



**Illustrated
Example
of
Ministerial
Tax Return**

- Accountable expense reimbursement plan
- Minister owns residence
- Pay federal taxes through voluntary withholding
- Housing FMV test applied
- 403(b) contributions by salary reduction and employer contributions
- Application of Deason Rule

Presented by:
Mike Martin, PMBA, EA
Assistant Executive Director of
Business and Finance
Hawaii Pacific Baptist Convention
2042 Vancouver Drive
Honolulu, HI 96822
8083568335 • hpbaptist.net
Email: mike@hpbaptist.net

Illustrated Example

2020

Minister considered to be an employee for income tax purposes with an accountable business expense plan.

The Silvas live in a home they personally own. Pastor Silva has entered into a voluntary withholding agreement with the church, and \$18,000 of federal income taxes are withheld during the year.

<i>Income, Benefits, and Reimbursements:</i>			
Church salary	\$	80,000	
Christmas and other special gifts paid by church based on designate member-gifts to the church		2,000	
Honoraria for performing weddings, funerals, and baptisms		750	
Honorarium for speaking as an evangelist at another church		2,000	
Reimbursement of self-employment tax (SECA offset)		12,000	
			Mutual fund dividend income:
			Capital gain distributions
			Ordinary
			Interest Income:
			Taxable
			\$ 596
			325
			700

<i>Housing, Business Expenses, Itemized Deductions, and Other Data:</i>			
Housing data:		Potential itemized deductions:	
Designation	\$	37,000	Unreimbursed doctors, dentists, and drugs
Actual expenses		36,000	
Fair rental value including utilities		38,000	
403(b) pre-tax contributions for Pastor Silva:			State and local income taxes: 2019 taxes paid in 2020
Voluntary employee contributions made under a salary reduction agreement		1,000	Withheld from salary
Nonvoluntary employer contributions		2,000	Real estate taxes on home
			Home mortgage interest
			Cash contributions
			Noncash contributions- household furniture/FMV
			Tax preparation fee
			Student loan interest
			\$ 3,067
			500
			4,500
			1,500
			18,000
			9,600
			350
			400
			850
Expenses related to honoraria income:			
Parking		75	
Travel (1016 x \$.575 per mile)		584	
Meals		220	
Other		320	
100% of church- related expenses (including 16,258 business miles) paid personally were reimbursed by the church under an accountable expense plan, based on timely substantiation of the expenses. Total 12,148.			

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial KEONI	Last name SILVA	Your social security number ***-**-1475
If joint return, spouse's first name and middle initial SHERYL	Last name SILVA	Spouse's social security number ***-**-3991
Home address (number and street). If you have a P.O. box, see instructions. 91-3550 FARRINGTON ROAD		Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below. KAPOLEI		State HI
Foreign country name		ZIP code 96707
Foreign province/state/county		Foreign postal code

Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? Yes No

Standard Deduction **Someone can claim:** You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** Were born before January 2, 1956 Are blind **Spouse:** Was born before January 2, 1956 Is blind

Dependents (see instructions):

If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	
					Child tax credit	Credit for other dependents
	ZACCHAEUS	SILVA	***-**-0910	Son	<input checked="" type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.	1 Wages, salaries, tips, etc. Attach Form(s) W-2	EXCESS ALLOWANCE 1000.		1	57,000.
	2a Tax-exempt interest	2a		2b	700.
	3a Qualified dividends	3a		3b	325.
	4a IRA distributions	4a		4b	
	5a Pensions and annuities	5a			
	6a Social security benefits	6a			
Standard Deduction for— • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under Standard Deduction, see instructions.	7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input checked="" type="checkbox"/>			7	596.
	8 Other income from Schedule 1, line 9			8	2,070.
	9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income ▶			9	60,691.
	10 Adjustments to income:				
	a From Schedule 1, line 22	10a	7,538.		
	b Charitable contributions if you take the standard deduction. See instructions	10b			
	c Add lines 10a and 10b. These are your total adjustments to income ▶	10c		7,538.	
	11 Subtract line 10c from line 9. This is your adjusted gross income ▶	11		53,153.	
	12 Standard deduction or itemized deductions (from Schedule A)	12		34,450.	
	13 Qualified business income deduction. Attach Form 8995 or Form 8995-A	13		385.	
14 Add lines 12 and 13	14		34,835.		
15 Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15		18,318.		

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2020)

Line 1 - see note 1 on calculation of the excess housing allowance

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____		1,773.
17	Amount from Schedule 2, line 3		
18	Add lines 16 and 17		1,773.
19	Child tax credit or credit for other dependents		1,673.
20	Amount from Schedule 3, line 7		100.
21	Add lines 19 and 20		100.
22	Subtract line 21 from line 18. If zero or less, enter -0-		0.
23	Other taxes, including self-employment tax, from Schedule 2, line 10		13,375.
24	Add lines 22 and 23. This is your total tax		13,375.
25	Federal income tax withheld from:		
	a Form(s) W-2	25a	18,000.
	b Form(s) 1099	25b	
	c Other forms (see instructions)	25c	
	d Add lines 25a through 25c	25d	18,000.
26	2020 estimated tax payments and amount applied from 2019 return		
27	Earned income credit (EIC) NO	27	
28	Additional child tax credit. Attach Schedule 8812	28	327.
29	American opportunity credit from Form 8863, line 8	29	
30	Recovery rebate credit. See instructions	30	500.
31	Amount from Schedule 3, line 13	31	0.
32	Add lines 27 through 31. These are your total other payments and refundable credits		827.
33	Add lines 25d, 26, and 32. These are your total payments		18,827.
Refund	34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid		5,452.
	35a Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	5,452.
Direct deposit? See instructions.	b Routing number * * * * * X X X X c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number * * * * * * * * * * * * * * X X X X		
	36 Amount of line 34 you want applied to your 2021 estimated tax	36	
Amount You Owe	37 Subtract line 33 from line 24. This is the amount you owe now		
For details on how to pay, see instructions.	Note: Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
	38 Estimated tax penalty (see instructions)	38	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions <input type="checkbox"/> Yes. Complete below. <input checked="" type="checkbox"/> No		
	Designee's name	Phone no.	Personal identification number (PIN)
Sign Here	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.		
	Your signature	Date	Your occupation
			MINISTER
Joint return? See instructions. Keep a copy for your records.	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation
			HOMEMAKER
	Phone no.	Email address	
Paid Preparer Use Only	Preparer's name	Preparer's signature Self-Prepared	Date
	Firm's name	PTIN	Check if: <input type="checkbox"/> Self-employed
	Firm's address	Phone no.	Firm's EIN

Go to www.irs.gov/Form1040 for instructions and the latest information. BAA REV 11/06/20 PRO Form **1040** (2020)

Line 25a(b) - The minister had income tax withheld under a voluntary withholding agreement (W-4) with the church. The minister may choose to also make estimated tax payments during the year using the 1040-ES form. Please note that income tax was withheld related to both the income and social security tax liability.

Line 30 - New for 2020, if a taxpayer was eligible for the Recovery rebate credit and did not receive it in 2020, the taxpayer would receive the additional credit. During the tax year 2020, an additional dependent was added to the return that was not on the 2018 or 2019 tax return.

**SCHEDULE 1
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ **Attach to Form 1040, 1040-SR, or 1040-NR.**
▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2020
Attachment
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR
KEONI & SHERYL SILVA

Your social security number
***-**-1475

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	0.
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶ _____		
3	Business income or (loss). Attach Schedule C	3	2,070.
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income. List type and amount ▶ _____	8	
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9	2,070.

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903		
14	Deductible part of self-employment tax. Attach Schedule SE	14	6,688.
15	Self-employed SEP, SIMPLE, and qualified plans	15	
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN ▶ _____		
c	Date of original divorce or separation agreement (see instructions) ▶ _____		
19	IRA deduction	19	
20	Student loan interest deduction	20	850.
21	Tuition and fees deduction. Attach Form 8917	21	
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22	7,538.

**SCHEDULE 2
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Additional Taxes

▶ **Attach to Form 1040, 1040-SR, or 1040-NR.**
▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2020
Attachment
Sequence No. **02**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR
KEONI & SHERYL SILVA

Your social security number
***-**-1475

Part I Tax

1	Alternative minimum tax. Attach Form 6251	1	
2	Excess advance premium tax credit repayment. Attach Form 8962	2	
3	Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17	3	

Part II Other Taxes

4	Self-employment tax. Attach Schedule SE	4	13,375.
5	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	5	
6	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	6	
7a	Household employment taxes. Attach Schedule H	7a	
b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	7b	
8	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) _____	8	
9	Section 965 net tax liability installment from Form 965-A	9	
10	Add lines 4 through 8. These are your total other taxes . Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b	10	13,375.

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

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Schedule 2 (Form 1040) 2020

**SCHEDULE 3
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Additional Credits and Payments

▶ **Attach to Form 1040, 1040-SR, or 1040-NR.**
▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2020
Attachment
Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR
KEONI & SHERYL SILVA

Your social security number
***-**-1475

Part I Nonrefundable Credits

1	Foreign tax credit. Attach Form 1116 if required	1	
2	Credit for child and dependent care expenses. Attach Form 2441	2	
3	Education credits from Form 8863, line 19	3	
4	Retirement savings contributions credit. Attach Form 8880	4	100.
5	Residential energy credits. Attach Form 5695	5	
6	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/> _____	6	
7	Add lines 1 through 6. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20	7	100.

Part II Other Payments and Refundable Credits

8	Net premium tax credit. Attach Form 8962	8	
9	Amount paid with request for extension to file (see instructions)	9	
10	Excess social security and tier 1 RRTA tax withheld	10	
11	Credit for federal tax on fuels. Attach Form 4136	11	
12	Other payments or refundable credits:		
a	Form 2439	12a	
b	Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202	12b	
c	Health coverage tax credit from Form 8885	12c	
d	Other: _____	12d	
e	Deferral for certain Schedule H or SE filers (see instructions)	12e	0.
f	Add lines 12a through 12e	12f	0.
13	Add lines 8 through 12f. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31	13	0.

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

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Schedule 3 (Form 1040) 2020

SCHEDULE A (Form 1040)

Itemized Deductions

OMB No. 1545-0074

2020

Attachment Sequence No. 07

Go to www.irs.gov/ScheduleA for instructions and the latest information.

Attach to Form 1040 or 1040-SR.

Department of the Treasury Internal Revenue Service (99)

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

Name(s) shown on Form 1040 or 1040-SR

KEONI & SHERYL SILVA

Your social security number

***-**-1475

Medical and Dental Expenses table with rows 1-4. Includes amounts for medical/dental expenses, Form 1040 line 11, 7.5% calculation, and subtraction.

Taxes You Paid table with rows 5-7. Includes state and local taxes, real estate taxes, and personal property taxes.

Line 5b - see note 2 about real estate tax

Interest You Paid table with rows 8-10. Includes home mortgage interest and points, investment interest.

Line 8 - see note 2 about home mortgage interest

Gifts to Charity table with rows 11-14. Includes gifts by cash or check, carryover from prior year.

Casualty and Theft Losses table with row 15. Includes casualty and theft loss(es) from a federally declared disaster.

Other Itemized Deductions table with row 16. Includes other deductions from list in instructions.

Total Itemized Deductions table with rows 17-18. Includes total amount and election to itemize.

In 2020, unreimbursed employee expenses are not considered deductible for purposes. However, some states still allow for unreimbursed employee expenses. Please check with your state tax department to see if eligible to take deductions.

SCHEDULE C (Form 1040)

Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074

2020 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service (99)

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor: KEONI SILVA; Social security number (SSN): ***-**-1475; Principal business: MINISTER; Business name: blank; Business address: 91-3550 FARRINGTON ROAD, KAPOLEI, HI 96707; Accounting method: Cash; Did you materially participate: Yes; Did you start/acquire during 2020: No; Did you make payments for 1099: No; Did you file 1099: No.

Part I Income

Table with 7 rows for income items: 1 Gross receipts or sales (2,750), 2 Returns and allowances, 3 Subtract line 2 from line 1 (2,750), 4 Cost of goods sold, 5 Gross profit (2,750), 6 Other income, 7 Gross income (2,750).

Part II Expenses. Enter expenses for business use of your home only on line 30.

Table with 32 rows for expenses: 8 Advertising, 9 Car and truck expenses (659), 10 Commissions and fees, 11 Contract labor, 12 Depletion, 13 Depreciation and section 179 expense deduction, 14 Employee benefit programs, 15 Insurance, 16 Interest, 17 Legal and professional services, 18 Office expense, 19 Pension and profit-sharing plans, 20 Rent or lease (20a, 20b), 21 Repairs and maintenance, 22 Supplies, 23 Taxes and licenses, 24 Travel and meals (24a, 24b), 25 Utilities, 26 Wages, 27a Other expenses (-89), 27b Reserved for future use, 28 Total expenses (680), 29 Tentative profit or (loss) (2,070), 30 Expenses for business use of your home, 31 Net profit or (loss) (2,070), 32 Investment risk questions.

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory?
If "Yes," attach explanation Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation . . .	35	
36 Purchases less cost of items withdrawn for personal use	36	
37 Cost of labor. Do not include any amounts paid to yourself	37	
38 Materials and supplies	38	
39 Other costs	39	
40 Add lines 35 through 39	40	
41 Inventory at end of year	41	
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) ► 01/01/2004

44 Of the total number of miles you drove your vehicle during 2020, enter the number of miles you used your vehicle for:

a Business 1,016 b Commuting (see instructions) c Other 11,484

45 Was your vehicle available for personal use during off-duty hours? Yes No

46 Do you (or your spouse) have another vehicle available for personal use?. Yes No

47a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

MATERIALS FOR WEDDINGS/SPEAKING	320.
NONDEDUCTIBLE PART DUE TO DEASON RULE	-409.

Most ministers are considered to be employees for income tax purposes (with income reported on Form 1040, line 1). The minister may have income and related expenses (those activities done as an independent contractor and not as an employee of the church) that are reported on Schedule C (or Schedule C-EZ). In 2020, please note a minister may receive a 1099-NEC (instead of a 1099-MISC) reporting the compensation.

See note 3 for explanation on how gross receipts and related expenses are computed for tax purposes. The computation of expenses is very important because of the Deason Rule (what expenses are deductible and non-deductible based upon the taxable/tax-free allocation of ministerial income.

48 Total other expenses. Enter here and on line 27a	48	-89.
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SCHEDULE SE (Form 1040)

Self-Employment Tax

OMB No. 1545-0074

2020 Attachment Sequence No. 17

Department of the Treasury Internal Revenue Service (99)

Go to www.irs.gov/ScheduleSE for instructions and the latest information. Attach to Form 1040, 1040-SR, or 1040-NR.

Name of person with self-employment income (as shown on Form 1040, 1040-SR, or 1040-NR) KEONI SILVA

Social security number of person with self-employment income ***-**-1475

Part I Self-Employment Tax

Note: If your only income subject to self-employment tax is church employee income, see instructions for how to report your income and the definition of church employee income.

A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I

Skip lines 1a and 1b if you use the farm optional method in Part II. See instructions.

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A

b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code AH

Skip line 2 if you use the nonfarm optional method in Part II. See instructions.

2 Net profit or (loss) from Schedule C, line 31; and Schedule K-1 (Form 1065), box 14, code A (other than farming). See instructions for other income to report or if you are a minister or member of a religious order

3 Combine lines 1a, 1b, and 2

4a If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3

Note: If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.

b If you elect one or both of the optional methods, enter the total of lines 15 and 17 here

c Combine lines 4a and 4b. If less than \$400, stop; you don't owe self-employment tax. Exception: If less than \$400 and you had church employee income, enter -0- and continue

5a Enter your church employee income from Form W-2. See instructions for definition of church employee income

b Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0-

6 Add lines 4c and 5b

7 Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2020

8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$137,700 or more, skip lines 8b through 10, and go to line 11

b Unreported tips subject to social security tax from Form 4137, line 10

c Wages subject to social security tax from Form 8919, line 10

d Add lines 8a, 8b, and 8c

9 Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11

10 Multiply the smaller of line 6 or line 9 by 12.4% (0.124)

11 Multiply line 6 by 2.9% (0.029)

12 Self-employment tax. Add lines 10 and 11. Enter here and on Schedule 2 (Form 1040), line 4

13 Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter here and on Schedule 1 (Form 1040), line 14

13 6,688.

Part II Optional Methods To Figure Net Earnings (see instructions)

Farm Optional Method. You may use this method only if (a) your gross farm income1 wasn't more than \$8,460, or (b) your net farm profits2 were less than \$6,107.

14 Maximum income for optional methods 5,640

15 Enter the smaller of: two-thirds (2/3) of gross farm income1 (not less than zero) or \$5,640. Also, include this amount on line 4b above

Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits3 were less than \$6,107 and also less than 72.189% of your gross nonfarm income,4 and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. Caution: You may use this method no more than five times.

16 Subtract line 15 from line 14

17 Enter the smaller of: two-thirds (2/3) of gross nonfarm income (not less than zero) or the amount on line 16. Also, include this amount on line 4b above

1 From Sch. F, line 9; and Sch. K-1 (Form 1065), box 14, code B.

From Sch. C, line 31; and Sch. K-1 (Form 1065), box 14, code A.

2 From Sch. F, line 34; and Sch. K-1 (Form 1065), box 14, code A—minus the amount you would have entered on line 1b had you not used the optional method.

From Sch. C, line 7; and Sch. K-1 (Form 1065), box 14, code C.

Part III Maximum Deferral of Self-Employment Tax Payments

If line 4c is zero, skip lines 18 through 20, and enter -0- on line 21.			
18	Enter the portion of line 3 that can be attributed to March 27, 2020, through December 31, 2020 . . .	18	
19	If line 18 is more than zero, multiply line 18 by 92.35% (0.9235); otherwise, enter the amount from line 18	19	
20	Enter the portion of lines 15 and 17 that can be attributed to March 27, 2020, through December 31, 2020	20	
21	Combine lines 19 and 20	21	
If line 5b is zero, skip line 22 and enter -0- on line 23.			
22	Enter the portion of line 5a that can be attributed to March 27, 2020, through December 31, 2020 . . .	22	
23	Multiply line 22 by 92.35% (0.9235)	23	
24	Add lines 21 and 23	24	
25	Enter the smaller of line 9 or line 24	25	
26	Multiply line 25 by 6.2% (0.062). Enter here and see the instructions for line 12e of Schedule 3 (Form 1040)	26	

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REV 11/06/20 PRO

Schedule SE (Form 1040) 2020

Line 2 - See note 4 on calculation of income subject to self-employment tax. Please also note that if an minister is living in a parsonage, the fair rental value plus utilities should be reported on the W-2, block 14 and reported as part of the calculation subject to self-employment tax.

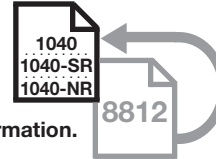
Line 4 - This line is multiplied by 92.35% and this amount is subject to the self-employment tax. After the minister's self-employment tax is calculated, the results are reported on Form 1040, Schedule 2 (line 4) and then total of Schedule 2, line 10 is reported on Form 1040, line 23.

For those who have to pay self-employment tax, a deduction for 1/2 of the self-employment tax is allowed (Schedule SE, line 13). This is entered on Form 1040, Schedule 1 (line 14) and then on Form 1040, line 10a as an adjustment to income.

SCHEDULE 8812 (Form 1040)

Additional Child Tax Credit

OMB No. 1545-0074



2020

Attachment Sequence No. 47

Department of the Treasury Internal Revenue Service (99)

Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Schedule8812 for instructions and the latest information.

Name(s) shown on return

KEONI & SHERYL SILVA

Your social security number

***-**-1475

Part I All Filers

Caution: If you file Form 2555, stop here; you cannot claim the additional child tax credit.

Table with 5 main rows and sub-rows (1-8) for calculations. Includes instructions for each line and a final result of 327.

Part II Certain Filers Who Have Three or More Qualifying Children

Table with 5 main rows (9-14) for filers with 3+ children. Includes instructions for each line and a final result of 327.

Part III Additional Child Tax Credit

Line 15: This is your additional child tax credit. Result: 327.



Enter this amount on Form 1040, line 28; Form 1040-SR, line 28; or Form 1040-NR, line 28.

Credit for Qualified Retirement Savings Contributions

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1040, 1040-SR, or 1040-NR.**
▶ **Go to www.irs.gov/Form8880 for the latest information.**

2020
Attachment
Sequence No. **54**

Name(s) shown on return

KEONI & SHERYL SILVA

Your social security number

***-**-1475



You **cannot** take this credit if **either** of the following applies.

- The amount on Form 1040, 1040-SR, or 1040-NR, line 11, is more than \$32,500 (\$48,750 if head of household; \$65,000 if married filing jointly).
- The person(s) who made the qualified contribution or elective deferral **(a)** was born after January 1, 2003; **(b)** is claimed as a dependent on someone else's 2020 tax return; or **(c)** was a **student** (see instructions).

- Traditional and Roth IRA contributions, and ABLE account contributions by the designated beneficiary for 2020. **Do not** include rollover contributions
- Elective deferrals to a 401(k) or other qualified employer plan, voluntary employee contributions, and 501(c)(18)(D) plan contributions for 2020 (see instructions)
- Add lines 1 and 2
- Certain distributions received **after** 2017 and **before** the due date (including extensions) of your 2020 tax return (see instructions). If married filing jointly, include **both** spouses' amounts in **both** columns. See instructions for an exception
- Subtract line 4 from line 3. If zero or less, enter -0-
- In each column, enter the **smaller** of line 5 or \$2,000
- Add the amounts on line 6. If zero, **stop**; you can't take this credit
- Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11*
- Enter the applicable decimal amount from the table below.

	(a) You	(b) Your spouse
1		
2	1,000.	
3	1,000.	
4		
5	1,000.	
6	1,000.	
7		1,000.
8	53,153.	

If line 8 is—		And your filing status is—		
Over—	But not over—	Married filing jointly	Head of household	Single, Married filing separately, or Qualifying widow(er)
Enter on line 9—				
---	\$19,500	0.5	0.5	0.5
\$19,500	\$21,250	0.5	0.5	0.2
\$21,250	\$29,250	0.5	0.5	0.1
\$29,250	\$31,875	0.5	0.2	0.1
\$31,875	\$32,500	0.5	0.1	0.1
\$32,500	\$39,000	0.5	0.1	0.0
\$39,000	\$42,500	0.2	0.1	0.0
\$42,500	\$48,750	0.1	0.1	0.0
\$48,750	\$65,000	0.1	0.0	0.0
\$65,000	---	0.0	0.0	0.0

Note: If line 9 is zero, **stop**; you can't take this credit.

10	Multiply line 7 by line 9	10	100.
11	Limitation based on tax liability. Enter the amount from the Credit Limit Worksheet in the instructions	11	1,773
12	Credit for qualified retirement savings contributions. Enter the smaller of line 10 or line 11 here and on Schedule 3 (Form 1040), line 4	12	100.

* See Pub. 590-A for the amount to enter if you claim any exclusion or deduction for foreign earned income, foreign housing, or income from Puerto Rico or for bona fide residents of American Samoa.

**Qualified Business Income Deduction
 Simplified Computation**

▶ **Attach to your tax return.**

▶ **Go to www.irs.gov/Form8995 for instructions and the latest information.**

Name(s) shown on return: **KEONI & SHERYL SILVA**
 Your taxpayer identification number: *****-**-1475**

Note. You can claim the qualified business income deduction **only** if you have qualified business income from a qualified trade or business, real estate investment trust dividends, publicly traded partnership income, or a domestic production activities deduction passed through from an agricultural or horticultural cooperative. See instructions.
 Use this form if your taxable income, before your qualified business income deduction, is at or below \$163,300 (\$326,600 if married filing jointly), and you aren't a patron of an agricultural or horticultural cooperative.

1	(a) Trade, business, or aggregation name	(b) Taxpayer identification number	(c) Qualified business income or (loss)
i	KEONI SILVA	***-**-1475	1,924.
ii			
iii			
iv			
v			
2	Total qualified business income or (loss). Combine lines 1i through 1v, column (c)	2 1,924.	
3	Qualified business net (loss) carryforward from the prior year	3 ()	
4	Total qualified business income. Combine lines 2 and 3. If zero or less, enter -0-	4 1,924.	
5	Qualified business income component. Multiply line 4 by 20% (0.20)		5 385.
6	Qualified REIT dividends and publicly traded partnership (PTP) income or (loss) (see instructions)	6	
7	Qualified REIT dividends and qualified PTP (loss) carryforward from the prior year	7 ()	
8	Total qualified REIT dividends and PTP income. Combine lines 6 and 7. If zero or less, enter -0-	8	
9	REIT and PTP component. Multiply line 8 by 20% (0.20)		9
10	Qualified business income deduction before the income limitation. Add lines 5 and 9		10 385.
11	Taxable income before qualified business income deduction	11 18,674.	
12	Net capital gain (see instructions)	12 596.	
13	Subtract line 12 from line 11. If zero or less, enter -0-	13 18,078.	
14	Income limitation. Multiply line 13 by 20% (0.20)		14 3,616.
15	Qualified business income deduction. Enter the lesser of line 10 or line 14. Also enter this amount on the applicable line of your return ▶		15 385.
16	Total qualified business (loss) carryforward. Combine lines 2 and 3. If greater than zero, enter -0-		16 (0.)
17	Total qualified REIT dividends and PTP (loss) carryforward. Combine lines 6 and 7. If greater than zero, enter -0-		17 (0.)

22222		a Employee's social security number ***-**-1475		OMB No. 1545-0008	
b Employer identification number (EIN) 60-0032417		1 Wages, tips, other compensation 56000.00		2 Federal income tax withheld 18000.00	
c Employer's name, address, and ZIP code PACIFIC CHURCH 91-6560 KAPOLEI PKWY EWA BEACH, HI 96706		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial KEONI Last name SILVA Suff. 91-3550 FARRINGTON ROAD KAPOLEI, HI 96707		11 Nonqualified plans		12a E 1000.00	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
		14 Other HOUSING ALLOWANCE 37000.00		12c	
f Employee's address and ZIP code				12d	
15 State Employer's state ID number HI WH-0000010000-01		16 State wages, tips, etc. 56000.00		17 State income tax 4500.00	
				18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

2020

Department of the Treasury—Internal Revenue Service

Explanation of compensation reported on Form W-2, Box 1:

Salary (\$80,000 less \$37,000 housing allowance and \$1,000 403(b) contributions)	\$ 42,000
Special occasion gifts (taxable to minister)	2,000
Reimbursement of self-employment tax (SECA offset)	12,000
	<u>\$ 56,000</u>

Pastor Silva received reimbursements of \$12,148 under an accountable expense reimbursement plan. The reimbursements are not included on Form W-2 or deductible on Form 1040. There is no requirement to add the reimbursements to income taxable for social security purposes on Schedule SE.

Housing Allowance Worksheet

Ministers Living in Home Ministers Owns or Is Buying

Minister's name: Keoni Silva

For the period: January 1, 2020 to December 31, 2020

Date of designation approved: December 20, 2019

Allowable Housing Expense *(expenses paid by minister from current income)*

	<u>Estimated Expenses</u>	<u>Actual</u>
Down payment on purchase of housing	\$	\$
Housing loan principal and interest payments (Int-18,000)	22,800	24,000
Real estate commission, escrow fees		
Real property taxes	1,400	1,500
Personal property taxes on contents		
Homeowner's insurance	694	725
Personal property insurance on contents	550	578
Umbrella liability insurance	200	
Structural maintenance and repair	600	450
Landscaping, gardening, and pest control		500
Furnishing (purchase, repair, replacement)	451	491
Decoration and redecoration		
Utilities (gas, electricity, water) and trash collection	6,341	7,163
Local telephone expense (base charge)	250	125
Homeowner's association dues/condominium fees	350	468
 Subtotal	 33,636	
 10% allowance for unexpected expenses	 3,364	
 TOTAL	 \$ 37,000	 \$ 36,000 (A)
 Properly designated housing allowance		 \$ 37,000 (B)
 Fair rental value of home, including furnishing, plus utilities		 \$ 38,000 (C)

Note: The amount excludable from income for federal income tax purposes is the lowest of A, B, C. The \$1,000 difference between the designation (\$37,000) and the actual expense (\$36,000) is reported as additional income on Form 1040, line 1.

Note 2: On lines 5B and 8 of the Schedule A, the real estate taxes and mortgage interest are deducted plus excluded from income from Form 1040, line 1 as housing allowance.

Computation of expenses, allocatable to tax-free ministerial income, that are nondeductible

	Taxable	Tax-Free	Total
Salary as a minister	\$ 56,000		\$ 56,000
Housing allowance			\$ -
Amount designated and paid by church	\$ 37,000		\$ -
Actual expenses	36,000		\$ -
Fair rental value of home (including furnishing and utilities)	38,000		\$ -
Taxable portion of allowance			\$ -
(excess of amount designated and paid over			\$ -
lesser of actual expenses or fair rental value)	<u>\$ 1,000</u>	\$ 1,000	\$ 1,000
Tax-free portion of allowance (lesser of amount)			
designated, actual expenses, or fair rental value)		\$ 36,000	\$ 36,000
Gross income from weddings, baptisms, and honoraria	\$ 2,750		\$ 2,750
Ministerial Income	<u>\$ 59,750</u>	<u>\$ 36,000</u>	<u>\$ 95,750</u>
% of nondeductible expenses: \$36,000/\$95,750= 37.6%			

Schedule C Deduction Computation

Gross Receipts		
Honoraria	\$ 750	
Honorarium	2,000	
Total Gross Receipts	<u>\$ 2,750</u>	
Schedule C deductions		
Parking	\$ 75	
Meals (\$220x50% deductible portion)	110	
Other	320	
Mileage (1016 miles x 57.5 cents per mile)	584	
Unadjusted Schedule C expenses	<u>\$ 1,089</u>	
Minus:		
Nondeductible part of Schedule C expenses *(37.6% x 1,089)	(409)	
Total Schedule C deductions	<u>\$ 680</u>	
Net Income	<u>\$ 2,070</u>	
* To calculate the nondeductible part (take percentage of tax free income and multiply by total allowable expenses).		

Note 4: Net earning from self-employment (attachment to Schedule SE, Form 1040)

Church wages	\$ 56,000
Housing allowances	37,000
Net profit from Schedule C	2,070
Schedule SE line 2	95,070
Minus:	
Schedule C expenses allocable to tax-free income *(37.6% x 1,089)	(409)
Schedule SE, Part I, line 2	<u>\$ 94,661</u>