

Paying People at Church

W-2, contractor payment, clergy pay, or reimbursement? Start with the relationship and the purpose of the payment. The name on the check is not the deciding factor.

Situation	Where to start	What to confirm
An ongoing staff role	Employee / W-2 review	Who directs the work? How much control does the church have? A part-time role can still be employment.
An employed minister	Clergy payroll review	An eligible minister may receive a W-2 for income tax but follow special self-employment-tax rules for Social Security and Medicare.
A visiting speaker, musician, or independent service provider	Contractor review	Confirm the actual relationship. Calling pay a love offering or honorarium does not automatically make it a tax-free gift.
A staff member buys church supplies	Reimbursement review	Keep the business purpose, receipt, amount, and approval. Use the church's reimbursement policy.
An allowance with no receipts or accounting	Payroll review	An expense allowance that fails accountable-plan rules can become taxable pay. Do not assume the label makes it a reimbursement.

Decide worker status before looking at a dollar threshold. A W-2 employee does not become a contractor because the church pays less than the 1099 reporting amount.

Before You Issue the Payment

Use this reference when a new person, payment type, or ministry arrangement is being added.

1. Confirm who is being paid

For a contractor, request a completed Form W-9 through a secure process. It identifies the payee and tax classification. Do not put Social Security numbers on general payment worksheets.

2. Keep 2026 reporting straight

For payments made in calendar year 2026, the federal 1099-NEC service-payment threshold is generally \$2,000 or more to the same reportable payee for the year. It was \$600 for payments before 2026. This is a reporting rule, not a tax-free allowance.

3. Check the payment method and exceptions

Card and qualifying third-party network payments follow separate reporting rules. Corporate-payee exceptions, backup withholding, and state requirements need review. An LLC's name alone does not settle its tax classification.

4. Use a real reimbursement arrangement

An accountable plan requires a business connection, timely expense accounting, and return of excess advances. A flat allowance without those steps is different.

5. Handle housing allowance before payment

For an eligible minister, the church must officially approve a definite housing allowance before the related payments. That approval alone does not determine the amount the minister can exclude.

Official references

IRS: Worker status and clergy payroll (Pub. 15-A)

IRS: 1099-MISC / NEC instructions

IRS: Reimbursement arrangements

IRS: Clergy housing allowance (Pub. 517)