



Dear Treasurers and Business Managers,

Happy New Year! Thank you for the service you provide to your congregation and Christ's Kingdom.

As you are hopefully aware, there have been many legislative and regulatory changes in the past year and a half that will affect congregations of The Lutheran Church—Missouri Synod. Many of these changes we have mentioned in the past and are captured in the *LCMS Congregational Treasurer's Manual* (CTM) and other publications. You can link to the CTM, the Michigan Supplement, and other materials from our new website at www.michigandistrict.org/business. As we begin the new year, we wanted to specifically point out the following:

1. Effective 1/1/2018, **moving expenses** paid or reimbursed by an employer are taxable. Moving expenses paid or reimbursed by congregations in 2018 should be included on the 2018 W-2. See CTM Section 6.140.
2. Effective 1/1/2018, the cost of **employer-provided qualified transportation and commuting benefits and any parking facility** used in connection with qualified parking that has not been treated as taxable compensation is subject to unrelated business income tax. The CTM discusses this in Section 11.115, but interim guidance was released by the IRS after the CTM was released. Please review IRS Notice 2018-99 (see links to the notice and other resources at www.michigandistrict.org/business) for more information. Congregations should take special note that **parking spots reserved for employees/pastors may cause a tax consequence** and may need to make changes to its parking policies by March 31, 2019 to avoid extra taxation.
3. Effective September 2018, the State of Michigan changed the **exemption amount sales tax for tax-exempt organizations**. If a church and its related schools have sales at retail under \$25,000 in a calendar year, the first \$10,000 of sales for fundraising purposes is tax-exempt. Prior to September 26, 2018, the exemption limit was \$5,000 and the exemption went away if total sales went over \$5,000. This new language will make it much easier for many churches and schools to have a higher degree of comfort that the first \$10,000 in fundraising sales will remain exempt (as the trigger point for making all fundraising sales taxable has moved from \$5,000 to \$25,000). See Section 12.972 in the Supplement.
4. Governor Snyder signed new **Sick Time** legislation in December that replaces much stronger legislation that had been approved earlier in the year. The revised legislation only applies to entities that employ 50 or more individuals. While this new legislation won't apply to the majority of our congregations, the legislation may be challenged since the stronger legislation (which would impact a larger number of LCMS congregations) had been passed to keep the issue from a ballot initiative. Please see <http://www.legislature.mi.gov/documents/2017-2018/publicact/pdf/2018-PA-0369.pdf> for the new legislation.
5. The IRS has released the 2019 **Standard Business Mileage Rate**, which increased from 54.5 cents in 2018 to 58 cents in 2019. Congregations are encouraged to reimburse employees through an accountable plan versus a lump sum allowance each month since employees can no longer deduct unreimbursed employee expenses for income tax purposes. See Section 6.125 of the CTM.
6. The **Ministerial Housing Allowance** (See Chapter 2 of the CTM) remains under challenge in the courts. Congregations should continue declaring housing allowances for their ministers, but are encouraged to also have discussions about the ramifications to their called workers should this tax benefit go away.

In His Service,

Chad R. Woltemath
Assistant to the President – Business and Finance