

Table lists items and how long to keep them

## Record Retention Guidelines for Tax Records

document	description	how long to keep (minimum)	comments
Form 945 (annual return of withheld federal income tax)	employers use this form to report "backup withholding"	at least 4 years after filing the return	<ul style="list-style-type: none"> <li>employers are required by law to withhold 28% of the compensation paid to independent contractors who fail to provide a Social Security number</li> <li>the withheld taxes are reported to the IRS on Form 945</li> <li>churches can use Form W-9 to obtain the Social Security number of an independent contractor</li> </ul>
Form W-9 (request for taxpayer identification no.)	employers use this form to obtain the Social Security number of an independent contractor	at least 4 years from the filing deadline of the contractor's tax return	<ul style="list-style-type: none"> <li>churches should have any nonemployee complete this form who will be paid \$600 or more during the year</li> <li>corporations are exempt from backup withholding</li> </ul>
Form 8283 (noncash charitable contribution)	used by donors to substantiate certain noncash contributions valued at more than \$500	at least 4 years from the filing deadline of the donor's tax return	<ul style="list-style-type: none"> <li>only retain a copy if required to sign the "appraisal summary," Section B, Part IV (donations of property valued at more than \$5,000)</li> </ul>
Form 8282 (donee information return)	churches that sell donated property (valued by the donor at more than \$5,000) within 2 years of the donation file this form with the IRS	at least 4 years after filing the return	<ul style="list-style-type: none"> <li>this form is only required if a church signed Section B of the donor's Form 8283 (appraisal summary)</li> </ul>
Offering envelopes	church-issued envelopes used by donors for cash contributions	at least 4 years from the filing deadline of the donor's tax return (but see "comments" for an exception)	<ul style="list-style-type: none"> <li>some churches issue donors a periodic summary of contributions that includes a statement advising donors to question any discrepancies quickly since all documentation (including offering envelopes) the church relied on in preparing the summary will be disposed of within a specified period of time (e.g., six months). Such a statement relieves the church of the responsibility of warehousing offering envelopes and other supporting documentation for long periods of time.</li> </ul>
Contribution statements	periodic summaries of contributions provided to donors by a church	at least 4 years from the filing deadline of the donor's tax return	<ul style="list-style-type: none"> <li>contribution statements must contain language prescribed by the tax code to substantiate individual gifts of \$250 or more.</li> </ul>
"Written acknowledgements" of charitable contributions	the tax code requires any individual contribution (cash or property) of \$250 or more to be substantiated with a "written acknowledgement" from the charity	at least 4 years from the filing deadline of the donor's tax return	<ul style="list-style-type: none"> <li>the tax code specifies language that must be included (e.g., "Thank you for your contribution of \$500. No goods or services were provided in exchange for your contribution other than intangible religious benefits.")</li> <li>churches often insert the required language in periodic "contribution statements" instead of issuing separate acknowledgments for each gift of \$250 or more</li> </ul>
"Written acknowledgements" for short-term missions trips participants	participants in short-term missions trips can claim a charitable contribution deduction for travel expenses they incur if they receive a written acknowledgment from the church	at least 4 years from the filing deadline of the donor's tax return	<ul style="list-style-type: none"> <li>the tax code specifies language that must be included</li> </ul>
Accountable reimbursement policy	church policy that reimburses employees' substantiated business expenses	permanently	<ul style="list-style-type: none"> <li>the policy usually is reflected in a board resolution or employee handbook</li> <li>be sure all amendments are dated</li> </ul>
Accountable reimbursement policy receipts	employees must substantiate reimbursements with adequate documentation	at least 4 years from the filing deadline of the employee's tax return (but see "comments" for an exception)	<ul style="list-style-type: none"> <li>the regulations require employers to maintain receipts and other records used by employees to substantiate their reimbursed business expenses</li> <li>the IRS has indicated that it may relax this requirement, but it has not done so</li> <li>if an employer does not maintain these records, its employees will have to substantiate expenses if audited</li> </ul>
All records associated with nonaccountable expense reimbursements	reimbursement of personal expenses, or unsubstantiated business expenses	at least 4 years from the filing deadline of the employee's tax return	<ul style="list-style-type: none"> <li>churches must report nonaccountable reimbursements as taxable income to the employee</li> <li>failure to do so can expose the employee to substantial penalties (intermediate sanctions)</li> </ul>
Housing allowance	board or church resolution or budget item designating a portion of a pastor's compensation as a housing allowance	at least 4 years from the filing deadline of the pastor's tax return	<ul style="list-style-type: none"> <li>housing allowances are nontaxable (for income taxes) only to the extent they are used for housing expenses, and, for ministers who own their home, do not exceed the home's fair rental value</li> </ul>
Cafeteria plan	fringe benefit plan allowing employees to use pre-tax salary reductions to pay for a menu of fringe benefits	permanently	<ul style="list-style-type: none"> <li>be sure all plan amendments (with dates) are recorded</li> </ul>

## Record Retention Guidelines continued from page 3

document	description	how long to keep (minimum)	comments
Estimated housing expense form	churches often base housing allowances on a list of estimated housing expenses provided by a pastor	at least 4 years from the filing deadline of the pastor's tax return	<ul style="list-style-type: none"> <li>if estimated expenses are significantly above the fair rental value of a pastor's home, the allowance should be reduced (otherwise the pastor's W-2 wages will be too low, which can create tax liabilities for a pastor who assumes that the W-2 reflects true compensation)</li> </ul>
Safety net housing allowance	continuing resolution designating a specified percent of the salary of any staff pastor as a housing allowance if no allowance has otherwise been declared	permanently	<ul style="list-style-type: none"> <li>such resolutions avoid loss of the housing allowance if a church neglects to designate an allowance for the year, or is late in doing so</li> <li>also useful when a church hires a pastor in mid-year (when designation of a housing allowance is often neglected)</li> </ul>
Job descriptions of staff pastors	describe the duties for which the pastor is employed	at least 4 years from the filing deadline of the pastor's tax return	<ul style="list-style-type: none"> <li>a housing allowance must represent compensation paid to a pastor for the exercise of ministry</li> <li>job descriptions will indicate whether a pastor's duties constitute the exercise of ministry</li> </ul>
Form 8274 (certification by churches requesting exemption from FICA taxes)	used to exempt a church from the employer's share of FICA taxes	permanently	<ul style="list-style-type: none"> <li>Churches with nonminister employees in July 1984 could exempt themselves from the employer's share of FICA taxes by filing this form with the IRS by October 30, 1984.</li> <li>An exemption makes nonminister church employees self-employed for Social Security (they pay the full 15.3% self-employment tax like ministers). They are not exempt.</li> <li>Churches hiring their first nonminister employee after 1984 have until the day before the due date for their first quarterly 941 form to file the exemption application.</li> </ul>
Property tax exemption applications and certificates	application form used to apply for exemption of church property from taxation, and the certificate issued by the taxing authority recognizing the exemption	consult local law	<ul style="list-style-type: none"> <li>churches generally must apply for property tax exemption under local law</li> <li>in some states the exemption must be renewed periodically</li> <li>an exemption application must be filed by the "tax day" specified by local law</li> </ul>
Sales tax exemption applications and certificates	application form used to apply for exemption of state sales taxes, and the certificate issued by the taxing authority recognizing the exemption	consult local law	<ul style="list-style-type: none"> <li>churches are exempt from sales tax in 41 states</li> <li>exemption generally requires an application</li> <li>exemption generally must be renewed periodically</li> <li>the exemption varies from state to state</li> </ul>
Tax-sheltered annuity salary reduction agreements	designations by employees of the amount of their salary to be reduced and placed in their retirement account	at least 4 years from filing deadline of the employee's tax return	<ul style="list-style-type: none"> <li>tax-sheltered "403(b)" annuities are the most common retirement program for church staff</li> </ul>
Form 990-T (exempt organization's business income tax return)	churches use this form to report "unrelated business income tax"	at least 4 years from the filing deadline of the tax return	<ul style="list-style-type: none"> <li>examples of an unrelated trade or business include restaurants, and rent or fees from parking lots, communications towers, and some debt-financed buildings</li> </ul>
Retirement gifts	generally a resolution of the board or membership authorizing a gift to a retiring staff member	at least 4 years from the filing deadline of the employee's tax return	<ul style="list-style-type: none"> <li>retirement "gifts" paid by a church to a retiring employee are taxable (even if labeled "love gifts")</li> <li>exception for some gifts of insignificant value</li> <li>exception for some "employee achievement awards" (property valued at less than \$400)</li> </ul>
Special occasion gifts	generally a resolution of the board or membership authorizing a holiday, birthday or anniversary gift to a staff member	at least 4 years from filing deadline of the employee's tax return	<ul style="list-style-type: none"> <li>special occasion "gifts" paid by a church to an employee are taxable (even if labeled "love gifts")</li> <li>exception for some gifts made directly to an employee by a church member</li> </ul>
Health plans	plans adopted by an employer for the payment of some medical expenses of employees	permanently	<ul style="list-style-type: none"> <li>amounts received by employees from an employer as reimbursement for medical expenses may be nontaxable if made pursuant to a "plan"</li> <li>be sure all plan amendments (with dates) are recorded</li> </ul>
Documents defining compensation	generally in minutes of church board or membership meetings	at least 4 years from the filing deadline of the employee's tax return	<ul style="list-style-type: none"> <li>compensation includes salary, expense reimbursements, fringe benefits, housing allowance, retirement plan contributions, insurance coverage, etc.</li> <li>documentation may be needed in the event an employee's tax return is audited</li> </ul>
Correspondence received from the IRS or state and local tax agencies	may pertain to questions about a tax return (W-2, 941, etc.), a donor's contributions, eligibility for property tax exemption, etc.	permanently	<ul style="list-style-type: none"> <li>correspondence from taxing authorities may be relevant in future years</li> </ul>