Reviewed for 2020 Tax Year

Summer Service workers are considered employees of the church or organization for which they are working, and the amounts paid to the workers are considered wages. For organizations that have other employees, this means simply adding one more person to the payroll.

However, Summer Service workers are sometimes placed with churches or other organizations that have limited or no experience with paying wages to employees. Such organizations will need to establish employment procedures. For example, they will need to report wages to the federal and state government, and withhold taxes from such wages. They will also be required to purchase workers' compensation insurance.

If payroll compliance and procedures are new for you, we encourage you to obtain help from a local accountant or payroll professional. Mennonite Central Committee does not provide legal, payroll or accounting advice. If you require further clarification about a particular payroll issue, please consult the online resources available from the Internal Revenue Service or your state tax or revenue department.

OVERVIEW OF REPORTING TAXES

Disclaimer: The following overview outlines the basic requirements for onboarding and compensating temporary employees, and should not be considered an exhaustive explanation of payroll compliance. Payroll compliance can be complex. The requirements vary from state to state, and depend on the type of organization you are.

EMPLOYER IDENTIFICATION NUMBER (EIN)

The first thing that will be required is an EIN (also referred to as a Taxpayer Identification Number). If your organization has a bank account, it probably already has an EIN. If it does not have an EIN, you can obtain one from the Internal Revenue Service (IRS) by submitting IRS Form No. SS-4, Application for Employer Identification Number. IRS forms are available by calling 1-800-829-3676 or via the internet at www.irs.gov/formspubs/index.html
TAX WITHHOLDING & REPORTING

Employers are required to withhold taxes from wages paid, and to report the amounts of wages paid and taxes withheld to the IRS and the appropriate state and local offices.

A. FEDERAL TAXES

Instructions regarding federal tax withholding are contained in IRS Publication 15, Circular E (Employer's Tax Guide), available from the IRS as noted above. Circular E also includes instructions on how to obtain IRS forms such as W-2's, W-4's, etc.

B. STATE INCOME TAXES

Similar instructions regarding state requirements are available from your local state's office. You can get information on the internet, or by contacting your state's office. You can generally find a telephone number in the government section of your local telephone directory.

WORKERS COMPENSATION

Employers are required by law to purchase workers' compensation (WC) insurance. WC covers medical expenses incurred as a result of work related injury or illness. It also provides partial salary replacement to workers who miss work and thus do not receive a salary because of work related injury or illness. Contact a local insurance agent to obtain such coverage.

UNEMPLOYMENT INSURANCE

There is both federal and state unemployment insurance. The applicability of federal unemployment insurance depends on the type of organization - churches are generally exempt.

State Regulations regarding unemployment insurance vary from state to state. Contact your state office for more information.

OTHER INSURANCE

If the employee will be driving a vehicle as part of the job, and your organization does not own the vehicle, we suggest that you make sure your organization has auto liability insurance for non-owned and hired vehicles. A local insurance agent will be able to help with this. If your organization owns a vehicle, this coverage should be a part of your vehicle policy -- you may want to check with your agent to make sure.

Attached is a listing of some of the basic steps you need to follow if you are an employer. This is not intended to be an exhaustive list. We recommend that you obtain the assistance of an accountant or someone familiar with the requirements of your state.
A. When a Worker Starts

1. If this is your first employee, set up accounts with the IRS and state for income tax and unemployment insurance as required.

2. Complete a Form I-9 (Employment Eligibility Verification) for each employee before they start working. Call Immigration & Naturalization Service (INS) at 1-800-755-0777 for more information or visit https://www.uscis.gov/

3. Record the employee's name and social security number (SSN) from social security cards.

   Ask each employee to complete a W-4. The amount of taxes withheld is determined by the filing status and number of exemptions claimed by the employee. If the summer service income is the workers only income for the year, there will be minimal taxes to withhold other than social security and medicare.

4. Purchase workers' compensation insurance if you do not already have it.

5. If the worker will be driving a vehicle as part of the work, make sure there is vehicle insurance.

B. Each Pay Period

Withhold 4.2% of each worker's salary for social security, and 1.45% for medicare, and any state or federal income taxes or unemployment insurance required.

C. Each Month

Deposit social security, medicare and federal taxes per the instructions in IRS Circular E.

D. Each Month or Quarter

Deposit state income taxes and unemployment insurance as per your state's requirements. This may be monthly or quarterly.

E. Each Quarter

1. File a Form 941 with the IRS -- see Circular E for instructions.

2. File a return as required by your state.

F. At the end of the Year

1. Request a copy of Publication 393 from the IRS. This includes copies of W-2's as well as a W-3.
2. Issue W-2's to all employees by January 31.

3. Send a W-3 together with copies of all W-2's to the IRS by February 28.

4. Do the annual filing required by your state. This will include sending copies of W-2's to them.

If you have any questions, please contact Human Resources or Financial Services at Mennonite Central Committee.

**MCC U.S**  
Financial Services- Controller  
Sheldon Martin  
sheldonmartin@mcc.org  
717-859-1151

Human Resources  
Susan Wadel  
SusanWadel@mcc.org  
717-859-1151

**MCC Central States**  
Human Resources  
Heidi Huber, Human Resources  
(316) 283-2720  
heidihuber@mcc.org

**MCC East Coast**  
Human Resources  
Jenna Villatoro, Human Resources  
(215) 535-3624  
jennaVillatoro@mcc.org

**MCC Great Lakes**  
Human Resources  
Amber Falcón  
AmberFalcon@mcc.org  
1-574-534-4133

**West Coast MCC**  
Human Resources  
Renee Harder  
reeneharder@mcc.org  
1-559-638-6911