



ARIZONA

DISTRICT COUNCIL

SUPPLEMENTAL FORMS TO THE OPERATIONS MANUAL

UPDATED 2020

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TABLE OF CONTENTS

SECTION 1	Setting up your “business (church)	3
SECTION 2	Online Access for Churches and Ministers	4
SECTION 3	Payroll	5
SECTION 4	Bank Accounts and Required Signatures	6
SECTION 5	Housing Allowance	7
SECTION 6	Becoming a General Council Affiliated Church	9
SECTION 7	Incorporation as a General Council Church	10

SECTION 1: Setting up your “business” (church)

All churches must have a Federal Tax ID, also known as an EIN (Employer Identification Number). Once an EIN has been assigned to a business entity, it becomes the permanent Federal taxpayer identification number for that entity. Regardless of whether the EIN is ever used to file Federal tax returns, the EIN is never reused or reassigned to another business entity.

To obtain an EIN, go to www.aztaxes.gov. Click on “License a New Business”, and then click the “continue” button. If you prefer to file by paper and wait 6+ weeks for your EIN, you can use form SS-4.

POINT OF INFORMATION – The EIN is the *federal* ID number. However, Arizona uses it as the *state* ID number instead of assigning a different number.

On the first page of the Arizona Joint Tax Application (the next screen) you will be able to “Register for a new EIN”. This will take you to the IRS website. Towards the bottom on the page, click “Apply Online Now” to begin the process. When you get to the page that asks what type of legal structure you are, be sure to click “View additional types” and choose “Church”. Then work your way through the website. You will receive your EIN Confirmation on line. Save and print as this will be your permanent record. When you are done, you will be re-directed back to the Arizona Joint Tax Application page, where you will input your new EIN to get started with the state application. For the State of Arizona, you will need two types of licenses: USE TAX and WITHHOLDING TAX. Then work your way through the remainder of the Tax application, being sure to save a copy for your permanent file.

POINT OF INFORMATION – In the State of Arizona, the *only tax exemption a church is entitled to* is on real property owned. If you have a church building, mobile home, etc. you will file that exemption with your county assessor.

In Arizona, churches are never exempt from SALES TAX on purchases they make, except on purchases for resale by the church. This is different from some other states. Your tax-exempt status relates to income taxes, not sales taxes.

USE TAX is the most overlooked tax in Arizona! It applies to out-of-state purchases of goods for which no sales tax has been paid, but the goods are “used” in Arizona. Having just completed the Arizona Joint Tax Application (above), you will now receive a “Transaction Privilege, Use and Severance Tax Return (TPT-1)” to file and pay the Use Tax on goods purchased outside Arizona, such as from Amazon, Christian Book Distributors, or Gospel Publishing House. When reporting, do not include the tax on the shipping and handling charges of the invoice.

SECTION 2: Online Access for Churches and Ministers

We have recently upgraded our online member portal – **my.azag.org**. Once you have established a login, you can also register for any district event, change your contact information, give your minister title, and check your contribution history. This is for credentialed ministers only.

It's easy - Just go to our website www.azag.org and click on the words "**Minister's Log In**" up in the far right hand corner. Next, click on the blue box "You are not logged in". That will take you to the login and password area of the new portal. NOTE: **Please do NOT click the "Register" button.** If you are an Arizona Credentialed Minister, we have already set up your account and there is no need to register.

If you have not set up your login and password, here are the instructions. Your user name is set at your *first initial and last name* - example: drussell. Type in your info and then click the "forgot password". It will send a temporary password to your email on file. (This is a good time to make sure we you're your correct email address(s).) Once you have that temporary password, come back to this page and insert it, then click login. You will be required to change your password. Please select something that you can remember! If you forget your password, it's as simple as clicking the "forgot password" and going through this step again. We will NOT be able to change your password for you.

The login for churches is similar but different! The login is the church name as it appears in our database. Churches are listed as "city-first assembly". If you have a monthly statement from our office, you will see how your church is listed and can duplicate it. If you're unsure, just give us a call and we can walk you through it. Then proceed as directed above.

Please give our office a call if you have any questions or concerns.

Dorothea Russell
Accounting
602-343-4025 direct line

Jennifer Rosado
Credentialing Secretary
602-343-4012 direct line

SECTION 3: Payroll

Documentation needed for payroll files

Credentialed Ministers (“Dual status employees”)

- Copy of ministerial credentials
- W9
- I9
- Letter for voluntary withholding, if applicable
- Copy of housing allowance request and copy of board action approving housing allowance (see section 5)

The W-9 provides you with the name, address and social security number which you need for payroll reporting. The I9 is used for E-Verify.

A credentialed minister can elect to have the church “voluntarily withhold” federal and/or state taxes for them. This is done via a letter to the church bookkeeper stating how much they want withheld each pay period. They can change the amount withheld during the year by submitting anew letter. Never use the tax tables for Clergy.

Employees

- W4 All new for 2020!
- A4
- I9

Each of these forms are filled out, signed and kept in the employee file. Forms do not have to be resubmitted each year. If an employee wishes to change their withholding, has a name change, etc., a new form is submitted.

Churches are exempt from FUTA & SUTA.

All pastors and employees must be reported through E-Verify and Arizona New Hire.

- <https://e-verify.uscis.gov/enroll> to register and report through Homeland Security
- www.az-newhire.com to register and report through Arizona Dept. of Economic Security

Churches must file quarterly 941s, unless specifically instructed by the IRS to file an annual 944.

All pastors and employees will receive a W2 at year’s end. However, in no circumstances does a church withhold and match Social Security and Medicare for Clergy.

Work Place Poster - All churches must comply with Federal and Arizona posting requirements. You do not need to pay for work place poster – all are free online.

Check with your insurance provider regarding Worker’s Compensation insurance.

SECTION 4: Bank Accounts and Required Signatures

All District Affiliated Churches will need to have additional signatories on their bank accounts. At a minimum, there will be the Pastor, The Sectional Presbyter, and The District Secretary/Treasurer. You may also have the acting church treasurer on the account.

Recent banking laws require your church to be an “entity”, either an LLC or a corporation in order to open an account.

Please contact Emily at 602-343-4018 for information to obtain an LLC.

SECTION 5: Housing Allowance

Ministers who own their own home do not pay federal income taxes on the amount of their compensation that their employing church designates in advance as a housing allowance, to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the fair rental value of the home (furnished, plus utilities). Housing related expenses include mortgage payments, utilities, repairs, furnishings, insurance, property taxes, additions and maintenance. This would also apply to ministers who rent a home or apartment.

Before the beginning of each year, there must be board action, in writing, setting the housing allowance for each minister. As a District Affiliated Church, this will be the Presbyter Board. A housing allowance only operates prospectively, never retroactively, so it's important to file this with the Secretary/Treasurer's office to be placed on the December Presbyters Meeting Agenda for approval for the next year. A housing allowance is for *credentialed ministers only*. Someone serving in a pastoral capacity without recognized credentials is treated as any other church employee.

HOUSING EXPENSE ANALYSIS
 Estimate for the next calendar year

Church _____

Minister _____

For Calendar Year _____

This designated housing allowance shall apply to the calendar year listed above and for all future years unless the stated amount is superseded by a later declaration.

Internal Revenue Regulation 1.107.1 (c) provides:

Legal deduction for ministers of the gospel as a housing allowance as follows:

1. Rent of a home
2. Purchase of a home
3. Cost or expenses directly to providing a home

Rental	\$ _____
Down payment on a home	\$ _____
Installment payments on loans, principal & interest (1)	\$ _____
Furniture and fixtures	\$ _____
Real estate taxes	\$ _____
Home insurance	\$ _____
Decorator items & upkeep	\$ _____
Repairs	\$ _____
Utilities connected with the dwelling (gas, water, sewer, electricity, garbage, cable, non-business telephone, pest control, etc.)	\$ _____
Miscellaneous	\$ _____
TOTAL	\$ _____

Signed _____ Date _____
 Signature of Minister

Signed _____ Date _____
 Signature of District Secretary/Treasurer

(1) In January 1992, the IRS issued a ruling disallowing housing allowance for home equity loans unless the proceeds were used to pay for direct housing related expenses.

SECTION 6: Becoming a General Council Affiliated Church

When you are ready and have met the requirements for a General Council Affiliated Church, you may obtain the current application and instructions from the General Council website. This application would be submitted, with the required fees, to the District Secretary/Treasurer. Recommended By-Laws can be found on the Arizona District Council's website – www.azag.org

SECTION 7: INCORPORATION AS A GENERAL COUNCIL CHURCH

To become a General Council affiliated church, you will need to incorporate. Although it isn't a difficult process, it does require a completed application, an "Employer Identification Number" issued by the IRS (referred to as an "EIN" -- which every church should already have), and a board of directors (also known as deacons, elders, council, etc.) The Arizona Ministry Network requires all churches to include the name "Assembly of God" in its corporate name.

Here are some of the benefits of operating your church as a corporation:

- Provides a "corporate shield" for the Pastor, staff and Board against personal liability.
- Gives a sense of credibility just by being able to add "Inc." to the end of the title.
- Corporations are durable. The existence of a corporation is not affected by the death of the pastor or board members.
- If your church is incorporated and defaults on loans or is sued, the creditors or people suing you can only go after the assets of the corporation and not your personal belongings, assuming that you do NOT sign a personal guarantee!
- The Pastor, staff and Board members' personal assets are also generally protected from catastrophic losses which exceed insurance policy limits, such as a wrongful death claim.

From our experience it is best handled by an attorney knowledgeable about nonprofit corporations and certainly NOT a company that produces the "fill in the blank" "do-it-yourself" type of documents. Call us if you need help finding one.

Please contact our office when you are ready to start the incorporation process.