

2023  
Oregon-Idaho Conference  
Payroll Tax Guidelines for Lay Supply Pastors (and other lay employees)

**Federal Unemployment Tax (FUTA):** Churches are exempt from FUTA.

*Note: Health premiums, Medical Reimbursement amounts (FSA-Health & Dependent Care/HSA) and UMPIP/Retirement Pre-Tax Salary Reduction amounts are not included in taxable amounts below.*

**Federal Tax:**

Tax rate determined from Tax Tables in [IRS Publication 15 Circular E](#), Employer's Tax Guide. Deposited to IRS – see instructions in Circular E booklet – or online at [www.irs.gov](http://www.irs.gov)

**Social Security:**

Tax rate for 2023: paid on first \$162,200 in wages per employee: 6.2% employee/6.2% employer. 6.2% is withheld from the employee check and matched by employer contribution of 6.2%, deposited as above.

**Medicare:**

Tax rate for 2023: 1.45% employer/1.45% employee. Withheld from employee check and matched by employer contribution of 1.45%, deposited as above.

**Federal W-4**

Employees who are hired in 2023 or employees making changes to withholding in 2023 will be required to complete the [Form W-4](#). There is a five-step process and [Publication 15-T](#) (Federal Income Tax Withholding Methods) for determining employee withholding.

**State Tax:**

Withholding generally required in both Oregon and Idaho, with quarterly deposits to the State required.

**Oregon W-4**

Employees with an existing “Oregon only” federal Form W-4 don't need to change their allowances for Oregon unless they revise their federal Form W-4 after January 1, 2021. Use the [OR-W-4](#), Oregon Employee's Withholding Allowance Certificate, for determining Oregon allowance claims. Employee can use the [Oregon Online Withholding Calculator](#) (see Tools/Calculate Withholding).

**Idaho W-4**

[Form ID W-4](#) for state withholding and information.

**SUI (State Unemployment Insurance):**

**Idaho:** As of this writing, churches are exempt from State Unemployment Insurance in Idaho.

**Oregon:** The tax rate is determined individually for each employer, contact [State of Oregon Employment Department](#). The employer contribution only is deposited with state tax withholding, Paid Family Leave and Oregon Workers Benefit Tax.

**New: Oregon Paid Family Leave: (Oregon only)**

A new tax will need to be withheld from clergy and lay employee paychecks (employees who receive W-2s) beginning January 1, 2023. The tax is 60% (.006) x wages. Employees can apply for the paid leave benefit starting September 3, 2023. Employers with 25+ employees, including temporary and seasonal workers, are required to pay 40% of the tax. Small employers with less than 25 employees are not required to pay the tax. More information about the Paid Leave Oregon benefit and the [mandatory notice to employees](#) can be found [here](#).

LAY EMPLOYEE SALARIES WILL NEED TO BE REPORTED THROUGH FRANCES FOR OREGON PAID FAMILY LEAVE AT <https://frances.oregon.gov/Employer/#0>

**Oregon Workers Benefit Tax:** (Oregon only)

2023 tax rate: (0.022) times number of hours worked. One half (.011) is withheld from employee check and matched by employer contribution of (.011) times number of hours worked, deposited to State with State tax withholding (if any) and SUI (for churches with lay employees).

**Oregon State Transit Tax** (Oregon Only)

The most recent information we have received from the state indicates that ordained clergy (including local pastors) performing ministerial duties are not subject to this tax. All other employees are subject, including lay pastors and lay persons assigned. The tax rate is one-tenth of one percent (.001)-or \$1 per \$1,000. File quarterly online at <https://www.oregon.gov/dor/Pages/index.aspx>

Check county websites for local payroll taxes.

**Worker's Compensation Insurance:**

All churches are required to have worker's compensation insurance for all clergy and lay employees. Contact State Insurance Commission or Insurance company (Liberty NW, SAIF) for policy details.

**Disclaimer**

Payroll and payroll tax issues become more complex every year.

In recent years we've seen changes in rules for reporting moving expenses and certain benefits, a new transit tax in Oregon. This year we learned of new COVID-19 related changes, new local taxes in some areas of Oregon, and expanded work-from-home considerations. New payroll taxes have been approved that are set to be instituted in 2023.

Because we don't have a tax professional on our staff to monitor all of this, the conference will no longer be able to provide specific instructions on payroll and payroll taxes.

As we've noted before, Paychex and Wespath have entered into an agreement to provide payroll services at a discounted rate for churches. We recommend that churches who are processing their payroll without access to a tax professional consider moving their payroll processing to Paychex. Here is Paychex contact information specifically for United Methodist Churches: <https://www.wespath.org/for-plan-sponsors/paychex>

Remember that the local church is responsible for following all labor rules and tax laws.

*Local numbers for IRS, Social Security Administration, and State Department of Revenue are listed in the government pages of your local phone book. Most also have helpful internet websites. Also see the State of Oregon Bureau of Labor and Industries (BOLI) and Idaho Department of Labor websites for other helpful information.*

This information is based on our best understanding of the applicable law and is intended to be used as general guidance, not legal or tax advice.

If legal or tax accounting advice is required, services of a competent professional advisor should be sought.