerted effort was made by the church to solicit or collect those funds.

CHURCH LAW

If gifts are funded through contributions to the church, are entered onto the church books, and members are given a charitable contribution for the gifts, these are income to the minister.

A church can collect an all-cash offering with the express understanding that all funds collected will go directly to the minister, bypass the church books, and the donors will not receive a charitable contribution. It is POSSIBLE, but not ABSOLUTE, that these are gifts. In my next column I will delineate the necessary attributes which would turn these monies into gifts and also talk about retirement gifts. All income whether from salary or “gifts” must be entered on a minister’s W-2 form.

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