



Wespath

BENEFITS | INVESTMENTS

PARTICIPANTS

Clergy Moving Expenses Q&A

This Q&A provides general information for clergy who may have questions about moving expense payments.

None of the information in these materials constitutes tax or legal advice, as Wespath cannot provide such advice. Individual circumstances may differ, so you should address your individual questions with your counsel or tax adviser.

1. Q: Did the tax law recently change the way moving expense payments for clergy are treated from a tax perspective?

A: Yes. In 2018, the law changed the way moving expenses are treated for most employees, including (but not uniquely) clergy.

2. Q: How were moving expense payments addressed by the tax law before the changes that took effect in 2018?

A: Before the changes, amounts provided by the annual conference or local church for moving expenses were not subject to income tax or self-employment taxes ("SECA") if certain conditions were satisfied.

The law excluded from an individual's gross income "any amount received (directly or indirectly) by an individual from an employer as payment for (or a reimbursement of) expenses which would be deductible as moving expenses ... if directly paid or incurred by the individual." (An individual was allowed a tax deduction for "moving expenses paid or incurred ... in connection with the commencement of work ... as an employee or as a self-employed individual at a new principal place of work.")

3. Q: How does the 2018 law change moving expense payments?

A: The moving expense exclusion and the individual deduction were both eliminated for tax years 2018 through 2025. This means that any moving expense payments you receive will be subject to income taxes and SECA.

4. Q: What if I don't receive a payment directly? Am I taxed if my employer arranges for the move (e.g., by paying the moving company directly on my behalf)?

A: Yes. The tax code defines income as coming from any source and affirmatively defines amounts received for moving expenses as part of gross income, if attributable to employment or self-employment¹. Regulations clarify that your income is increased in the amount of the value of moving services, even if you do not receive any money yourself, as in the case where your employer arranges the move.

5. Q: Will moving expense payments be taxable income to me if they are made by the annual conference and not the local church I am serving?

A: Yes. The tax code defines payment for moving expenses as income, so long as the move is attributable to employment or self-employment. Regulations indicate that the payer might be a client, customer or similar person (as well as an employer).

6. Q: How will the moving expense payments be reported to the IRS?

A: Moving expense payments by a local church employer directly to you or to a moving company should be reported in box 1 of your W-2, along with your other compensation.

Moving expense payments by an annual conference, for a clergy person who is not considered an employee of the annual conference, will likely be reported in box 7 of Form 1099-MISC.

7. Q: In what tax year will the moving expense payment be taxable to me?

A: It will be taxable in the tax year that you receive the payment. For example, if you receive a moving expense payment on January 5, 2024, it is taxable to you in the year 2024, even if your move occurred in 2023. If the moving expense payment is paid directly to a moving company, the amount will be taxable to you in the year the payment is made to the moving company.

8. Q: Should I withhold extra from my paychecks to cover the taxes on moving expense payments?

A: You may wish to withhold extra, or make additional quarterly payments, to cover the additional income taxes that will be due on the moving expense payment. If the payment is made to you by your local church, the local church might not withhold anything from the payment to cover income taxes. If the payment is made to you by your annual conference, or is made directly to a moving company, there will not be any withholding. You may wish to withhold extra in order to avoid any under withholding penalties or in order to avoid having to pay a significant amount when filing your taxes. Also, remember that moving expenses are subject to SECA taxes.

9. Q: What is the tax impact to me if my local church fails to report these payments to my annual conference?

A: Your local church failing to report moving expense payments to the annual conference should not impact your taxes, assuming the local church reports the payments on your W-2 as income. You are required to file accurate tax returns, even if your employer does not provide you with a proper W-2. However, you may receive fewer plan benefits if the local church does not report the payment to your annual conference. See below.

10. Q: Do moving expense payments impact my benefits under the Wespath-administered plans?

A: No. As of 2024, moving expense payments are no longer included as part of your compensation in any of the Wespath-administered plans. Therefore, any moving expense payments made to you will not impact these benefits.

¹ Internal Revenue Code, Section 82 includes in gross income "any amount received or accrued, directly or indirectly, by an individual as payment for or reimbursement of expenses of moving ... which is attributable to employment or self-employment."