

ST. JAMES LUTHERAN CHURCH  
GETTYSBURG, PENNSYLVANIA

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### Tax Information Related to Giving Gifts on Special Occasions

Sometimes members of the congregation may wish to honor its ministers and other employees by arranging for a special gift. Because of the tax consequences, the gift check should not be handled through the congregation, but should be done by payments directly from individuals wishing to honor those occasions to those being honored. As an alternative, checks can be collected and made payable to a third party individual. But the preferred method is by having checks made payable directly to the person being honored and collected by a third party to deposit into the honoree's bank account. See the following citation from *Zondervan 2006 Minister's Tax Guide*:

*Christmas, anniversary, birthday, retirement, and similar gifts paid by a church to its minister are typically taxable compensation. This is true if the gift came from the general fund of the church or from an offering in which tax-deductible contributions were made to the church for the benefit of the minister.*

*The church may announce an all-cash offering with a clear understanding that all proceeds will be paid directly and personally to the minister and that amounts given will not be receipted as charitable contributions. If the amounts given are not entered on the church books as contributions, they may qualify as tax-free gifts to the minister.*

*If the church gives you a turkey, ham, or other item of nominal value at Christmas or other holidays, the value of the gift is not income. But if the church gives you cash or an item that you can easily exchange for cash, such as a gift certificate, the gift is extra compensation regardless of the amount involved.*

*Checks payable to the church designated for the benefit of the minister typically represent taxable income when paid to the minister. Such payments may not qualify as charitable contributions because of their possible appearance as conduit payments. It is highly preferable for payments of this nature to be made directly to the minister instead of "running them through the church" to try to get a tax deduction.<sup>1</sup>*

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<sup>1</sup> *Zondervan 2006 Minister's Tax & Financial Guide*, Dan Busby, CPA, pages 60 & 61