Social Security and Other Information for Members of the Clergy and Religious Workers

For use in preparing 2010 Returns

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What’s New

Earnings subject to social security. For 2010, the maximum wages and self-employment income subject to social security tax remains $106,800.

Deduction for self-employed health insurance. For 2010, you may be able to reduce your net self-employment income by the amount of your self-employed health insurance deduction on line 29 of Form 1040. See the instructions for Schedule SE (Form 1040), line 3.

Modified AGI limit for traditional IRA contributions increased. For 2010, you may be able to take an IRA deduction if you were covered by a retirement plan at work and your modified AGI is:

- Less than $109,000 if married filing jointly or qualifying widow(er), or
- Less than $66,000 if single or head of household.

If you file a joint return and either you or your spouse was not covered by a retirement plan at work, you may be able to take an IRA deduction if your modified AGI is less than $177,000.

Modified AGI limit for Roth IRA contributions increased. For 2010, you may be able to contribute to your Roth IRA if your modified AGI is:

- Less than $177,000 if married filing jointly or qualifying widow(er), or
- Less than $120,000 if single, head of household, or married filing separately and did not live with your spouse at any time during the year.

Earned income credit (EIC). For 2010, the maximum amount of income you can earn and still claim the EIC has increased. You may be
able to take the EIC if you earned less than $43,352 ($48,362 for married filing jointly) and you have three or more qualifying children; $40,363 ($45,373 for married filing jointly) and you have two qualifying children; $35,535 ($40,545 for married filing jointly) and you have one qualifying child; and $13,460 ($18,470 for married filing jointly) and you do not have any qualifying children.

### Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

### Introduction

Three federal taxes are paid on wages and self-employment income—income tax, social security tax, and Medicare tax. Social security and Medicare taxes are collected under one of two systems. Under the Self-Employment Contributions Act (SECA), the self-employed person pays all the taxes. Under the Federal Insurance Contributions Act (FICA), the employee and the employer each pay half of the taxes. No earnings are subject to both systems.

This publication contains information for the following classes of taxpayers:

- Ministers.
- Members of a religious order.
- Christian Science practitioners and readers.
- Religious workers (church employees).
- Members of a recognized religious sect.

### Note

Unless otherwise noted, in this publication references to members of the clergy include ministers, members of a religious order (but not members of a recognized religious sect), and Christian Science practitioners and readers.

This publication covers the following topics about the collection of social security and Medicare taxes from members of the clergy, religious workers, and members of a recognized religious sect.

- Which earnings are taxed under FICA and which under SECA. See Table 1.
- How a member of the clergy or a member of a recognized religious sect can apply for an exemption from self-employment tax.
- How a member of the clergy or religious worker figures net earnings from self-employment.

This publication also covers certain income tax rules of interest to ministers and members of a religious order.

### Table 1. Are Your Ministerial Earnings* Covered Under FICA or SECA?

Find the class to which you belong in the left column and read across the table to find if you are covered under FICA or SECA. Do not rely on this table alone. Also read the discussion for the class in the following pages.

<table>
<thead>
<tr>
<th>Class</th>
<th>Covered under FICA?</th>
<th>Covered under SECA?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister</td>
<td>NO. Your ministerial earnings are exempt.</td>
<td>YES, if you do not have an approved exemption from the IRS.</td>
</tr>
<tr>
<td></td>
<td>NO, if you have an approved exemption.</td>
<td></td>
</tr>
<tr>
<td>Member of a religious order</td>
<td>NO. Your ministerial earnings are exempt.</td>
<td>YES, if you do not have an approved exemption from the IRS.</td>
</tr>
<tr>
<td>who has not taken a vow of</td>
<td>NO, if you have an approved exemption.</td>
<td></td>
</tr>
<tr>
<td>poverty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member of a religious order</td>
<td>YES, if:</td>
<td></td>
</tr>
<tr>
<td>who has taken a vow of</td>
<td>• Your order elected FICA coverage for its</td>
<td></td>
</tr>
<tr>
<td>poverty</td>
<td>members, or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>You worked outside the order and the work was</td>
<td></td>
</tr>
<tr>
<td></td>
<td>not required by, or done</td>
<td></td>
</tr>
<tr>
<td></td>
<td>on behalf of, the order.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NO, if neither of the above applies.</td>
<td></td>
</tr>
<tr>
<td>Christian Science</td>
<td>NO. Your ministerial earnings are exempt.</td>
<td>YES, if you do not have an approved exemption from the IRS.</td>
</tr>
<tr>
<td>practitioner or reader</td>
<td>NO, if you have an approved exemption.</td>
<td></td>
</tr>
<tr>
<td>Religious worker (church</td>
<td>YES, if your employer did not elect to exclude</td>
<td>YES, if your employer elected to exclude you from FICA.</td>
</tr>
<tr>
<td>employee)</td>
<td>you.</td>
<td>NO, if you are covered under FICA.</td>
</tr>
<tr>
<td></td>
<td>NO, if your employer elected to exclude you.</td>
<td></td>
</tr>
<tr>
<td>Member of a recognized</td>
<td>YES, if you are an employee and do not have an</td>
<td>YES, if you are self-employed and do not have an approved exemption from the IRS.</td>
</tr>
<tr>
<td>religious sect</td>
<td>approved exemption from the IRS.</td>
<td>NO, if you have an approved exemption.</td>
</tr>
<tr>
<td></td>
<td>NO, if you have an approved exemption.</td>
<td></td>
</tr>
</tbody>
</table>

* Ministerial earnings are the self-employment earnings that result from ministerial services, defined and discussed later.

### A Comprehensive Example

A Comprehensive Example shows filled-in forms for a minister who has income taxed under SECA, other income taxed under FICA, and income tax reporting of items specific to a minister.

1. In the back of Publication 517 is a set of worksheets that you can use to figure the amount of your taxable ministerial income and allowable deductions. You will find these worksheets right after the Comprehensive Example.

### Example

1. In this publication, the term “church” is generally used in its generic sense and not in reference to any particular religion.

### Comments and suggestions

We welcome your comments about this publication and your suggestions for future editions. You can write to us at the following address:

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Page 2 of 31 of Publication 517 9:36 - 14-FEB-2011

Publication 517 (2010)
address below and receive a response within 10 days after your request is received. 

Internal Revenue Service 
1201 N. Mitsubishi Motorway 
Bloomington, IL 61705-6613 

Tax questions. If you have a tax question, check the information available on IRS.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses. 

Useful Items 
You may want to see: 

Publication 
- 54 Tax Guide for U.S. Citizens and Resident Aliens Abroad 
- 525 Taxable and Nontaxable Income 
- 529 Miscellaneous Deductions 
- 535 Business Expenses 
- 590 Individual Retirement Arrangements (IRAs) 
- 596 Earned Income Credit (EIC) 

Form (and Instructions) 
- SS-8 Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding 
- SS-16 Certificate of Election of Coverage Under the Federal Insurance Contributions Act 
- Schedule C (Form 1040) Profit or Loss From Business (Sole Proprietorship) 
- Schedule C-EZ (Form 1040) Net Profit From Business (Sole Proprietorship) 
- Schedule SE (Form 1040) Self-Employment Tax 
- 1040-ES Estimated Tax for Individuals 
- 1040X Amended U.S. Individual Income Tax Return 
- 4029 Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits 
- 4361 Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners 
- 8274 Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes 

Ordering publications and forms. See How To Get Tax Help, near the end of this publication, for information about getting these publications and forms. 

Social Security Coverage 
This section gives information about which system (SECA or FICA) is used to collect social security and Medicare taxes from members of the clergy (ministers, members of a religious order, and Christian Science practitioners and readers) and religious workers (church employees). 

Coverage of Members of the Clergy 
The services you perform in the exercise of your ministry, of the duties required by your religious order, or of your profession as a Christian Science practitioner or reader are covered by social security and Medicare under SECA. Your earnings for these services are subject to self-employment (SE) tax unless you are a member of a religious order who has taken a vow of poverty. 

1. You are subject to the social security laws of a foreign country under the provisions of a social security agreement between the United States and that country. 

For more information, see 

- Exemption From Self-Employment (SE) Tax 

Your earnings that are not from ministerial services may be subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general. See Ministerial Services, later. 

Ministers 
If you are a minister of a church, your earnings for the services you perform in your capacity as a minister are subject to SE tax, even if you perform these services as an employee of that church. However, you can request that the IRS grant you an exemption, as discussed under Exemption From Self-Employment (SE) Tax, later. For the specific services covered, see Ministerial Services, later. 

Ministers defined. Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. They are given the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination. 

If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes. 

Employment status for other tax purposes. Even though, for social security tax purposes, you are considered a self-employed individual in performing ministerial services, you may be considered an employee for income tax or retirement plan purposes in performing those same ministerial services. For income tax or retirement plan purposes, some of your income may be considered self-employment income and other income may be considered wages. 

Unless you are exempt from SECA, you will pay SE tax on both your wages and your self-employment income. 

Common-law employee. Under common-law rules, you are considered either an employee or a self-employed person. Generally, you are an employee if you perform services for someone who has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see Publication 54, Employer’s Supplemental Tax Guide. 

If you are employed by a congregation for a salary, you are generally a common-law employee and income from the exercise of your ministry is considered wages for income tax purposes. However, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, are not considered wages; such amounts are self-employment income for both income tax purposes and social security tax purposes. 

Example. A church hires and pays you a salary to perform ministerial services subject to its control. Under the common-law rules, you are an employee of the church while performing those services. 

Form SS-8. If you are not certain whether you are an employee or a self-employed person, you can get a determination from the IRS by filing Form SS-8. 

Members of Religious Orders 
If you are a member of a religious order who has not taken a vow of poverty, your earnings for ministerial services you perform as a member of the order are subject to SE tax. See Ministerial Services, later. However, you can request that the IRS grant you an exemption, as discussed under Exemption From Self-Employment (SE) Tax, later. 

Vow of poverty. If you are a member of a religious order and have taken a vow of poverty, you are already exempt from paying SE tax on your earnings for ministerial services you perform as an agent of your church or its agencies. You do not need to request a separate exemption. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order. 

Services covered under FICA at the election of the order. However, even if you have taken a vow of poverty, the services you perform for your church or its agencies may be covered under social security. Your services are covered if your order, or an autonomous subdivision of the order, elects social security coverage for its current and future vow-of-poverty members. 

The order or subdivision elects coverage by filing Form SS-16. It can elect coverage for certain vow-of-poverty members for a retroactive period of up to 20 calendar quarters before the quarter in which it files the certificate. If the election is made, the order or subdivision pays both the employer’s and employee’s share of the tax. You do not pay any of the FICA tax. 

Services performed outside the order. Even if you are a member of a religious order who has taken a vow of poverty and are required to turn over to the order amounts you earn, your
Your employer makes this election, it does not pay the employer’s portion of the FICA taxes or withhold from your pay your portion of the FICA taxes. Instead, your wages are subject to SECA and you must pay SE tax on your wages if they exceed $108.28 during the tax year. However, you can request an exemption from SE tax if you are a member of a recognized religious sect, as discussed below.

Churches and church organizations make this election by filing two copies of Form 8274. For more information about making this election, see Form 8274.

Election by Certain Church Employees Who Are Opposed to Social Security and Medicare

You may be able to choose to be exempt from social security and Medicare taxes, including the SE tax, if you are a member of a recognized religious sect or division and work for a church (or church-controlled nonprofit division) that does not pay the employer’s part of the social security tax on wages. This exemption does not apply to your service, if any, as a minister of a church or as a member of a religious order.

Make this choice by filing Form 4029. See Requesting Exemption—Form 4029, later, under Members of Recognized Religious Sects.

U.S. Citizens and Resident and Nonresident Aliens

To be covered under the SE tax provisions (SECA), individuals generally must be citizens or resident aliens of the United States. Nonresident aliens are not covered under SECA unless a social security agreement in effect between the United States and the foreign country determines that you are covered under the U.S. social security system.

To determine your alien status, see Publication 519, U.S. Tax Guide for Aliens.

Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa. If you are a resident of one of these U.S. possessions but not a U.S. citizen, for SE tax purposes you are treated the same as a citizen or resident alien of the United States. For information on figuring the tax, see Self-Employment Tax: Figuring Net Earnings, later.

Ministerial Services

Ministerial service, in general, is the service you perform in the exercise of your ministry, in the exercise of your duties as required by your religious order, or in the exercise of your profession as a Christian Science practitioner or reader. Income you receive for performing ministerial services is subject to SE tax unless you have an exemption as explained later. Even if you have an exemption, only the income you receive for performing ministerial services is exempt. The exemption does not apply to any other income.

The following discussions provide more detailed information on ministerial services of ministers, members of a religious order, and Christian Science practitioners and readers.
This rule also applies to members of religious orders and to Christian Science practitioners and readers.

Members of Religious Orders

Services you perform as a member of a religious order in the exercise of duties required by the order are ministerial services. The services are considered ministerial because you perform them as an agent of the order.

For example, if you are directed to perform services for another agency of the supervising church or an associated institution, you are considered to perform the services as an agent of the order.

However, if you are directed to work outside the order, the employment will not be considered a duty required by the order unless:

- Your services are the kind that are ordinarily performed by members of the order, and
- Your services are part of the duties that must be exercised for, or on behalf of, the religious order as its agent.

Effect of employee status. Ordinarily, if your services are not considered directed or required of you by the order, you and the outside party for whom you work are considered employee and employer. In this case, your earnings from the services are taxed under the rules that apply to employees in general, not under the rules for services provided as agent for the order. This is true even if you have taken a vow of poverty.

Example. Pat Brown and Chris Green are members of a religious order and have taken vows of poverty. They renounce all claims to their earnings. The earnings belong to the order.

Pat is a licensed attorney. The superiors of the order instructed him to get a job with a law firm. Pat joined a law firm as an employee and, as she requested, the firm made the salary payments directly to the order.

Chris is a secretary. The superiors of the order instructed him to accept a job with the business office of the church that supervises the order. Chris took the job and gave all his earnings to the order.

Pat’s services are not duties required by the order. Her earnings are subject to social security and Medicare tax under FICA and to federal income tax.

Chris’ services are considered duties required by the order. He is acting as an agent of the order and not as an employee of a third party. He does not include the earnings in gross income, and they are not subject to income tax withholding, social security and Medicare tax, or SE tax.

Christian Science Practitioners and Readers

The exemption from SE tax, discussed later, applies only to the services a Christian Science practitioner or reader performs in the exercise of his or her profession. If you do not have an exemption, amounts you receive for performing these ministerial services are subject to SE tax.

Exemption From Self-Employment (SE) Tax

You can request an exemption from SE tax if you are a member of the clergy (minister, member of a religious order, or Christian Science practitioner or reader) or a member of a recognized religious sect.

TIP Generally, members of religious orders who have taken a vow of poverty are already exempt from paying SE tax, as discussed earlier under Members of Religious Orders under Social Security Coverage. They do not have to request the exemption.

Who cannot be exempt. You cannot be exempt from SE tax if you made one of the following elections to be covered under social security. These elections are irrevocable.

- You elected before 1968 to be covered under social security for your ministerial services.

Who Can Apply

<table>
<thead>
<tr>
<th>Who Can Apply</th>
<th>Who Can Apply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of the Clergy</td>
<td>Members of Recognized Religious Sects</td>
</tr>
<tr>
<td><strong>How</strong></td>
<td><strong>When</strong></td>
</tr>
<tr>
<td>File Form 4361</td>
<td>File by the due date (including extensions) of your income tax return for the second tax year in which you had at least $400 of net earnings from self-employment (at least part from ministerial services)</td>
</tr>
<tr>
<td>Approval</td>
<td><strong>Effective Date</strong></td>
</tr>
<tr>
<td>If approved, you will receive an approved copy of Form 4361</td>
<td>For all tax years after 1967 in which you have at least $400 of net earnings from self-employment</td>
</tr>
<tr>
<td><strong>File Form 4361</strong></td>
<td><strong>File Form 4029</strong></td>
</tr>
<tr>
<td>File Form 4361, described later under Requesting Exemption—Form 4361.</td>
<td>File anytime</td>
</tr>
<tr>
<td>You are conscientiously opposed to public insurance because of your individual religious considerations (not because of your general conscience), or you are opposed because of the principles of your religious denomination.</td>
<td>You file Form 4361 by the due date your income tax return is due, including extensions, for the second tax year in which you have net earnings from self-employment of at least $400. This rule applies if any part of your net earnings</td>
</tr>
<tr>
<td>You file for other than economic reasons.</td>
<td>You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed on the statement.</td>
</tr>
<tr>
<td>You inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to public insurance if you are a minister or a member of a religious order (other than a vow-of-poverty member). This requirement does not apply to Christian Science practitioners or readers.</td>
<td>The IRS will return to you a copy of the Form 4361 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.</td>
</tr>
</tbody>
</table>

When to file. File Form 4361 by the due date your income tax return is due, including extensions, for the second tax year in which you have net earnings from self-employment of at least $400. This rule applies if any part of your net earnings
Members of Recognized Religious Sects

If you are a member of a recognized religious sect, or a division of a recognized religious sect, you can apply for an exemption from payment of social security and Medicare wages on both your self-employment income and the wages you earn from an employer who also has an exemption.

Exception. If you received social security benefits or payments, or anyone else received these benefits or payments based on your wages or self-employment income, you cannot apply. However, if you pay your benefits back, you may be considered for exemption. Contact your local Social Security Administration office to find out the amount to be paid back.

Eligibility requirements. To claim this exemption from SE tax, all the following requirements must be met.

1. You must file Form 4029, discussed later on this page under Requesting Exemption—Form 4029.

2. As a follower of the established teachings of the sect or division, you must be conscientiously opposed to accepting benefits of any private or public insurance that makes payments for death, disability, old age, retirement, or medical care, or provides services for medical care.

3. You must waive all rights to receive any social security payment or benefit and agree that no benefits or payments will be made to anyone else based on your wages and self-employment income.

4. The Commissioner of Social Security must determine that:
   a. Your sect or division has the established teachings as in (2) above.
   b. It is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their dependent members in a manner that is reasonable in view of the members’ general level of living, and
   c. The sect or division has existed at all times since December 31, 1950.

Requesting Exemption—Form 4029

To request the exemption, file Form 4029 in triplicate with the Social Security Administration at the address shown on the form. The sect or division must complete part of the form. The IRS will return to you a copy of the Form 4029 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

When to file. You can file Form 4029 at any time.

If you have an approved exemption from SE tax and for some reason that approved exemption ended, you must file a new Form 4029 if you subsequently meet the eligibility requirements, discussed earlier. See Effective date of exemption, below, for information on when the newly approved exemption would become effective.

If you have a previously approved exemption from SE tax and you change membership to another recognized religious sect, without any change to your eligibility requirements, then you do not need to file a new Form 4029.

Effective date of exemption. An approved exemption generally is effective on the first day of the first quarter after the quarter in which Form 4029 is filed. For example, if you meet all eligibility requirements and file Form 4029 on January 30, 2011, and your exemption is approved, it will become effective on April 1, 2011. The exemption does not apply to any tax year beginning before you meet the eligibility requirements discussed earlier.

The exemption will end if you fail to meet the eligibility requirements or if the Commissioner of Social Security determines that the sect or division fails to meet them. You must notify the IRS within 60 days if you are no longer a member of the religious group, or if you no longer follow the established teachings of this group. The exemption will end on the date you notify the IRS.

Refunds of SE tax paid. To get a refund of any SE tax you paid while the exemption was in effect, file Form 1040X. For information on filing this form, see Refunds of SE tax under Requesting Exemption—Form 4361, earlier.

Exemption From FICA Taxes

Generally, under FICA, the employer and the employee each pay half of the social security and Medicare tax. Both the employee and the employer, if they meet the eligibility requirements discussed earlier, can apply to be exempt from their share of FICA taxes on wages paid by the employer to the employee.

A partnership in which each partner holds a religious exemption from social security and Medicare is an employer for this purpose.

If the employer’s application is approved, the exemption will apply only to FICA taxes on wages paid to employees who also received an approval of identical applications.

Information for employers. If you have an approved Form 4029 and you have an employee who has an approved Form 4029, do not report wages you paid to the employee as social security and Medicare wages.

If you have an employee who does not have an approved Form 4029, you must withhold the employee’s share of social security and Medicare taxes and pay the employer’s share.

Form W-2. When preparing a Form W-2 for an employee with an approved Form 4029, enter “Form 4029” in box 14, “Other.” Do not make any entries in boxes 3, 4, 5, or 6.
Forms 941, 943, and 944. If both you and your employee have received approved Forms 4029, do not include these exempt wages on the following forms. Instead, follow the instructions given below.
• Form 941, Employer’s QUARTERLY Federal Tax Return: check the box on line 4 and enter “Form 4029” in the empty space below the check box.
• Form 943, Employer’s Annual Federal Tax Return for Agricultural Employees: enter “Form 4029” to the right of the wage entry spaces on lines 2 and 4.
• Form 944, Employer’s ANNUAL Federal Tax Return: check the box on line 3 and enter “Form 4029” in the empty space below the check box.

Effective date. An approved exemption from FICA becomes effective on the first day of the first calendar quarter after the quarter in which Form 4029 is filed. The exemption will end on the last day of the calendar quarter before the quarter in which the employer, employee, sect, or division fails to meet the requirements.

Self-Employment Tax: Figuring Net Earnings

There are two methods for figuring your net earnings from self-employment as a member of the clergy or a religious worker.
• Regular method.
• Nonfarm optional method.

TIP
You may find Worksheets 1 through 4 helpful in figuring your net earnings from self-employment. Blank worksheets are in the back of this publication, after the Comprehensive Example.

Regular Method

Most people use the regular method. Under this method, figure your net earnings from self-employment by totaling your gross income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner or reader. Then, subtract your allowable business deductions and multiply the difference by 92.35% (.9235). Use Schedule SE (Form 1040) to figure your net earnings and SE tax.

If you are an employee of a church that elected to exclude you from FICA coverage, figure net earnings by multiplying your church wages shown on Form W-2 by 92.35% (.9235). Do not reduce your wages by any business deductions when making this computation. Use Schedule SE (Form 1040), Section B, to figure your net earnings and SE tax.

CAUTION
If you have an approved exemption, or you are automatically exempt, do not include the income or deductions from ministerial services in figuring your net earnings from self-employment.

Amounts included in gross income. To figure your net earnings from self-employment (on Schedule SE (Form 1040)), include in gross income:
1. Salaries and fees for your ministerial services (discussed earlier).
2. Offerings you receive for marriages, baptisms, funerals, masses, etc.,
3. The value of meals and lodging provided to you, your spouse, and your dependents for your employer’s convenience,
4. The fair rental value of a parsonage provided to you (including the cost of utilities that are furnished) and the rental allowance (including an amount for payment of utilities) paid to you, and
5. Any amount a church pays toward your income tax or SE tax, other than withholding the amount from your salary. This amount is also subject to income tax.

For the income tax treatment of items (2) and (4), see Income Tax: Income and Expenses, later.

Example. Pastor Roger Adams receives an annual salary of $39,000 as a full-time minister. The $39,000 includes $5,000 that is designated as a rental allowance to pay utilities. His church owns a parsonage that has a fair rental value of $12,000 per year. Pastor Adams is given the use of the parsonage. He is not exempt from SE tax. He must include $51,000 ($39,000 plus $12,000) when figuring his net earnings for SE tax purposes.

The results would be the same if, instead of the use of the parsonage and receipt of the rental allowance for utilities, Pastor Adams had received an annual salary of $51,000 of which $17,000 ($5,000 plus $12,000) per year was designated as a rental allowance.

Overseas duty. Your net earnings from self-employment are determined without any foreign earned income exclusion or the foreign housing exclusion or deduction if you are a U.S. citizen or resident alien serving abroad and living in a foreign country.

For information on excluding foreign earned income or the foreign housing amount, see Publication 54.

Example. Paul Jones was the minister of a U.S. church in Mexico. He earned $35,000 in that position and was able to exclude it all for income tax purposes under the foreign earned income exclusion. The United States does not have a social security agreement with Mexico, so Mr. Jones is subject to U.S. SE tax and must include $35,000 when figuring net earnings from self-employment.

Specified U.S. possessions. The exclusion from gross income for amounts derived from American Samoa or Puerto Rico does not apply in computing net earnings from self-employment. Also see Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa, earlier, under U.S. Citizens and Resident and Nonresident Aliens.

Amounts not included in gross income. Do not include the following amounts in gross income when figuring your net earnings from self-employment:
1. Offerings that others made to the church.
2. Contributions by your church to a tax-sheltered annuity plan set up for you, including any salary reduction contributions (elective deferrals) that are not included in your gross income.
3. Pension payments or retirement allowances you receive for your past ministerial services.
4. The rental value of a parsonage or a parsonage allowance provided to you after you retire.

Allowable deductions. When figuring your net earnings from self-employment, deduct all your nonministerial expenses. These are ministerial expenses you incurred while not working as a common-law employee of the church. They include expenses incurred in performing marriages and baptisms, and in delivering speeches. Deduct these expenses on Schedule C or C-EZ (Form 1040), and carry the net amount to line 2 of Schedule SE (Form 1040), Section A or B.

Deduct all your allowable unreimbursed trade or business expenses that you incur in performing ministerial services as a common-law employee of the church. Include these expenses on Schedule SE (Form 1040), Section A, line 2, or Section B, line 2. Attach an explanation.

For 2010, you may be able to deduct the amount of your self-employed health insurance deduction (Form 1040, line 29) in figuring your SE tax. See the instructions for Schedule SE, line 3.

Employee reimbursement arrangements. If you received an advance, allowance, or reimbursement for your employee expenses, how you report this amount and your employee expenses depends on whether the reimbursement was paid to you under an accountable plan or a nonaccountable plan. If you are not sure if you are reimbursed from an accountable plan or a nonaccountable plan, ask your employer.

Accountable plans. To be an accountable plan, your employer’s reimbursement arrangement must include all three of the following rules:
1. Your expenses must have a business connection—that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.
2. You must adequately account to your employer for these expenses within a reasonable period of time.
3. You must return any excess reimbursement or allowance within a reasonable period of time.

The reimbursement is not reported on your Form W-2. Generally, if your expenses equal your reimbursement, you have no deduction. If your expenses are more than your reimbursement, you can deduct your excess expenses for SE tax and income tax purposes.

Nonaccountable plan. A nonaccountable plan is a reimbursement arrangement that does not meet all three of the rules listed under Accountable plans. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan.

Excess reimbursements you fail to return to your employer.

Publication 517 (2010)
If you meet all the following tests, you can use Table 3 to figure your net earnings from self-employment under the nonfarm optional method.

<table>
<thead>
<tr>
<th>If your gross nonfarm income is ...</th>
<th>THEN your net earnings are equal to ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,720 or less</td>
<td>Two-thirds of your gross nonfarm income</td>
</tr>
<tr>
<td>More than $6,720</td>
<td>$4,480.</td>
</tr>
</tbody>
</table>

**Income Tax: Income and Expenses**

Some income and expense items are treated the same for both income tax and SE tax purposes and some are treated differently.

**Note.** For purposes of this section, references to members of the clergy are to ordained, commissioned, or licensed ministers of a church and have an agreement that each will perform the self-employment income according to the agreement. If the agreement is with one spouse only and the other spouse is paid for specific duties, amounts received by that spouse are included only in the self-employment income of the spouse having the agreement.

**Maximum Earnings Subject to SE Tax**

For 2010, the maximum net earnings from self-employment subject to social security (old age, survivors, and disability insurance) tax is $106,800 minus any wages and tips you earned that were subject to social security tax. The tax rate for the social security part is 12.4%. In addition, all of your net earnings are subject to the Medicare (hospital insurance) part of the SE tax. This tax rate is 2.9%. The combined self-employment tax rate is 15.3%.

**Nonfarm Optional Method**

You may be able to use the nonfarm optional method for figuring your net earnings from self-employment. In general, the nonfarm optional method is intended to permit continued coverage for social security and Medicare purposes when your income for the tax year is low. You may use the nonfarm optional method if you meet all the following tests.

1. You are self-employed on a regular basis. This means that your actual net earnings from self-employment were $400 or more in at least 2 of the 3 tax years before the one for which you use this method. The net earnings can be from either farm or nonfarm earnings or both.

2. You have used this method less than 5 years. (There is a 5-year lifetime limit.) The years do not have to be consecutive.

3. Your net nonfarm profits were:
   a. Less than $4,851, and
   b. Less than 72.189% of your gross nonfarm income.

If you meet the three tests, use Table 3 to figure your net earnings from self-employment under the nonfarm optional method.

**Example.** Rev. Joanna Baker is a full-time minister. The church allows her to use a parsonage that has an annual fair rental value of $24,000. The church pays her an annual salary of $67,000, of which $7,500 is designated for utility costs. Her actual utility costs during the year were $7,000.

For income tax purposes, Rev. Baker excludes $31,000 from gross income ($24,000 fair rental value of the parsonage plus $7,000 from the allowance for utility costs). She will report $60,000 ($59,500 salary plus $500 of unused utility allowance). Her income for SE tax purposes, however, is $91,000 ($67,000 salary + $24,000 fair rental value of the parsonage).

**Home ownership.** If you own your home and you receive as part of your salary a housing or rental allowance or fair rental value of a parsonage that is provided to them as pay for their services. Services include:

- Ministerial services, discussed earlier,
- Administrative duties and teaching at theological seminaries, and
- The ordinary duties of a minister performed as an employee of the United States (other than as a chaplain in the Armed Forces), a state, possession, political subdivision, or the District of Columbia.

This exclusion applies only for income tax purposes. It does not apply for SE tax purposes, as discussed earlier under "Amounts included in gross income under Self-Employment Tax: Figuring Net Earnings."

**Rental allowances.** If you receive in your salary an amount officially designated as a rental allowance (including an amount to pay utility costs), you can exclude the allowance from your gross income if:

- The amount is used to provide or rent a home, and
- The amount is not more than reasonable pay for your services.

The amount you exclude cannot be more than the fair rental value of the home, including furnishings, plus the cost of utilities.

**Fair rental value of parsonage.** You can exclude from gross income the fair rental value of a house or parsonage, including utilities, furnished to you as part of your earnings. However, the exclusion cannot be more than the reasonable pay for your services. If you pay for the utilities, you can exclude any allowance designated for utility costs, up to your actual cost.
rental allowance, you may exclude from gross income the smallest of:

- The amount actually used to provide a home.
- The amount officially designated as a rental allowance, or
- The fair rental value of the home, including furnishings, utilities, garage, etc.

**Excess rental allowance.** You must include in gross income the amount of any rental allowance that is more than the smallest of:

- Your reasonable salary,
- The fair rental value of the home plus utilities, or
- The amount actually used to provide a home.

Include in the total on Form 1040, line 7. On the dotted line next to line 7, enter “Excess allowance” and the amount.

**Example.**

You may deduct the home mortgage interest and real estate taxes you pay on your home even though all or part of the mortgage is paid with funds you get through a tax-free rental or parsonage allowance. However, these expenses can be deducted only as itemized deductions on Schedule A (Form 1040).

Retired ministers. If you are a retired minister, you can exclude from your gross income the rental value of a home (plus utilities) furnished to you by your church as a part of your pay for past services, or the part of your pension that was designated as a rental allowance. However, a minister’s surviving spouse cannot exclude the rental value unless the rental value is for ministerial services he or she performs or performed.

Teachers or administrators. If you are a minister employed as a teacher or administrator by a church school, college, or university, you are performing ministerial services for purposes of the housing exclusion. However, if you perform services as a teacher or administrator on the faculty of a nonchurch college, you cannot exclude from your income a housing allowance or the value of a home that is provided to you.

If you live in faculty lodging as an employee of an educational institution or an academic health center, all or part of the value of that lodging may be nontaxable under a different rule. In Publication 525, see Faculty lodging in the discussion on meals and lodging under Fringe Benefits.

If you serve as a minister of music or minister of education, or serve in an administrative or other function of your religious organization, but are not authorized to perform substantially all of the religious duties of an ordained minister in your church (even if you are commissioned as a minister of the gospel), the housing exclusion does not apply to you.

Theological students. If you are a theological student serving a required internship as a part-time or assistant pastor, you cannot exclude a parsonage or rental allowance from your income unless you are ordained, commissioned, or licensed as a minister.

Traveling evangelists. You can exclude a designated rental allowance from out-of-town churches if you meet all of the following requirements:

- You are an ordained minister.
- You perform ministerial services at churches located away from your community.
- You actually use the rental allowance to maintain your permanent home.

Cantors. If you have a bona fide commission and your congregation employs you on a full-time basis to perform substantially all the religious functions of the Jewish faith, you can exclude a rental allowance from your gross income.

Earnings—Members of Religious Orders

Your earnings may be exempt from both income tax and SE tax if you are a member of a religious order who:

- Has taken a vow of poverty,
- Receives earnings for services performed as an agent of the order and in the exercise of duties required by the order, and
- Renounces the earnings and gives them to the order.

See Members of Religious Orders, earlier, under Social Security Coverage.

**Foreign Earned Income**

Certain income may be exempt from income tax if you work in a foreign country or in a specified U.S. possession. Publication 54 discusses the foreign earned income exclusion. Publication 570, Tax Guide for Individuals With Income From U.S. Possessions, covers the rules for taxpayers with income from U.S. possessions. You can get these free publications from the Internal Revenue Service or from most U.S. Embassies or consulates.

**Expense Items**

The tax treatment of ministerial trade or business expenses, expenses allocable to tax-free income, and health insurance costs is discussed here.

Ministerial Trade or Business Expenses as an Employee

When you figure your income tax, you must itemize your deductions on Schedule A (Form 1040) to claim allowable deductions for ministerial trade or business expenses incurred while working as an employee. You also may have to file Form 2106, Employee Business Expenses (or Form 2106-EZ, Unreimbursed Employee Business Expenses).

These expenses are claimed as miscellaneous itemized deductions and are subject to the 2% of adjusted gross income (AGI) limit. See Publication 529 for more information on this limit.

However, any of your employee business expenses that are allocable to tax-free income will not be deductible (discussed next).

**Expenses Allocable to Tax-Free Income**

If you receive a rental or parsonage allowance that is exempt from income tax (tax free), you must allocate a portion of the expenses of operating your ministry to that tax-free income. You cannot deduct the portion of your expenses that is allocated to your tax-free rental or parsonage allowance.

**Exception.** This rule does not apply to your deductions for home mortgage interest or real estate taxes on your home.

**Figuring the allocation.** Figure the portion of your otherwise deductible expenses that you cannot deduct (because that portion must be allocated to tax-free income) by multiplying the expenses by the following fraction:

\[
\frac{\text{Tax-free rental or parsonage allowance}}{\text{All income (taxable and tax free) earned from your ministry}}
\]

When figuring the allocation, include the income and expenses related to the ministerial duties you perform both as an employee and as a self-employed person.

Reduce your otherwise deductible expenses only in figuring your income tax, not your SE tax.

**Example.** Rev. Charles Ashford received $40,000 in earnings for ministerial services consisting of a $28,000 salary for ministerial services performed as an employee, $2,000 for weddings and baptisms performed as a self-employed person, and a $10,000 tax-free parsonage allowance. He incurred $4,000 of unreimbursed expenses connected with his earnings for ministerial services. $3,500 of the $4,000 is for employee expenses related to his ministerial salary, and $500 is related to the weddings and baptisms he performed as a self-employed person.

The nondeductible (tax-free) portion of expenses related to Rev. Ashford’s ministerial salary is figured as follows:

\[
\frac{10,000 - 40,000}{3,500} = 875
\]

The nondeductible (tax-free) portion of expenses related to Rev. Ashford’s wedding and baptism income is figured as follows:

\[
\frac{10,000 - 40,000}{500} = 125
\]

**Required statement.** If you receive a tax-free rental or parsonage allowance and have ministerial expenses, attach a statement to your tax return. The statement must contain all of the following information:

- A list of each item of taxable ministerial income by source (such as wages, salary, weddings, baptisms, etc.) plus the amount.
- A list of each item of tax-free ministerial income by source (parsonage allowance) plus the amount.
- A list of each item of otherwise deductible ministerial expenses plus the amount.
- How you figured the nondeductible part of your otherwise deductible expenses.
More information. The other deductions you may need to make estimated tax payments to avoid penalties for not paying enough tax as you earn your income.

You are a duly ordained, commissioned, or licensed minister, a member of a religious order (who has not taken a vow of poverty), or a Christian Science practitioner or reader. Your salary is for ministerial services (see Ministerial Services, earlier).

If your salary is not subject to withholding, or if you do not pay enough tax through withholding, you may need to make estimated tax payments to avoid penalties for not paying enough tax as you earn your income.

You generally must make estimated tax payments if you expect to owe taxes, including SE tax, of $1,000 or more, when you file your return.

Determine your estimated tax by using the worksheet in Form 1040-ES. Then, use the Form 1040-ES payment voucher, pay the entire estimated tax for 2011 or the first installment by April 18, 2011. If you do not make any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter “Exempt—Form 4361” on the dotted line next to Form 1040, line 56.

If you filed Form 4029 and received IRS approval not to be taxed on those earnings, and you do not have any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter “Exempt—Form 4029” on the dotted line next to Form 1040, line 56.

More information. For more information on filing your return, including when and where to file it, see the instructions for Form 1040.

** Retirement Savings Arrangements **

Retirement savings arrangements are plans that offer you a tax-favored way to save for your retirement. You generally can deduct your contributions to the plan. Your contributions and the earnings on them are not taxed until they are distributed.

Retirement plans for the self-employed. To set up one of the following plans you must be self-employed.

- Qualified retirement plan (also called a Keogh or H.R. 10 plan).
- SEP (simplified employee pension plan).

---

### Table 4. 2010 Filing Requirements for Most Taxpayers

<table>
<thead>
<tr>
<th>IF your filing status is ...</th>
<th>AND at the end of 2010 you were ...**</th>
<th>THEN file a return if your gross income was at least ...**</th>
</tr>
</thead>
<tbody>
<tr>
<td>single</td>
<td>under age 65 65 or older</td>
<td>$9,350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10,750</td>
</tr>
<tr>
<td>married filing jointly***</td>
<td>under 65 (both spouses) 65 or older</td>
<td>$18,700</td>
</tr>
<tr>
<td></td>
<td>one spouse 65 or older (both spouses)</td>
<td>19,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20,900</td>
</tr>
<tr>
<td>married filing separately</td>
<td>any age</td>
<td>$3,650</td>
</tr>
<tr>
<td>head of household</td>
<td>under 65 65 or older</td>
<td>$12,050</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13,450</td>
</tr>
<tr>
<td>qualifying widow(er) with</td>
<td>under 65 65 or older</td>
<td>$15,050</td>
</tr>
<tr>
<td>dependent child</td>
<td></td>
<td>16,150</td>
</tr>
</tbody>
</table>

* If you were born on January 1, 1946, you are considered to be age 65 at the end of 2010.

** Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). Do not include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2010, or (b) one-half of your social security benefits plus any other gross income and any tax-exempt interest is more than $25,000 ($32,000 if married filing jointly). If (a) or (b) applies, see the instructions for Form 1040, lines 20a and 20b, to figure the taxable part of social security benefits you must include in gross income.

*** If you did not live with your spouse at the end of 2010 (or on the date your spouse died) and your gross income was at least $3,650, you must file a return regardless of your age.
CAUTION

SIMPLE (savings incentive match plan for employees) plan.

The common-law rules determine whether you are an employee or a self-employed person for purposes of setting up a retirement plan. See Employment status for other tax purposes, earlier, under Social Security Coverage of Members of the Clergy. This is true even if your compensation for ministerial services (defined earlier) is subject to SE tax. For example, if a congregation pays you a salary for performing ministerial services and you are subject to the congregation's control, you generally are a common-law employee. You are not a self-employed person for purposes of setting up a retirement plan. This is true even if your salary is subject to SE tax.

On the other hand, amounts received directly from members of the congregation, such as fees for performing weddings, baptisms, or other personal services that are reported on Schedule C or C-EZ, are earnings from self-employment for all tax purposes.

For more information on establishing a SEP, SIMPLE, or qualified retirement plan, see Publication 560, Retirement Plans for Small Business.

Individual retirement arrangements (IRAs). The traditional IRA and the Roth IRA are two individual retirement arrangements you can use to save money for your retirement. Generally, your maximum contribution for 2010 to either of these plans (or to a combination of the two) is the smaller of your taxable compensation or $5,000 ($6,000 if you are age 50 or older).

However, your contributions to a Roth IRA may be further limited if your adjusted gross income is above a certain amount. Roth IRA contributions are not deductible, but if you satisfy certain requirements, all earnings in the Roth IRA are tax free and neither your nondeductible contributions nor any earnings on them are taxable when withdrawn.

If you contribute to a traditional IRA, your deduction may be reduced or eliminated if you or your spouse is covered by an employer retirement plan (including, but not limited to, a SEP, SIMPLE, or qualified retirement plan).

For more information on IRAs, see Publication 590.

Tax-sheltered annuity plans. Church employees, members of religious orders, and duly ordained, commissioned, or licensed ministers working as ministers or chaplains can participate in tax-sheltered annuity (403(b)) plans. For more information, see Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans) For Employees of Public Schools and Certain Tax-Exempt Organizations.

Deducting contributions to tax-sheltered annuity plans. If you are an employee, your employer may exclude allowable contributions to a 403(b) plan from your income. These contributions will not be included in your total wages on your Form W-2, but you will pay tax on distributions from your plan. However, if you choose to have contributions made to a Roth contribution program, they will not be excluded from your income, but will be distributed tax free. An exception to the above applies if you are a minister or chaplain and, in the exercise of your ministry, you are either self-employed or employed by an organization that is not exempt from tax under section 501(c)(3) of the Internal Revenue Code. If the exception applies to you, you can deduct your contributions to a 403(b) plan as explained next.

- If you are self-employed, deduct your contributions on Form 1040, line 28.
- If you are not self-employed and your employer does not exclude your contributions from your earned income, deduct your contributions on Form 1040, line 36. Enter the amount of your deduction and "403(b)" on the dotted line next to line 36.

Retirement savings contributions credit. You may be able to take a tax credit of up to $1,000 (up to $2,000 if filing jointly) for certain contributions you make to any of the retirement plans or IRAs discussed earlier. The credit is based on the contributions you make and your credit rate. The credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income. Figure the credit on Form 8880, Credit for Qualified Retirement Savings Contributions.

You cannot take the credit if any of the following apply.

1. You were born after January 1, 1993.
2. You were a full-time student in 2010.
3. Someone, such as your parent(s), claims an exemption for you on his or her 2010 tax return.
4. Your adjusted gross income for 2010 is more than:
   - $55,500, if your filing status is married filing jointly,
   - $41,625, if your filing status is head of household, or
   - $27,750, if your filing status is single, married filing separately, or qualifying widow(er) with dependent child.

When figuring adjusted gross income, you must add back any exclusion or deduction claimed for the year for:

1. Foreign earned income,
2. Foreign housing costs,
3. Income of bona fide residents of American Samoa, and
4. Income of bona fide residents of Puerto Rico.

More information. For more information about the credit, see Publication 590.

Earned Income Credit

The earned income credit is a credit for certain people who work. If you qualify for it, the earned income credit reduces the tax you owe. Even if you do not owe tax, you can get a refund of the credit.

You cannot take the credit if your earned income (or adjusted gross income) is:

- $13,460 or more ($18,470 or more if married filing jointly) and you do not have a qualifying child,
- $35,535 or more ($40,545 or more if married filing jointly) and you have one qualifying child,
- $40,363 or more ($45,373 or more if married filing jointly) and you have two qualifying children, or
- $43,352 or more ($48,362 if married filing jointly) and you have three or more qualifying children.

Earned income. Earned income includes your:

1. Wages, salaries, tips, and other taxable employee compensation (even if these amounts are exempt from FICA or SECA), and
2. Net earnings from self-employment that are not exempt from SECA (you do not have an approved Form 4029 or 4361) with the following adjustments.

   a. Subtract the amount you claimed (or should have claimed) on Form 1040, line 27, for one-half of your SE tax.
   b. Add the amount you claimed on Form 1040, line 29, for the self-employed health insurance deduction.
   c. Add any amount from Schedule SE, line 4b and line 5a.

To figure your earned income credit, see the Form 1040 instructions for lines 64a and 64b.

If you are a minister and have an approved Form 4361, your earned income will still include wages and salaries earned as an employee, but it will not include amounts you received for nonemployee ministerial duties, such as fees for performing weddings and baptisms, and honoraria for delivering speeches.

More information. For detailed rules on this credit, see Publication 596. To figure the amount of your credit, you can either fill out a worksheet or have the IRS compute the credit for you. You may need to complete Schedule EIC and attach it to your tax return.

Comprehensive Example

Rev. John White is the minister of the First United Church. He is married and has one child. The child is considered a qualifying child for the child tax credit. Mrs. White is not employed outside the home. Rev. White is a common-law employee of the church, and he has not applied for an exemption from SE tax.

The church paid Rev. White a salary of $31,000. In addition, as a self-employed person, he earned $4,000 during the year for weddings, baptisms, and honoraria. He made estimated tax payments during the year totaling $7,000. He taught a course at the local community college, for which he was paid $3,400.

Rev. White owns a home next to the church. He makes a $650 per month mortgage payment of principal and interest only. He paid $1,800 in real estate taxes for the year on the home. The
Form W-2 From Church
The church completed its Form W-2 for Rev. White as follows.

Box 1. The church entered Rev. White’s $31,000 salary.
Box 2. The church left this box blank because Rev. White did not request federal income tax withholding.
Boxes 3 through 6. Rev. White is considered a self-employed person for purposes of social security and Medicare tax withholding, so the church left these boxes blank.
Box 14. The church entered Rev. White’s total parsonage and utilities allowance for the year and identified them.

Form W-2 From College
The college completed its Form W-2 for Rev. White as follows.

Box 1. The college entered Rev. White’s $3,400 salary.
Box 2. The college withheld $272 in federal income tax on Rev. White’s behalf.
Boxes 3 and 5. As an employee of the college, Rev. White is subject to social security and Medicare withholding on his full salary from the college.
Box 4. The college withheld $210.80 in social security taxes.
Box 6. The college withheld $49.30 in Medicare taxes.

Schedule C-EZ (Form 1040)
Some of Rev. White’s entries on Schedule C-EZ are explained here.

Line 1. Rev. White reports the $4,000 from weddings, baptisms, and honoraria.
Line 2. Rev. White reports his expenses related to the line 1 amount. He paid $87 for marriage and family booklets and drove his car 490 miles for business, mainly in connection with honoraria. Rev. White used the standard mileage rate to figure his car expense, as follows.

\[
490 \text{ miles} \times 0.50 \text{ cents} = \$245
\]

These expenses total $332 ($245 + $87). However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance.

First, Rev. White uses Worksheet 1 (see Attachment 1 on page 22) to figure what percentage of his business expenses are not deductible. Then he completes Worksheet 2 (see Attachment 1 on page 23) to show that 23% (or $76) of his business expenses are not deductible because they are allocable to his tax-free allowance. He subtracts the $76 from the $332, enters the $256 difference on line 2, and adds a note at the bottom of the page to see the attached statement.

Rev. White attaches Worksheets 1 and 2 to his return. This is part of his required statement. See Attachment 1 on pages 22 and 23.

Line 3. He enters his net profit of $3,744 on both line 3 and Form 1040, line 12.

Lines 4 through 8b. Rev. White fills out these lines to report information about his car.

Form 2106-EZ
Rev. White fills out Form 2106-EZ to report the unreimbursed business expenses he had as a common-law employee of First United Church.

Line 1. Before completing line 1, Rev. White reports Part II because he used his car for church business. His records show that he drove 2,774 business miles, which he reports in Part II. Then, he figures his car expense for his line 1 entry.

\[
2,774 \text{ miles} \times 0.50 \text{ cents} = \$1,387
\]

Line 4. He enters $231 for his professional publications and booklets.

Line 6. Before entering the total expenses on line 6, Rev. White must reduce them by the amount allocable to his tax-free parsonage allowance. After completing Worksheet 3 (see Attachment 1 on page 23), he finds that $372 (23%) of his employee business expenses are not deductible. He subtracts $372 from $1,618 and enters the result, $1,246, on line 6, adding a note at the bottom of the page about the attached statement. He also enters $1,246 on Schedule A (Form 1040), line 21.

Schedule A (Form 1040)
Rev. White fills out Schedule A as explained here.

Line 6. He deducts $1,800 in real estate taxes.

Line 10. He deducts $5,572 of home mortgage interest.

Line 16. Rev. and Mrs. White contributed $4,800 in cash during the year to various qualifying charities. Each individual contribution was less than $250 and they have the required records for all donations.


Lines 25, 26, and 27. He can deduct only the part of his employee business expenses that exceeds 2% of his adjusted gross income. After he completes page 1 of Form 1040, he fills out these lines to figure the amount he can deduct.

Line 29. The total of all the Whites’ itemized deductions is $12,712, which he enters here and on Form 1040, line 40.

Schedule SE (Form 1040)
After Rev. White prepares Schedule C-EZ and Form 2106-EZ, he fills out Schedule SE (Form 1040). He reads the chart on page 1 of the schedule and determines that he can use Section A—Short Schedule SE to figure his self-employment tax. Rev. White is a minister, so his salary from the church is not considered church employee income. Thus, he does not have to use Section B—Long Schedule SE. He fills out the following lines in Section A.

Line 2. Rev. White attaches a statement (see Attachment 2, Worksheet 4, on page 24) that explains how he figures the amount ($43,850) to enter.

Line 4. He multiplies $43,850 by 92.35% (.9235) to get his net earnings from self-employment ($40,495).

Line 5. The amount on line 4 is less than $106,000, so Rev. White multiplies the amount on line 4 ($40,495) by 15.3% (.153) to get his self-employment tax of $6,196. He enters that amount here and on Form 1040, line 56.

Line 6. Rev. White multiplies the amount on line 5 by 50% (.50) to get his deduction for one-half of self-employment tax of $3,098. He enters that amount here and on Form 1040, line 27.

Schedule M (Form 1040)
Rev. White fills out Form 1040, Schedule M, to claim the making work pay credit as follows:

Line 1a. Rev. White checks the “Yes” box to indicate that he had earnings of more than $12,903 and enters $800 on line 4.

Line 5. He enters his adjusted gross income from Form 1040, line 38.

Line 6. He enters $150,000 for married filling jointly.

Line 7. He checks the “No” box on line 7 and enters $800 on line 8.

Line 10. He checks the “No” box and enters 0.

Line 11. He subtracts line 10 from line 9 and enters the result of $800 on line 11. He also includes this amount on Form 1040, line 63.

Form 1040
After Rev. White prepares Form 2106-EZ and the other schedules, he fills out Form 1040. He files a joint return with his wife. First, he fills out the address area and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the form as follows.

Line 7. Rev. White reports $34,640. This amount is the total of his $31,000 church salary, $3,400 college salary, and $240, his excess allowance. The two salaries were reported to him in box 1 of the Forms W-2 he received.

Line 12. He reports his net profit of $3,744 from Schedule C-EZ, line 3.

Line 27. He enters $3,098, half his SE tax from Schedule SE, line 6.

Line 40. He enters the total itemized deductions from Schedule A, line 28.

Line 51. The Whites can take the child tax credit for their daughter, Jennifer. Rev. White figures the credit by completing the Child Tax Credit worksheet (Form 8812) to determine the eligible child amount. He subtracts the eligible child amount from the total modified AGI and enters the result in box 1 of Form 2106-EZ, line 27.
He enters $800 for the making work pay credit.

Line 75. He wants to have any overpayment of tax applied to his 2011 estimated tax.

Attachment 2

Attachment 2 (Worksheet 4) shows the computation of net self-employment income.
<table>
<thead>
<tr>
<th>A</th>
<th>Employee’s social security number</th>
<th>OMB No. 1545-0008</th>
<th>Safe, accurate, FAST! Use Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>b</strong></td>
<td>Employer identification number (EIN)</td>
<td>011-00-2222</td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>c</strong></td>
<td>Employer’s name, address, and ZIP code</td>
<td>First United Church 1042 Main Street Hometown, TX 77099</td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>d</strong></td>
<td>Control number</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>e</strong></td>
<td>Employee’s first name and initial Last name Suffix</td>
<td>John E. White</td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>f</strong></td>
<td>Employee’s address and ZIP code</td>
<td>Hometown, TX 77099</td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>g</strong></td>
<td>Employer’s state ID number</td>
<td></td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>h</strong></td>
<td>State wages, tips, etc.</td>
<td></td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>i</strong></td>
<td>State income tax</td>
<td></td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>j</strong></td>
<td>Local wages, tips, etc.</td>
<td></td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
<tr>
<td><strong>k</strong></td>
<td>Locality name</td>
<td></td>
<td>Copy B—To Be Filed With Employee’s FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.</td>
</tr>
</tbody>
</table>

Form W-2 Wage and Tax Statement 2010 Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee’s FEDERAL Tax Return.

This information is being furnished to the Internal Revenue Service.
Form 1040
Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2010
(99) IRS Use Only—Do not write or staple in this space.

Name, Address, and SSN
See separate instructions.

For the year Jan. 1–Dec. 31, 2010, or other tax year beginning , 2010, ending , 20

Your first name and initial

Last name

John E.
White

If a joint return, spouse’s first name and initial

Last name

Susan R.
White

Home address (number and street). If you have a P.O. box, see instructions.

Apt. no.

1040 Main Street.

City, town or post office, state, and ZIP code. If you have a foreign address, see instructions.

Hometown, TX 77099

Presidential Election Campaign

Check here if you, or your spouse if filing jointly, want $3 to go to this fund .

You

Spouse

Checking a box below will not change your tax or refund.

1

3

4

5

Married filing jointly (even if only one had income)

Married filing separately. Enter spouse’s SSN above and full name here.

Spouse’s social security number

Qualifying widow(er) with dependent child

Check only one box.

Filing Status

Single

Head of household (with qualifying person). (See instructions.) If the

Married filing jointly

spouse is the qualifying person, check box

Spouse’s relationship to you

Child

Dependent’s relationship to you

Daughter

No. of children

Boxes checked on 6a and 6b

On 6a:

√

dependent

√

other dependent

√

dependents

√

qualifying child

No. of dependents

Check all that apply.

6a

Dependent’s first name

Last name

Jennifer White

Relationship

Daughter

6b

Dependent’s social security number

Dependent’s relationship to you

Child

Dependent’s full name

Excess allowance $240

Total number of exemptions claimed

Add numbers on lines above

Income

7

Wages, salaries, tips, etc. Attach Form(s) W-2 .

Excess allowance $240 .

7

34,640

8a

Taxable interest. Attach Schedule B if required .

8b

Tax-exempt interest. Do not include on line 8a .

9a

Ordinary dividends. Attach Schedule B if required .

9b

Qualified dividends .

10

Taxable refunds, credits, or offsets of state and local income taxes .

11

Alimony received .

12

Business income or (loss). Attach Schedule C or C-EZ .

13

Capital gain or (loss). Attach Schedule D if required. If not required, check here

14

Other gains or (losses). Attach Form 4797 .

15a

IRA distributions .

15b

a

b

Taxable amount

Taxable amount

Pensions and annuities

Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E

Farm income or (loss). Attach Schedule F .

Unemployment compensation .

Social security benefits

Other income. List type and amount

Combine the amounts in the far right column for lines 7 through 21. This is your total income

Adjusted Gross Income

23

Educator expenses .

24

Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ

25

Health savings account deduction. Attach Form 8889 .

26

Moving expenses. Attach Form 3903 .

27

One-half of self-employment tax. Attach Schedule SE

28

Self-employed SEP, SIMPLE, and qualified plans .

29

Self-employed health insurance deduction .

30

Penalty on early withdrawal of savings .

31a

Alimony paid

32

IRA deduction .

33

Student loan interest deduction .

34

Tuition and fees. Attach Form 8917

35

Domestic production activities deduction. Attach Form 8903

36

Add lines 23 through 31a and 32 through 35

37

Subtract line 36 from line 22. This is your adjusted gross income

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Publication 517 (2010)

Page 15
Form 1040 (2010) 

**Tax and Credits**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>38 a</td>
<td>Amount from line 37 (adjusted gross income)</td>
</tr>
<tr>
<td>39 a</td>
<td>Check ☐ You were born before January 2, 1946, ☑ Blind. Total boxes checked =&gt; 39a</td>
</tr>
<tr>
<td>40</td>
<td>Itemized deductions (from Schedule A) or your standard deduction (see instructions)</td>
</tr>
<tr>
<td>41</td>
<td>Subtract line 40 from line 38</td>
</tr>
<tr>
<td>42</td>
<td>Exemptions. Multiply $3,650 by the number on line 6d.</td>
</tr>
<tr>
<td>43</td>
<td>Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-.</td>
</tr>
<tr>
<td>44</td>
<td>Tax (see instructions). Check if any tax is from: ☐ Form(s) 8814 ☑ Form 4972.</td>
</tr>
<tr>
<td>45</td>
<td>Alternative minimum tax (see instructions). Attach Form 6251.</td>
</tr>
<tr>
<td>46</td>
<td>Add lines 44 and 45.</td>
</tr>
<tr>
<td>47</td>
<td>Foreign tax credit. Attach Form 1116 if required.</td>
</tr>
<tr>
<td>48</td>
<td>Credit for child and dependent care expenses, Attach Form 2441</td>
</tr>
<tr>
<td>49</td>
<td>Education credits from Form 8863, line 23</td>
</tr>
<tr>
<td>50</td>
<td>Retirement savings contributions credit. Attach Form 8880</td>
</tr>
<tr>
<td>51</td>
<td>Child tax credit (see instructions).</td>
</tr>
<tr>
<td>52</td>
<td>Residential energy credits. Attach Form 5695</td>
</tr>
<tr>
<td>53</td>
<td>Other credits from Form: ☐ 3800 ☑ 8811</td>
</tr>
<tr>
<td>54</td>
<td>Add lines 47 through 53. These are your total credits.</td>
</tr>
<tr>
<td>55</td>
<td>Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-</td>
</tr>
</tbody>
</table>

**Other Taxes**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>56</td>
<td>Self-employment tax. Attach Schedule SE</td>
</tr>
<tr>
<td>57</td>
<td>Unreported social security and Medicare tax from Form: ☐ 4137 ☑ 8919</td>
</tr>
<tr>
<td>58</td>
<td>Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required</td>
</tr>
<tr>
<td>59 a</td>
<td>Form(s) W-2, box 9 ☑ Schedule H ☐ 8801</td>
</tr>
<tr>
<td>60</td>
<td>Add lines 55 through 59. This is your total tax</td>
</tr>
</tbody>
</table>

**Payments**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>Federal income tax withheld from Forms W-2 and 1099</td>
</tr>
<tr>
<td>62</td>
<td>2010 estimated tax payments and amount applied from 2009 return</td>
</tr>
<tr>
<td>63</td>
<td>Making work pay credit. Attach Schedule M</td>
</tr>
<tr>
<td>64 a</td>
<td>Earned income credit (EIC)</td>
</tr>
<tr>
<td>65</td>
<td>Additional child tax credit. Attach Form 8812</td>
</tr>
<tr>
<td>66</td>
<td>American opportunity credit from Form 8863, line 14</td>
</tr>
<tr>
<td>67</td>
<td>First-time homebuyer credit from Form 5405, line 10</td>
</tr>
<tr>
<td>68</td>
<td>Amount paid with request for extension to file</td>
</tr>
<tr>
<td>69</td>
<td>Excess social security and tier 1 RRTA tax withheld</td>
</tr>
<tr>
<td>70</td>
<td>Credit for federal tax on fuels. Attach Form 4136</td>
</tr>
<tr>
<td>71</td>
<td>Credits from Form: ☐ 2439 ☑ 8839 ☐ 8801 ☐ 8885</td>
</tr>
<tr>
<td>72</td>
<td>Add lines 61, 62, 63, 64a, and 65 through 71. These are your total payments</td>
</tr>
</tbody>
</table>

**Refund**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>73</td>
<td>If line 72 is more than line 60, subtract line 60 from line 72. This is the amount you overpaid</td>
</tr>
<tr>
<td>74 a</td>
<td>Amount of line 73 you want refunded to you. If Form 8888 is attached, check here</td>
</tr>
<tr>
<td>75</td>
<td>Amount of line 73 you want applied to your 2011 estimated tax</td>
</tr>
</tbody>
</table>

**Amount You Owe**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>Amount you owe. Subtract line 72 from line 60. For details on how to pay, see instructions</td>
</tr>
<tr>
<td>77</td>
<td>Estimated tax penalty (see instructions)</td>
</tr>
</tbody>
</table>

**Third Party Designee**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>78</td>
<td>Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ Yes. Complete below. ☑ No</td>
</tr>
</tbody>
</table>

**Sign Here**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>79</td>
<td>Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</td>
</tr>
</tbody>
</table>

**Paid Preparer Use Only**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>Print/Type preparer’s name</td>
</tr>
<tr>
<td>81</td>
<td>Preparer’s signature</td>
</tr>
<tr>
<td>82</td>
<td>Date</td>
</tr>
</tbody>
</table>

**Publication 517 (2010)**
## Itemized Deductions

### Medical and Dental Expenses

1. Medical and dental expenses (see instructions) 
2. Enter amount from Form 1040, line 38
3. Multiply line 2 by 7.5% (.075)
4. Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-.

### Taxes You Paid

5. State and local (check only one box):
   - a) Income taxes, or
   - b) General sales taxes
6. Real estate taxes (see instructions)
7. New motor vehicle taxes from line 11 of the worksheet on back (for certain vehicles purchased in 2009). Skip this line if you checked box 5b
8. Other taxes. List type and amount
9. Add lines 5 through 8

### Interest You Paid

10. Home mortgage interest and points reported to you on Form 1098
11. Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person’s name, identifying no., and address
12. Points not reported to you on Form 1098. See instructions for special rules
13. Mortgage insurance premiums (see instructions)
15. Add lines 10 through 14

### Gifts to Charity

16. Gifts by cash or check. If you made any gift of $250 or more, see instructions
17. Other than by cash or check. If any gift of $250 or more, see instructions. You must attach Form 8283 if over $500
18. Carryover from prior year
19. Add lines 16 through 18

### Casualty and Theft Losses

20. Casualty or theft loss(es). Attach Form 4684. (See instructions.)

### Job Expenses and Certain Miscellaneous Deductions

21. Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.)
22. Tax preparation fees
23. Other expenses—investment, safe deposit box, etc. List type and amount
24. Add lines 21 through 23
25. Enter amount from Form 1040, line 38
26. Multiply line 25 by 2% (.02)
27. Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-

### Other Miscellaneous Deductions

28. Other—from list in instructions. List type and amount

### Total Itemized Deductions

29. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40
30. If you elect to itemize deductions even though they are less than your standard deduction, check here

---

**Your social security number**: 111-00-2222

**John E. White and Susan R. White 011-00-2222**

**Medical and Dental Expenses**
- 1. Medical and dental expenses (see instructions)
- 2. Enter amount from Form 1040, line 38
- 3. Multiply line 2 by 7.5% (.075)
- 4. Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-

**Taxes You Paid**
- 5. State and local (check only one box):
  - a) Income taxes, or
  - b) General sales taxes
- 6. Real estate taxes (see instructions)
- 7. New motor vehicle taxes from line 11 of the worksheet on back (for certain vehicles purchased in 2009). Skip this line if you checked box 5b
- 8. Other taxes. List type and amount
- 9. Add lines 5 through 8

**Interest You Paid**
- 10. Home mortgage interest and points reported to you on Form 1098
- 11. Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person’s name, identifying no., and address
- 12. Points not reported to you on Form 1098. See instructions for special rules
- 13. Mortgage insurance premiums (see instructions)
- 15. Add lines 10 through 14

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- 16. Gifts by cash or check. If you made any gift of $250 or more, see instructions
- 17. Other than by cash or check. If any gift of $250 or more, see instructions. You must attach Form 8283 if over $500
- 18. Carryover from prior year
- 19. Add lines 16 through 18

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**Job Expenses and Certain Miscellaneous Deductions**
- 21. Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.)
- 22. Tax preparation fees
- 23. Other expenses—investment, safe deposit box, etc. List type and amount
- 24. Add lines 21 through 23
- 25. Enter amount from Form 1040, line 38
- 26. Multiply line 25 by 2% (.02)
- 27. Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-

**Other Miscellaneous Deductions**
- 28. Other—from list in instructions. List type and amount

**Total Itemized Deductions**
- 29. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40
- 30. If you elect to itemize deductions even though they are less than your standard deduction, check here
John E. White  
011-00-2222  
Minister  
54  
1990  
1042 Main Street  
Hometown, TX 77099  
4,000  
256*  
3,744  
7/15/2007  
490 -0- 7,247  
√  
√  
√  
√  
*See attached statement.
**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note.** Use this flowchart only if you must file Schedule SE. If unsure, see Who Must File Schedule SE on page SE-1.

![Flowchart](image-url)

**Section A—Short Schedule SE.** Caution. Read above to see if you can use Short Schedule SE.

1a. Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A.

1b. If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 6b, or listed on Schedule K-1 (Form 1065), box 20, code Y.

2. Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for types of income to report on this line. See page SE-3 for other income to report.

3. Combine lines 1a, 1b, and 2. Subtract from that total the amount on Form 1040, line 29, or Form 1040NR, line 29, and enter the result (see page SE-3).

4. Multiply line 3 by 92.35% (.9235). If less than $400, you do not owe self-employment tax; do not file this schedule unless you have an amount on line 1b.

**Note.** If line 4 is less than $400 due to Conservation Reserve Program payments on line 1b, see page SE-3.

5. **Self-employment tax.** If the amount on line 4 is:
   - $106,800 or less, multiply line 4 by 15.3% (.153).
   - More than $106,800, multiply line 4 by 2.9% (.029), then, add $13,243.20 to the result.

   Enter the total here and on Form 1040, line 56, or Form 1040NR, line 54.

6. **Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27.

---

*See attached statement.*
Form 2106-EZ

Unreimbursed Employee Business Expenses

Attach to Form 1040 or Form 1040NR.

Your name
John E. White

Occupation in which you incurred expenses
Minister

Social security number
011 | 00 | 2222

Part I Figure Your Expenses

1 Vehicle expense using the standard mileage rate. Complete Part II and multiply line 8a by 50¢ (.50) ........................................ 1 1,387

2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work ........................................ 2

3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment ........................................ 3

4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment ........................................ 4 231

5 Meals and entertainment expenses: $ $ $ $ _______ × 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.) 5

6 Total expenses. Add lines 1 through 5. Enter here and on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 9). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.) ........................................ 6 1,246*

Part II Information on Your Vehicle. Complete this part only if you are claiming vehicle expense on line 1.

7 When did you place your vehicle in service for business use? (month, day, year) ▶ 7 / 15 / 2007

8 Of the total number of miles you drove your vehicle during 2010, enter the number of miles you used your vehicle for:

a Business 2,774
b Commuting (see instructions) 0
b Commuting (see instructions) 0

9 Was your vehicle available for personal use during off-duty hours? ☑ Yes ☐ No

10 Do you (or your spouse) have another vehicle available for personal use? ☑ Yes ☐ No

11a Do you have evidence to support your deduction? ☑ Yes ☐ No

b If “Yes,” is the evidence written? ☑ Yes ☐ No

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 20604Q

Form 2106-EZ (2010)

*See attached statement.
### Important

Check the “No” box on line 1a and see the instructions if:

- You have a net loss from a business,
- You received a taxable scholarship or fellowship grant not reported on a Form W-2,
- Your wages include pay for work performed while an inmate in a penal institution,
- You received a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan, or
- You are filing Form 2555 or 2555-EZ.

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a</td>
<td>Do you (and your spouse if filing jointly) have 2010 wages of more than $6,451 ($12,903 if married filing jointly)?</td>
<td>Yes. Skip lines 1a through 3. Enter $400 ($800 if married filing jointly) on line 4 and go to line 5. No. Enter your earned income (see instructions) ...........</td>
</tr>
<tr>
<td>1b</td>
<td>Nontaxable combat pay included on line 1a (see instructions)</td>
<td>...........</td>
</tr>
<tr>
<td>2</td>
<td>Multiply line 1a by 6.2% (.062)</td>
<td>...........</td>
</tr>
<tr>
<td>3</td>
<td>Enter $400 ($800 if married filing jointly)</td>
<td>...........</td>
</tr>
<tr>
<td>4</td>
<td>Enter the smaller of line 2 or line 3 (unless you checked “Yes” on line 1a)</td>
<td>...........</td>
</tr>
<tr>
<td>5</td>
<td>Enter the amount from Form 1040, line 38*, or Form 1040A, line 22</td>
<td>...........</td>
</tr>
<tr>
<td>6</td>
<td>Enter $75,000 ($150,000 if married filing jointly)</td>
<td>...........</td>
</tr>
<tr>
<td>7</td>
<td>Is the amount on line 5 more than the amount on line 6?</td>
<td>No. Skip line 8. Enter the amount from line 4 on line 9 below. Yes. Subtract line 6 from line 5 ...........</td>
</tr>
<tr>
<td>8</td>
<td>Multiply line 7 by 2% (.02)</td>
<td>...........</td>
</tr>
<tr>
<td>9</td>
<td>Subtract line 8 from line 4. If zero or less, enter -0-</td>
<td>...........</td>
</tr>
<tr>
<td>10</td>
<td>Did you (or your spouse, if filing jointly) receive an economic recovery payment in 2010? You may have received this payment in 2010 if you did not receive an economic recovery payment in 2009 but you received social security benefits, supplemental security income, railroad retirement benefits, or veterans disability compensation or pension benefits in November 2008, December 2008, or January 2009 (see instructions).</td>
<td>No. Enter -0- on line 10 and go to line 11. Yes. Enter the total of the payments you (and your spouse, if filing jointly) received in 2010. Do not enter more than $250 ($500 if married filing jointly) ...........</td>
</tr>
<tr>
<td>11</td>
<td>Making work pay credit. Subtract line 10 from line 9. If zero or less, enter -0-. Enter the result here and on Form 1040, line 63; or Form 1040A, line 40</td>
<td>...........</td>
</tr>
</tbody>
</table>

*If you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico, see instructions.
### Worksheet 1. Figuring the Percentage of Tax-Free Income

**Note.** For each line, enter the appropriate amount in **all** boxes that are not shaded.

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>(a) Taxable</th>
<th>(b) Tax-free</th>
<th>(c) Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 W-2 salary as a minister (from box 1 of Form W-2)</td>
<td>1</td>
<td>31,000</td>
<td>31,000</td>
</tr>
<tr>
<td>2 Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1 of Schedule C or C-EZ)</td>
<td>2</td>
<td>4,000</td>
<td>4,000</td>
</tr>
</tbody>
</table>

**Note.** Complete either lines 3a–3e or lines 4a–4i.
- If your church provides you with a parsonage, complete lines 3a–3e.
- If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i.

<table>
<thead>
<tr>
<th></th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>h</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Percentage of tax-free income:**

\[
\text{Total tax-free income} = \frac{10,560}{45,800} = 23 \%
\]

---

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses will not be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.
Worksheet 2. **Figuring the Allowable Deduction for Schedule C or C-EZ Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Percentage of expenses that are nondeductible (from Worksheet 1, line 6):</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Business use of car: <strong>490</strong> miles × 50¢ (.50)</td>
<td>2</td>
<td>245</td>
</tr>
<tr>
<td>3</td>
<td>Meals and entertainment: $ __________ × 50% (.50)</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Other expenses (list item and amount)</td>
<td>a</td>
<td>Marriage and family booklets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>d</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>e</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Total other expenses (add lines 4a through 4e)</td>
<td>4f</td>
<td>87</td>
</tr>
<tr>
<td>5</td>
<td>Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)</td>
<td>5</td>
<td>332</td>
</tr>
<tr>
<td>6</td>
<td>Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)</td>
<td>6</td>
<td>76</td>
</tr>
<tr>
<td>7</td>
<td>Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27, or Schedule C-EZ, line 2.</td>
<td>7</td>
<td>256</td>
</tr>
</tbody>
</table>

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 3. **Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Percentage of expenses that are nondeductible (from Worksheet 1, line 6):</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Use of car for church business: <strong>2,774</strong> miles × 50¢ (.50)</td>
<td>2</td>
<td>1,387</td>
</tr>
<tr>
<td>3</td>
<td>Meals and entertainment</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Other expenses (list item and amount)</td>
<td>a</td>
<td>Professional publications and booklets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>d</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>e</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Total expenses. In column A, add lines 2 and 4a through 4e and enter the result. In column B, enter the amount from line 3.</td>
<td>5</td>
<td>1,618</td>
</tr>
<tr>
<td>6</td>
<td>Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)</td>
<td>7</td>
<td>1,618</td>
</tr>
<tr>
<td>8</td>
<td>In Column A, enter the amount from line 7. In Column B, multiply line 7 by 50% (.50)</td>
<td>8</td>
<td>1,618</td>
</tr>
<tr>
<td>9</td>
<td>Add the amounts on line 8 of both columns and enter the total here</td>
<td>9</td>
<td>1,618</td>
</tr>
<tr>
<td>10</td>
<td>Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)</td>
<td>10</td>
<td>372</td>
</tr>
<tr>
<td>11</td>
<td>Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.</td>
<td>11</td>
<td>1,246</td>
</tr>
</tbody>
</table>

* None of the other deductions claimed in this return are allocable to tax-free income.
# Worksheet 4: Figuring Net Self-Employment Income for Schedule SE (Form 1040)

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>W-2 salary as a minister (from box 1 of Form W-2)</td>
<td></td>
<td>31,000</td>
</tr>
<tr>
<td>2</td>
<td>Net profit from Schedule C, line 31, or Schedule C-EZ, line 3</td>
<td></td>
<td>3,744</td>
</tr>
<tr>
<td>3a</td>
<td>Parsonage or rental allowance (from Worksheet 1, line 3a or 4a)</td>
<td>3a</td>
<td>9,600</td>
</tr>
<tr>
<td>3b</td>
<td>Utility allowance (from Worksheet 1, line 3b or 4b)</td>
<td>3b</td>
<td>1,200</td>
</tr>
<tr>
<td>3c</td>
<td>Total allowance (add lines 3a and 3b)</td>
<td>3c</td>
<td>10,800</td>
</tr>
<tr>
<td>4</td>
<td>Add lines 1, 2, and 3c</td>
<td>4</td>
<td>45,544</td>
</tr>
<tr>
<td>5</td>
<td>Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)</td>
<td>5</td>
<td>76</td>
</tr>
<tr>
<td>6</td>
<td>Total unreimbursed employee business expenses after the 50% reduction for meals and entertainment (from Worksheet 3, line 9)</td>
<td>6</td>
<td>1,618</td>
</tr>
<tr>
<td>7</td>
<td>Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)</td>
<td>7</td>
<td>1,694</td>
</tr>
<tr>
<td>8</td>
<td><strong>Net self-employment income.</strong> Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.</td>
<td>8</td>
<td>43,850</td>
</tr>
</tbody>
</table>
Worksheets

These worksheets are provided to help you figure your taxable ministerial income, your allowable deductions, and your net self-employment income.

Worksheet 1.  **Figuring the Percentage of Tax-Free Income**

*Note.* For each line, enter the appropriate amount in all boxes that are not shaded.

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>(a) Taxable</th>
<th>(b) Tax-free</th>
<th>(c) Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 W-2 salary as a minister (from box 1 of Form W-2)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1 of Schedule C or C-EZ)</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note.* Complete either lines 3a–3e or lines 4a–4i.

- If your church provides you with a parsonage, complete lines 3a–3e.
- If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i.

| 3a FRV* of parsonage provided by church | 3a |
| b Utility allowance, if any | 3b |
| c Actual expenses for utilities | 3c |
| d Enter the smaller of line 3b or 3c | 3d |
| e Excess utility allowance (subtract line 3d from line 3b) | 3e |

| 4a Parsonage or rental allowance | 4a |
| b Utility allowance, if separate | 4b |
| c Total allowance (add lines 4a and 4b) | 4c |
| d Actual expenses for parsonage | 4d |
| e Actual expenses for utilities | 4e |
| f Total actual expenses for parsonage and utilities (add lines 4d and 4e) | 4f |
| g FRV* of home, plus the cost of utilities | 4g |
| h Enter the smaller of line 4c, 4f, or 4g | 4h |
| i Excess allowance (Subtract line 4h from line 4c) | 4i |

5 **Ministerial income** (for columns (a), (b), and (c), add lines 1 through 4i) | 5 |

6 **Percentage of tax-free income:**

\[
\text{Total tax-free income} \quad \frac{\text{\$}}{\text{Total income} \quad \text{\$}} = \quad \% **
\]

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses will not be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.
### Worksheet 2. Figuring the Allowable Deduction for Schedule C or C-EZ Expenses

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Percentage of expenses that are nondeductible</strong> (from Worksheet 1, line 6): ________%</td>
</tr>
<tr>
<td>2</td>
<td>Business use of car: _______ miles × 50¢ (.50)</td>
</tr>
<tr>
<td>3</td>
<td>Meals and entertainment: $_________ × 50% (.50)</td>
</tr>
<tr>
<td>4</td>
<td>Other expenses (list item and amount)</td>
</tr>
<tr>
<td>a</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Total other expenses (add lines 4a through 4e)</td>
</tr>
<tr>
<td>5</td>
<td>Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)</td>
</tr>
<tr>
<td>6</td>
<td>Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)</td>
</tr>
<tr>
<td>7</td>
<td>Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27, or Schedule C-EZ, line 2.</td>
</tr>
</tbody>
</table>

* None of the other deductions claimed in this return are allocable to tax-free income.

### Worksheet 3. Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Percentage of expenses that are nondeductible</strong> (from Worksheet 1, line 6): ________%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Use of car for church business: _____ miles × 50¢ (.50)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Meals and entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Other expenses (list item and amount)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Total expenses. In column A, add lines 2 and 4a through 4e and enter the result. In column B, enter the amount from line 3.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>In Column A, enter the amount from line 7. In Column B, multiply line 7 by 50% (.50)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Add the amounts on line 8 of both columns and enter the total here</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* None of the other deductions claimed in this return are allocable to tax-free income.
Worksheet 4.  **Figuring Net Self-Employment Income for Schedule SE (Form 1040)**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>W-2 salary as a minister (from box 1 of Form W-2)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Net profit from Schedule C, line 31, or Schedule C-EZ, line 3</td>
<td></td>
</tr>
<tr>
<td>3a</td>
<td>Parsonage or rental allowance (from Worksheet 1, line 3a or 4a)</td>
<td></td>
</tr>
<tr>
<td>3b</td>
<td>Utility allowance (from Worksheet 1, line 3b or 4b)</td>
<td></td>
</tr>
<tr>
<td>3c</td>
<td>Total allowance (add lines 3a and 3b)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Add lines 1, 2, and 3c</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Total unreimbursed employee business expenses after the 50% reduction for meals and entertainment (from Worksheet 3, line 9)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td><strong>Net self-employment income.</strong> Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.</td>
<td></td>
</tr>
</tbody>
</table>
How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get general information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS. We help taxpayers who are experiencing economic harm, such as not being able to provide necessities like housing, transportation, or food; taxpayers who are seeking help in resolving tax problems with the IRS; and those who believe that an IRS system or procedure is not working as it should. Here are seven things every taxpayer should know about TAS:

- The Taxpayer Advocate Service is your voice at the IRS.
- Our service is free, confidential, and tailored to meet your needs.
- You may be eligible for our help if you have tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn’t working as it should.
- We help taxpayers whose problems are causing financial difficulty or significant cost, including the cost of professional representation. This includes businesses as well as individuals.
- Our employees know the IRS and how to navigate it. If you qualify for our help, we’ll assign your case to an advocate who will listen to your problem, help you understand what needs to be done to resolve it, and stay with you every step of the way until your problem is resolved.
- We have at least one local taxpayer advocate in every state, the District of Columbia, and Puerto Rico. You can call your local advocate, whose number is in your phone book, in Pub. 1546, Taxpayer Advocate Service—Your Voice at the IRS, and on our website at www.irs.gov/advocate. You can also call our toll-free line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.
- You can learn about your rights and responsibilities as a taxpayer by visiting our online tax toolkit at www.taxtoolkit.irs.gov. You can get updates on hot tax topics by visiting our YouTube channel at www.youtube.com/tasnta and our Facebook page at www.facebook.com/YourVoiceAtIRS, or by following our tweets at www.twitter.com/YourVoiceAtIRS.

Low Income Taxpayer Clinics (LITCs). The Low Income Taxpayer Clinic program serves individuals who have a problem with the IRS and whose income is below a certain level. LITCs are independent from the IRS. Most LITCs can provide representation before the IRS or in court on audits, tax collection disputes, and other issues for free or a small fee. If an individual’s native language is not English, some clinics can provide multilingual information about taxpayer rights and responsibilities. For more information, see Publication 4134, Low Income Taxpayer Clinic List. This publication is available at IRS.gov, by calling 1-800-TAX-FORM (1-800-829-3676), or at your local IRS office.

Free tax services. Publication 910, IRS Guide to Free Tax Services, is your guide to IRS services and resources. Learn about free tax information from the IRS, including publications, services, and education and assistance programs. The publication also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on the telephone. The majority of the information and services listed in this publication are available to you for free of charge. If there is a fee associated with a resource or service, it is listed in the publication.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

Free help with your return. Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Many VITA sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, call 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP’s website at www.aarp.org/money/taxaide.

For more information on these programs, go to IRS.gov and enter keyword “VITA” in the upper-right-hand corner.

Internet. You can access the IRS website at IRS.gov 24 hours a day, 7 days a week:

- E-file your return. Find out about commercial tax preparation and e-file services available free to eligible taxpayers.
- Check the status of your 2010 refund. Go to IRS.gov and click on Where’s My Refund? Wait at least 72 hours after the IRS accepts your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8885 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2010 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, including talking tax forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- Use the online Internal Revenue Code, regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- Ordering forms, instructions, and publications. Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- Asking tax questions. Call the IRS with your tax questions at 1-800-829-1040.
- Solving problems. You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.
- TTY/TDD equipment. If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- TeleTax topics. Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- Refund information. To check the status of your 2010 refund, call 1-800-829-1954 or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS accepts your return. If you file Form 8885 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2010 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- Other refund information. To check the status of a prior-year refund or amended return refund, call 1-800-829-1040.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.
Walk-in. Many products and services are available on a walk-in basis.

- Products. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

- Services. You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:
- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
  – The first release will ship the beginning of January 2011.
  – The final release will ship the beginning of March 2011.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee).
## General Guides
1. Your Rights as a Taxpayer
2. Your Federal Income Tax For Individuals
3. Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
4. Tax Calendars for 2011
5. IRS Guide to Free Tax Services

## Specialized Publications
3. Armed Forces’ Tax Guide
225. Farmer’s Tax Guide
469. Travel, Entertainment, Gift, and Car Expenses
501. Exemptions, Standard Deduction, and Filing Information
502. Medical and Dental Expenses (Including the Health Coverage Tax Credit)
503. Child and Dependent Care Expenses
504. Divorced or Separated Individuals
505. Tax Withholding and Estimated Tax
514. Foreign Tax Credit for Individuals
516. U.S. Government Civilian Employees Stationed Abroad
517. Social Security and Other Information for Members of the Clergy and Religious Workers
521. Moving Expenses
523. Selling Your Home
524. Credit for the Elderly or the Disabled
525. Taxable and Nontaxable Income
526. Charitable Contributions
527. Residential Rental Property (Including Rental of Vacation Homes)
529. Miscellaneous Deductions
530. Tax Information for Homeowners
531. Reporting Tip Income
535. Business Expenses

## Form Number and Title

<table>
<thead>
<tr>
<th>Form Number and Title</th>
<th>Publication Number</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sch A Itemized Deductions</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch B Interest and Ordinary Dividends</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch C Profit or Loss From Business</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch C-EZ Net Profit From Business</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch D Capital Gains and Losses</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch D-1 Continuation Sheet for Schedule D</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch E Supplemental Income and Loss</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch EIC Earned Income Credit</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch F Profit or Loss From Farming</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch H Household Employment Taxes</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch J Income Averaging for Farmers and Fishermen</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>Sch L Standard Deduction for Certain Filers</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>1040EZ Income Tax Return For Single and Joint Filers With No Dependents</td>
<td>1040EZ</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>1040-ES Estimated Tax for Individuals</td>
<td>1040</td>
<td>U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>2106 Employee Business Expenses</td>
<td>2106</td>
<td>Unreimbursed Employee Business Expenses</td>
</tr>
<tr>
<td>2106-EZ Unreimbursed Employee Business Expenses</td>
<td>2106</td>
<td>Unreimbursed Employee Business Expenses</td>
</tr>
<tr>
<td>2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts</td>
<td>2210</td>
<td>Unreimbursed Employee Business Expenses</td>
</tr>
</tbody>
</table>

## Form Number and Title

<table>
<thead>
<tr>
<th>Form Number and Title</th>
<th>Publication Number</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>2441 Child and Dependent Care Expenses</td>
<td>2441</td>
<td>Child and Dependent Care Expenses</td>
</tr>
<tr>
<td>2848 Power of Attorney and Declaration of Representative</td>
<td>2848</td>
<td>Power of Attorney and Declaration of Representative</td>
</tr>
<tr>
<td>2848(SP) Poder Legal y Declaración del Representante</td>
<td>2848</td>
<td>Power of Attorney and Declaration of Representative</td>
</tr>
<tr>
<td>3903 Moving Expenses</td>
<td>3903</td>
<td>Moving Expenses</td>
</tr>
<tr>
<td>4582 Depreciation and Amortization</td>
<td>4582</td>
<td>Depreciation and Amortization</td>
</tr>
<tr>
<td>4896 Application for Automatic Extension of Time</td>
<td>4896</td>
<td>Application for Automatic Extension of Time</td>
</tr>
<tr>
<td>4896(SP) To File U.S. Individual Income Tax Return</td>
<td>4896</td>
<td>To File U.S. Individual Income Tax Return</td>
</tr>
<tr>
<td>4952 Investment Interest Expense Deduction</td>
<td>4952</td>
<td>Investment Interest Expense Deduction</td>
</tr>
<tr>
<td>5329 Additional Taxes on Qualified Plans (Including IRAs and Other Tax-Favored Accounts)</td>
<td>5329</td>
<td>Additional Taxes on Qualified Plans (Including IRAs and Other Tax-Favored Accounts)</td>
</tr>
<tr>
<td>6251 Alternative Minimum Tax—Individuals</td>
<td>6251</td>
<td>Alternative Minimum Tax—Individuals</td>
</tr>
<tr>
<td>8283 Noncash Charitable Contributions</td>
<td>8283</td>
<td>Noncash Charitable Contributions</td>
</tr>
<tr>
<td>8582 Passive Activity Loss Limitations</td>
<td>8582</td>
<td>Passive Activity Loss Limitations</td>
</tr>
<tr>
<td>8606 Nondeductible IRAs</td>
<td>8606</td>
<td>Nondeductible IRAs</td>
</tr>
<tr>
<td>8812 Additional Child Tax Credit</td>
<td>8812</td>
<td>Additional Child Tax Credit</td>
</tr>
<tr>
<td>8822 Change of Address</td>
<td>8822</td>
<td>Change of Address</td>
</tr>
<tr>
<td>8829 Expenses for Business Use of Your Home</td>
<td>8829</td>
<td>Expenses for Business Use of Your Home</td>
</tr>
<tr>
<td>8883 Education Credits (American Opportunity, and Lifetime Learning Credits)</td>
<td>8883</td>
<td>Education Credits (American Opportunity, and Lifetime Learning Credits)</td>
</tr>
<tr>
<td>9465 Installment Agreement Request</td>
<td>9465</td>
<td>Installment Agreement Request</td>
</tr>
<tr>
<td>9465(SP) Solicitud para un Plan de Pagos a Plazos</td>
<td>9465</td>
<td>Installment Agreement Request</td>
</tr>
<tr>
<td>950 Tax Benefits for Education</td>
<td>950</td>
<td>Tax Benefits for Education</td>
</tr>
<tr>
<td>951 Innocent Spouse Relief</td>
<td>951</td>
<td>Innocent Spouse Relief</td>
</tr>
<tr>
<td>952 Child Tax Credit</td>
<td>952</td>
<td>Child Tax Credit</td>
</tr>
<tr>
<td>1542 Per Diem Rates (For Travel Within the Continental United States)</td>
<td>1542</td>
<td>Per Diem Rates (For Travel Within the Continental United States)</td>
</tr>
<tr>
<td>1544 Reporting Cash Payments of Over $10,000 (Received in a Trade or Business)</td>
<td>1544</td>
<td>Reporting Cash Payments of Over $10,000 (Received in a Trade or Business)</td>
</tr>
<tr>
<td>1546 Taxpayer Advocate Service – Your Voice at the IRS</td>
<td>1546</td>
<td>Taxpayer Advocate Service – Your Voice at the IRS</td>
</tr>
<tr>
<td>1SP Derechos del Contribuyente</td>
<td>1SP</td>
<td>Derechos del Contribuyente</td>
</tr>
<tr>
<td>17(SP) El Impuesto Federal sobre los Ingresos Para Personas Fisicas</td>
<td>17(SP)</td>
<td>El Impuesto Federal sobre los Ingresos Para Personas Fisicas</td>
</tr>
<tr>
<td>547(SP) Hechos Fortuitos Desastres y Robos</td>
<td>547(SP)</td>
<td>Hechos Fortuitos Desastres y Robos</td>
</tr>
<tr>
<td>584(SP) Registro de Pérdidas por Hechos Fortuitos (Imprevistos), Desastres y Robos (Propiedad de Uso Personal)</td>
<td>584(SP)</td>
<td>Registro de Pérdidas por Hechos Fortuitos (Imprevistos), Desastres y Robos (Propiedad de Uso Personal)</td>
</tr>
<tr>
<td>594(SP) El Proceso de Cobro del IRS</td>
<td>594(SP)</td>
<td>El Proceso de Cobro del IRS</td>
</tr>
<tr>
<td>596(SP) Crédito por Ingreso del Trabajo</td>
<td>596(SP)</td>
<td>Crédito por Ingreso del Trabajo</td>
</tr>
<tr>
<td>850(EN/SP) English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service</td>
<td>850(EN/SP)</td>
<td>English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service</td>
</tr>
<tr>
<td>1544(SP) Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)</td>
<td>1544(SP)</td>
<td>Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)</td>
</tr>
</tbody>
</table>

### Spanish Language Publications
1. SP Derechos del Contribuyente
2. 17(SP) El Impuesto Federal sobre los Ingresos Para Personas Fisicas
3. 547(SP) Hechos Fortuitos Desastres y Robos
4. 584(SP) Registro de Pérdidas por Hechos Fortuitos (Imprevistos), Desastres y Robos (Propiedad de Uso Personal)
5. 594(SP) El Proceso de Cobro del IRS
6. 596(SP) Crédito por Ingreso del Trabajo
7. 850(EN/SP) English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
8. 1544(SP) Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)