



ARIZONA

MINISTRY NETWORK

SUPPLEMENTAL FORMS TO THE OPERATIONS MANUAL

UPDATED 2017

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

- 1. Make application and obtain approval by Presbyters to plant. Receive DAC Bylaws, Ops Manual and Supplemental forms.**
- 2. Network office sets up an “account” at AZMN in church name to receive funds until bank account established.**
- 3. Establish an LLC.**

All District Affiliated Churches are required to have a LLC. The LLC is how your “business” or church is established with the state of Arizona. As a courtesy to our churches the Network office is able to file this paperwork for you. Listed below are the detailed steps of how to get your LLC established.

1. Contact Megan Hart either by email, mhart@azag.org, or by phone, 602.343.4018, and let her know you are ready to start the process.
2. Send a check to the accounting department in the amount of \$125. This check will cover the cost of filing as well as the cost of advertising.
3. Once a check is submitted your paperwork will be sent to the Secretary of State. This usually take about 4-6 weeks.
4. Once the Secretary of State approves your application a public notice is put out in a local paper for 3 consecutive weeks.
5. Once the publication has been confirmed your LLC will be established with the State of Arizona and you will receive a letter of certification by email unless specified otherwise.

4. Get EIN (need LLC information for EIN application).

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

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

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

On the first page of the Arizona Joint Tax Application (the next screen) you will be able to “Register for a new EIN”. This will take you to the IRS website. Towards the bottom on the page, click “Apply Online Now” to begin the process. When you get to the page

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

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

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

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

5. Open bank account - you’ll need your new LLC documents & your new EIN.

SECTION 2: Online Access for Churches and Ministers

We have recently upgraded our online giving. Once you have established a login, you can also register for any district event, access the church and minister directory, and check your contribution history. Each church and minister has a separate login.

Go to www.azag.org. Once you are on our site, click the “online giving” tab on the left of the home page, then the “online giving” tab at the top of the next page. You will be able to log in using your district account number OR your email address and your password. If you have never established a login, you may enter the “New User” information and choose your password. You will then be directed to the page to process a one-time or a recurring contribution.

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

Dorothea Russell
Accounting
602-343-4025 direct line

Brandi Hagan
Accounting
602-343-4016 direct line

SECTION 3: Payroll

Documentation needed for payroll files

Credentialed Ministers (“Dual status employees”)

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

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

A credentialed minister can elect to have the church “voluntarily withhold” federal and/or state taxes for them. This is done via a letter to the church bookkeeper stating how much they want withheld each pay period. They can change the amount withheld during the year by submitting anew letter.

Employees

- W4
- A4
- I9

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

Churches are exempt from FUTA & SUTA.

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

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

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

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

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

SECTION 4: Bank Accounts and Required Signatures

All District Affiliated Churches will need to have additional signatories on their bank accounts. At a minimum, there will be the Pastor, The Sectional Presbyter, and The District Secretary/Treasurer. You may also have the acting church treasurer on the account. Please fill in the attached form and forward to the District Secretary/Treasurer to produce a letter that you will need to take to the bank to open the account.

SIGNATURE REQUIREMENTS FOR BANKING TRANSACTIONS

Please print plainly or type

Name of Church _____

Mailing _____

Address _____

Name of Pastor _____

Church Signer(s) _____

Name of Bank _____

Bank Address _____

Bank Telephone _____ fax _____

Contact Person/Position _____

Name of Presbyter _____

Section _____

SECTION 5: Housing Allowance

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

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

HOUSING EXPENSE ANALYSIS
 Estimate for the next calendar year

Church _____

Minister _____

For Calendar Year _____

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

Internal Revenue Regulation 1.107.1 (c) provides:

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

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

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

Signed _____ Date _____
 Signature of Minister

Signed _____ Date _____
 Signature of District Secretary/Treasurer

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

SECTION 6: Becoming a General Council Affiliated Church

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

SECTION 7: INCORPORATION AS A GENERAL COUNCIL CHURCH

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

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

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

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

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