

Housing Allowance

Does a housing allowance need to be approved every year?

While a housing allowance can remain in effect from year to year if no changes are made, it is considered a best practice for the church board to review and approve it annually. This helps ensure accurate records and good financial stewardship.

Can a housing allowance be changed during the year?

Yes. A housing allowance may be changed during the year, but any change applies only from the date it is approved moving forward. Housing allowances cannot be increased retroactively.

Does the housing allowance need to be recorded in church board meeting minutes?

Yes. Recording the approved housing allowance in the official board meeting minutes at the beginning of each year is considered a best practice.

If a pastor lives in a church-owned parsonage, is a housing allowance still necessary?

Yes. The fair market rental value of the parsonage (including furnishings) should be determined and approved by the church. This amount serves as the pastor's housing allowance for tax purposes.

How does housing allowance work after retirement?

When requesting a retirement distribution, retired ministers may designate the distribution as housing allowance. The designation remains subject to IRS limitations and requirements.

Retirement & 403(b) Benefits

Who is eligible to participate in the Nazarene 403(b) Retirement Savings Plan?

Generally, any employee receiving W-2 reportable taxable compensation from a Nazarene employer are eligible to participate in the Plan.

Can I contribute to the Nazarene 403(b) if I already participate in a 401(k)?

Yes. Individuals may contribute to both plans, subject to the IRS combined annual contribution limits.

Can I roll over a Roth 401(k) from a previous employer into the Nazarene Plan?

The IRS generally permits these rollovers. However, eligibility requirements for opening a Nazarene Plan account still apply. Contact NBUSA to confirm your eligibility.

Does a minister have to contribute to receive the retirement match?

The retirement match may be available when either the church, the minister, or both make eligible contributions, provided the church meets the applicable NBUSA allocation requirements.

What happens if our church is very small or has limited financial resources?

Even smaller churches may qualify for retirement matching if they meet their required NBUSA allocation and eligible retirement contributions are made.

How do I know if employer matching contributions are being deposited?

Participants can verify contributions by reviewing their Fidelity retirement account or by contacting NBUSA for assistance.

Minister Taxes & Payroll

Should ministers receive a W-2 or a 1099?

Most ministers should receive a W-2, even though they are considered self-employed for Social Security purposes. Certain short-term or occasional ministry situations may qualify for different tax treatment, depending on the specific facts and circumstances.

What about fill-in or supply pastors?

The appropriate tax reporting depends on the nature of the work. Occasional guest ministry may qualify differently than ongoing ministry assignments. Churches should consult a qualified tax advisor when determining whether a W-2 or 1099 is appropriate.

How does Social Security work for newly ordained ministers?

Prior to ordination or district licensing, individuals are generally treated as regular employees. Once ordained or district licensed, ministers become self-employed for Social Security tax purposes under IRS rules.

Is a W-2 required if all compensation is designated as housing allowance?

Because this situation involves complex tax considerations, churches should consult qualified tax guidance or the ECFA before determining filing requirements.

How are employer retirement contributions reported?

Employer contributions are not reported as taxable wages on the employee's W-2. However, the Retirement Plan checkbox (Box 13) should generally be marked when applicable.

Church Expenses & Reimbursements

Should churches reimburse pastors for expenses or provide a church credit card?

Either approach can work when proper accountability procedures are followed. Church credit cards often simplify recordkeeping, provided receipts and business purposes are documented promptly.

Should a church credit card be in the pastor's name?

The account should always belong to the church. While the card itself may display the pastor's name, the account and financial responsibility should remain with the church.

What is an accountable reimbursement plan?

An accountable reimbursement plan requires pastors to document business expenses and return any unused funds within a reasonable period. Proper documentation helps ensure reimbursements remain non-taxable.

How should healthcare reimbursements be handled?

Healthcare reimbursement arrangements vary significantly depending on how they are structured. Churches should contact NBUSA or consult qualified tax professionals for guidance specific to their situation.

Church Administration

Is an independent audit required?

Not necessarily. Depending on church size and circumstances, a financial review may be appropriate. Churches should follow the requirements outlined in the Manual and consult their governing bodies when appropriate.

How is our church's retirement allocation determined?

The annual allocation is based on the information submitted through the church's Annual Pastor's Report.

How do we make retirement contributions?

Churches should contact the NBUSA office for assistance with establishing or making retirement contributions.

How should churches determine pastor compensation?

Guidance on compensation planning is available in NBUSA Memo #4 and the free Treasurer's Tax Guide available through NBUSA Resources.

Eligibility & Participation

Can someone participate in the Nazarene Plan using only an ITIN?

No. Participants must have a valid Social Security number to participate in the Nazarene 403(b) Retirement Savings Plan.

Do churches need to apply directly to the IRS to establish the Nazarene 403(b)?

No. NBUSA maintains the qualified plan documentation and IRS compliance for participating Nazarene churches.

Need Additional Assistance?

Some questions require individual review because of their complexity or unique circumstances. If your question involves tax reporting, healthcare reimbursements, retirement eligibility, or church-specific situations, please contact the NBUSA office for personalized assistance.