



## 14 Clergy Related Issues

### Contents

14 Clergy Related Issues .....	1
14.0 Introduction .....	2
14.1 Issues Related to Priests' Compensation .....	3
14.2 Priests' Compensation .....	11
14.3 Priests' Accountable Plans .....	12
14.4 Declaration of Housing Rental Allowance Regarding Permanent Deacons.....	15
14.5 Personal Vehicle Registrations.....	18
14.6 Mass Stipends and Stole Fees (i.e., Sacramental Offerings).....	19
14.7 Seminarians and Transitional Deacons .....	20
14.8 Visiting Priests' Compensation .....	22



	This	Replaces
Section	14.0	14.0
Page	1 of 1	1 of 1
Date	03/01/2019	11/01/2012

### 14.0 Introduction

This section addresses two main topics related to compensation of the clergy: how they are compensated and how they are taxed by the Internal Revenue Service.

A number of more detailed topics are included. The Internal Revenue Code has some unique provisions that relate to the clergy. This section summarizes the official policy of the Archdiocese with respect to taxation of its priests. Also included are descriptions of the Priests' Accountable Plan, the Parsonage Allowance for permanent deacons, the policy for personal vehicle registrations, Mass stipends and stole fees, compensation policies for seminarians and transitional deacons, and compensation for visiting priests.



	This	Replaces
Section	14.1	14.1
Page	1 of 8	1 of 11
Date	03/01/2019	11/01/2012

### 14.1 Issues Related to Priests' Compensation

#### **Income Tax vs. Self-Employment Tax**

A priest incurs two types of taxes: income tax and self-employment tax. Income tax is legislated under the Internal Revenue Code; self-employment tax falls under the Social Security laws. Regardless of a priest's status for income taxes, he is considered self-employed for Social Security purposes. This means that a priest must pay both sides of this tax (15.3%); the employer's share of 7.65% and the employee's share of 7.65%. **The W-2 issue has nothing to do with the self-employment status of priests for Social Security tax purposes!**

#### **Election to Withhold Taxes**

There are some unique provisions in the tax code that apply to priests only, such as being granted a parsonage allowance that is exempt from income taxes and having the option to be exempt from tax withholding.

A priest can satisfy his tax liability in one of three ways: estimated tax payments only, withholding only, or a combination of the two. As employees, however, priests must now complete three employment forms, like other employees.

- **Federal Form W-4:** used to determine amount of withholding, if any.
- **Missouri Form MO W-4:** used to determine amount of withholding, if any.
- **Federal Form I-9:** used to verify employment eligibility for the U.S. Immigration and Naturalization Service.

(NOTE: Payroll administrators must file those W-4's, which declare exemption from withholding with the IRS. *All MO W-4's must be filed with the State of Missouri.*)

#### **Reportable and Non-Reportable Income**

**Reportable Income:** Each year the Archdiocese notifies each priest of his compensation, which includes base pay and a seniority increment. This income is to be treated as reportable income on Form W-2.

**Non-Reportable Income:** As mentioned earlier, the parsonage or *housing allowance* is not subject to income tax and is therefore not includable in W-2 income. However, it is subject to self-employment tax unless the priest is retired. PMBS premiums for health and retirement and expense reimbursements under an accountable plan do not get reported on the W-2 and are not subject to any taxes.

Because stipends are an offering to the priest who will say the Mass, stipends received by parishes do not become assets of the parish, but rather are held by the parish for transfer to the priests. Accordingly, stipends paid by the parish to a priest are not to be reported as compensation by the parish and would not be reported on the Form W-2 or on a Form 1099. Each priest, with the advice of his tax preparer, should make a determination of whether to include stipends as income. It should be noted that the IRS has repeatedly taken the position that stipends are in fact taxable income.



## 14.1 Issues Related to Priests' Compensation

	This	Replaces
Section	14.1	14.1
Page	2 of 8	2 of 11
Date	03/01/2019	07/01/2015

### **Accountable Plan**

The Accountable Plan provides funds for an employee to be reimbursed for qualifying business-related expenses provided that they are properly documented (i.e. receipts, dates, description of purpose, etc.) and submitted on a timely basis. Generally, the Archdiocese interprets "timely basis" to mean within 60 days of the end of the reporting period. A standard form is included in this chapter for reporting these expenses. Each priest should submit a completed form with all pertinent receipts to his employer on a periodic basis, but no more frequently than monthly and no less frequently than once a year. The pastor or agency director should indicate his review and approval by signing the completed form.

"Qualifying business-related expenses" for purposes of the Accountable Plan include only: automobile mileage reimbursement, parking fees and tolls, business travel expenses, business meals and entertainment expenses, costs of clerical clothing such as vestments, and dues, subscriptions, books, and equipment used for business purposes.

### **Multiple Employers**

The Accountable Plan limit should be paid to the priest by the employer or employers to which the priest submits his evidence of reimbursable expenses, provided that the expenses must have been incurred while employed by the employer to whom they are submitted for reimbursement.

A priest may submit evidence of expenses to more than one employer but is only entitled to a total annual reimbursement equal to the annual limit for the Accountable Plan for business related expenses per year no matter how many employers he may have. There should be communication among the priest and his employers regarding the amount of reimbursement paid by each employer.

It is possible for a priest to be simultaneously an employee at one place (i.e. W-2) and an independent contractor at another (i.e. 1099). If the service is for an indefinite period of time, the priest would generally be treated as an employee. If the service is temporary or of an *ad hoc* nature, the priest would not be considered an employee. For example, a priest who says Mass every weekend at a particular parish would more than likely be considered an employee. A priest who says Mass during another priest's vacation would not be and would therefore not need a W-2. In this case, a 1099 would be required only if the total amount paid in any one calendar year equals or exceeds \$600. In any case, however, the income is still taxable.

The automobile mileage reimbursement rate is set each year at the highest rate allowed by the IRS. Each year the IRS publishes this rate. The Archdiocesan Finance Office will notify all parishes of this rate at the beginning of each calendar year. Do not submit receipts for gas, repairs, etc. because you will be reimbursed only for the miles driven for business purposes. Consult your tax adviser if you think it may be beneficial to deduct actual expenses on your individual tax return.

### **Parsonage Allowance**

Even though the housing, or parsonage, allowance is exempt from income taxes, it must be included as income in the calculation of a priest's self-employment taxes. It is the responsibility of each priest to determine the fair value of this allowance. Each priest should attach a statement to his tax return, which clearly shows this allowance being included in the calculation



	This	Replaces
Section	14.1	14.1
Page	3 of 8	3 of 11
Date	03/01/2019	07/01/2015

of his self-employment taxes.

The Small Business Job Protection Act of 1996 clarified that housing allowances for retired clergy are not subject to self-employment tax since, by definition, that person is no longer employed.

### **Unemployment Taxes**

As employees of a religious organization, priests' wages are not subject to employer paid unemployment taxes.

### **403(b) Annuities**

A priest can participate in the Priests' 403 (b) Plan. An election can be made on-line.

Contributions to a 403(b) plan are not taxable when made, but are subject to self-employment tax, and the earnings on such investments are not taxable during employment. When an employee achieves one of the distribution events, such as retirement or age 59 ½ and begins to receive distributions, he is subject to income tax but not self-employment tax.

Priests should consult their employing entities to determine whether a 403(b) program is available.

Priests are not eligible for an employer's matching 403 (b) contribution. Priests receive their retirement benefits through the Priests' Mutual Benefit Society. Archdiocesan employers pay PMBS dues for retirement benefits each year a priest is actively employed.

### **Priests' Mutual Benefit Society (PMBS)**

A charitable trust has been established for the PMBS. It is primarily for the purpose of assisting the Archbishop in providing for the health, disability and retirement needs of the priests of the Archdiocese.

In order to provide for the health and disability needs, plans specifying the benefits available have been adopted by the Archbishop and subscribed to by all entities which employ priests. The plans will continue to be administered by the members of a committee appointed by the Archbishop. Copies of the plans are available to all employers and all priests.

The retirement benefits are paid after a priest stops providing active service within the Archdiocese on account of age.

### **Instructions to Payroll Administrators**

#### **1. What income must be reported on a priest's W-2?**

A priest's compensation consists of a base salary and a seniority increment. All of this is includable in W-2 income.

#### **2. Can a priest receive both a W-2 and 1099?**

It is possible for a priest to be an employee in one place and an independent contractor somewhere else. However, no one can receive both a W-2 and a 1099 from the same



## 14.1 Issues Related to Priests' Compensation

	This	Replaces
Section	14.1	14.1
Page	4 of 8	6 of 11
Date	03/01/2019	07/01/2015

employer. If any person receives a W-2 from an employer, then all reportable compensation must be reported on the employee's W-2 for that employer.

### 3. Are all priests required to file tax returns?

Generally, yes. Religious order priests who have taken a vow of poverty are not required to file, but then their compensation is paid directly to their order.

### 4. Does this mean that priests do not have to pay self-employment taxes?

No. Priests are subject to self-employment taxes even though they are considered "employees" for income tax purposes. The Internal Revenue Code governs the issues related to income taxes, but the Social Security laws govern issues related to self-employment taxes. The IRS is the collection agent for both types of taxes. There are specific provisions in the Social Security legislation that provide that clergy are treated as self-employed for Social Security purposes. This means that they must pay all of their self-employment taxes without the benefit of tax free payment of one-half by their employer. However, this also results in Medicare being the primary payer for health benefits for priests who are Medicare eligible, but still working, if the health plan is one maintained solely for clergy.

### 5. Should a priest pay estimated taxes or will taxes be withheld from his paycheck?

Priests may elect to have taxes withheld by properly completing Form W-4 with his employer. Each priest must complete a W-4 since he is considered to be an employee. He may elect to have no taxes withheld but if he chooses this option, the employer must notify the IRS that he is claiming exemption from withholding. Priests have three options for satisfying their tax liabilities: estimated taxes only, withholding only, or a combination of both.

### 6. Can self-employment taxes be withheld from a priest's paycheck?

A priest can elect to have additional Federal tax withholding taken from his pay to cover the cost of the self-employment tax. The reason for this is that the IRS is the collection agent for both income and self-employment taxes. Even though the taxes are distinctly different and are identified separately on a priest's tax return, they are added together to determine a priest's total tax liability for the year. The total liability is then compared to total payments, which is the sum of both estimated tax payments and taxes withheld. The difference between the two results in either a refund to the priest or an additional amount due to the IRS.

### 7. What form does a priest use to have taxes withheld from his paycheck?

Federal tax withholdings are determined by completing Federal Form W-4. Missouri tax withholdings are determined by completing Form MO W-4.

### 8. Are priests required to complete any other forms other than the W-4's?

Yes. Every employee is required by Federal law to complete an I-9, which verifies the person's eligibility for employment within the United States. This form is administered by the



	This	Replaces
Section	14.1	14.1
Page	5 of 8	7 of 11
Date	03/01/2019	07/01/2015

Immigration and Naturalization Service.

### 9. What form will be used to report PMBS retirement or infirm benefits?

Form 1099-Misc

### 10. Are stipends taxable?

Since religious services within the Catholic Church cannot be purchased, a priest may argue that stipends are gifts and not payments for services. However, the IRS has repeatedly disagreed and taken the position that stipends are in fact taxable income.

### 11. Should stipends be included on a priest's W-2?

Because stipends do not become the property of the employer but are held by the employer for transfer to the priests, they should not be included on the Form W-2 or on the Form 1099.

As noted above, the IRS takes the position that stipends are taxable income and should be reported as such. Each priest should consult with his tax preparer regarding the inclusion of stipends in income.

### 12. What is an "Accountable Plan"?

In its simplest form, it is an expense reimbursement plan that allows employers to reimburse employees for business-related expenses. In order for the reimbursements to be tax-exempt, the expenses must be accounted for properly by documenting the purpose of the expenses and attaching receipts within a reasonable time period which we define as 60 days from the end of the reporting period.

### 13. Do the employers such as the parishes have to submit any paperwork to secure the approval of the IRS for the Accountable Plan?

No. It is the responsibility of the employer to administer the plan in accordance with the IRS regulations.

### 14. Are there any restrictions on the amount a priest can be reimbursed?

Yes. Each priest can receive a maximum amount which may be adjusted from time to time for qualifying business expenses, other than continuing education. There is already a separate Accountable Plan in place for continuing education of priests with a separate maximum annual limit. Limits for each of these plans are communicated each year in the Priest Compensation Letter issued by the Archdiocese Finance Office.

### 15. What are "qualifying business expenses"?

"Qualifying business-related expenses" are defined to include automobile mileage reimbursement, parking fees and tolls, business travel expenses, business meals and entertainment expenses, costs of clerical clothing such as "blacks" and vestments, and dues, subscriptions, books, and equipment used for business purposes.



	This	Replaces
Section	14.1	14.1
Page	6 of 8	9 of 11
Date	07/01/2019	11/01/2012

### 16. What constitutes “automobile mileage reimbursement”?

The Archdiocese has adopted the policy of reimbursing its priests at the standard mileage rate set annually by the IRS. This rate changes annually and is the maximum rate per mile allowed without resulting in additional taxable income to the priests.

### 17. Can a priest be reimbursed for gasoline, oil changes, depreciation, etc.?

Not directly. Since the Archdiocese assumes each priest uses his car for both business and personal reasons, the expenses associated with that car would need to be allocated. This would add to the administrative burden of the bookkeepers who are responsible for making the reimbursements. Therefore, it was determined that paying a standard mileage rate was a fair and reasonable solution.

### 18. Can a priest be reimbursed for the deductible portion of an insurance claim?

Not through the Accountable Plan. If for whatever reason the priest's employer chooses to cover this expense, it must be reported on the W-2 as income subject to taxes.

### 19. For a priest living in a rectory, when do business miles begin on any trip?

From the rectory.

### 20. How will the priests be notified of any changes in the standard mileage rate?

The Archdiocesan Finance Office will be responsible for providing an annual notice.

### 21. How much can a priest contribute to charity?

Like anyone else, a priest can donate as much as he wants, but generally, he is limited to a charitable deduction equal to 50% of his adjusted gross income as reported on his tax return with any excess carried over to future years. Because there are several qualifications to this general rule, each priest should consult his tax adviser.

### 22. If a priest spends more than \$1,000 for continuing education in any one year, can the excess be reimbursed under the other accountable plan?

No. Each plan is separate and each plan's limits are designated for different qualifying expenses.

### 23. If a priest exceeds the Accountable Plan limit in any year, can the excess be submitted for reimbursement the following year?

No.





	This	Replaces
Section	14.1	15.1
Page	7 of 8	10 of 11
Date	03/01/2019	11/01/2012

**24. If a priest doesn't use his entire allotment, can the excess be added to the following year's limit?**

No.

**25. Do priests stop using Schedule C in their tax returns because of the Accountable Plan?**

Not necessarily. There may very well be other income that is not reportable on the W-2, such as stipends or honoraria that are not administered by the pastor. Some priests have other sources of outside income. These types of income and the associated business expenses incurred in the production of such income are still reported on Schedule C.

**26. If the parsonage allowance is not subject to income tax, why is it subject to self-employment tax?**

There is a specific provision in Federal law, which makes it so.

**27. If a priest is drawing Social Security benefits and receiving compensation, a portion of his Social Security benefit may be subject to reduction. Is the parsonage allowance taken into account for purposes of this calculation?**

For this purpose, the Social Security statutes define earnings to be wages for services plus earnings from self-employment reduced by losses attributable to self-employment. Self-employment income is defined to include the parsonage allowance and meals and lodging furnished for the convenience of the employer. Accordingly, the amount of the parsonage allowance is taken into account for the purpose of calculating the Social Security benefit to which a priest who is not fully retired is entitled.

**28. How much should a priest claim for his parsonage allowance?**

This determination is the responsibility of each priest.

**29. Is a priest able to set funds aside for his own retirement?**

Yes. A priest may elect to defer a portion of his pay through the Priests' 403 (b) Plan. In addition, contributions may be made to an individual retirement account.

**30. What happens to the money of priests previously deferred to the Deferred Compensation Plan?**

It will continue to earn interest until distributed upon separation from service, attainment of age 70 ½, disability, death or a financial hardship.

**31. Does the Archbishop maintain any plan to provide for the retirement of priests?**

Yes. The Archdiocese maintains a retirement plan for priests of the Archdiocese of St. Louis. This plan is funded through the Priests' Mutual Benefit Society.



	This	Replaces
Section	14.1	15.1
Page	8 of 8	10 of 11
Date	03/01/2019	11/01/2012

## 32. What other benefit plans does the Archbishop maintain for the benefit of priests?

The Archbishop maintains a health care plan and a disability plan for priests. Each entity employing a priest is required to contribute to the Priests' Mutual Benefit Society in order to provide a source of funds for the Archbishop to meet this obligation.

## 33. If a priest is entitled to Medicare, does Medicare pay health care benefits before the plan established by the Archbishop?

Yes. All health care claims for priests who are entitled to Medicare on account of age or disability should be submitted first to Medicare.

## 34. Whom can the priests call if they have questions?

If the questions are related to policy, call the Parish Support Office (314.792.7716). For questions related to your specific tax situation, consult your tax advisor.

	How Income is Reported			How Priest Reports on His Tax Return		
	W-2	1099	Not Reported	1040	Schedule C	Schedule SE
Salary (inc. car allowance)	x			x		x
Seniority increment	x			x		x
Deanery supplement	x			x		x
Mass stipends: <sup>1</sup>						
• Paid by parish			x			
• Paid directly to priest			x			
Professional fees <sup>2</sup>		x			x	x
Pension benefits when paid <sup>3</sup>		x		x		
Fair rental value of housing			X			x
PMBS premiums			X			
"Accountable plan" Expense reimbursements			X			

<sup>1</sup>Consult your tax advisor as to how to report on your tax return

<sup>2</sup>Receive 1099 if \$600 or more

<sup>3</sup>1099R issued by PMBS



	This	Replaces
Section	14.2	14.2
Page	1 of 1	1 of 1
Date	03/01/2019	11/01/2014

### 14.2 Priests' Compensation

During the spring of each year the Archdiocesan Finance Office mails a personalized letter to each diocesan priest informing him of his compensation for the following fiscal year. The salary portion of his compensation consists of a standard base for all priests that is subject to a cost of living increase each year plus a seniority increment for each full year of completed service. It is the responsibility of each priest to provide this information to the payroll administrator of his employing parish, school or agency.

Each priest is eligible to receive reimbursements, up to specified limits that are set annually, for business-related expenses under the priests' Accountable Plan, which must meet strict requirements defined by the Internal Revenue Service (IRS). The Accountable Plan runs on a calendar year basis.

Qualifying business-related expenses include automobile mileage reimbursement, parking fees and tolls, business travel, business meals and entertainment, clerical vestments, dues and subscriptions, books, tapes, CD's, DVD's and other equipment used for business purposes. Each year the Archdiocesan Finance Office publishes the IRS mileage rate which is the maximum reimbursement rate allowed by the Archdiocese of St. Louis. Priests may not be reimbursed for actual vehicle expenses such as gasoline, oil, repairs, etc.

Each priest may also receive additional reimbursement for continuing education expenses. This plan runs on a fiscal year basis. Similar to the Accountable Plan mentioned above, documentation of such expenses is necessary for reimbursement.

Each priest may receive monthly reimbursement for cell phone usage up to a maximum amount determined annually. The amount of the reimbursement may not exceed the actual cost to the priest. To receive reimbursement a priest must submit a copy of the monthly invoice. Non-business applications and usage are not eligible for reimbursement.

The Archdiocesan Finance Office provides a standard reimbursement form upon request.

It is the responsibility of a priest's employing parish, school or agency to provide each priest a computer with the necessary hardware, software and internet access, subject to an initial maximum cost. This is not an annual provision but is available upon a priest beginning a new assignment if a computer is not available for his use.

Other benefits include employer-paid health and retirement benefits through the Priests' Mutual Benefit Society.



	This	Replaces
Section	14.3	14.3
Page	1 of 3	1 of 3
Date	03/01/2019	07/01/2015

### 14.3 Priests' Accountable Plans

#### Clergy Expense Reimbursements

##### Continuing Education Benefits

The Office of Continuing Formation of Priests established policies concerning this reimbursement. The allotment is designed to reimburse priests for costs incurred for continuing formation activities such as annual retreats, days of recollection, educational workshops, and support groups according to Archdiocesan guidelines and at the discretion of the individual priest. This reimbursement is generally non-taxable and is available to a priest throughout the fiscal year, that is, July 1 through June 30. An employing parish, office, or agency can pay the expense directly to the individual or to the organization sponsoring the continuing formation activity. Also, a priest may submit receipts for health club memberships as part of the wellness program. However, in accordance with IRS regulations, reimbursement for health club memberships is taxable income and the amount will be added to a W-2.

##### Accountable Plan

This plan was established by the Archdiocese in 1997 to reimburse Archdiocesan priests (employed by parishes, offices, and agencies of the Archdiocese) for certain business expenses. The qualifying business expenses include automobile mileage reimbursement, parking fees and tolls, business travel expenses, business meals and entertainment expenses, costs of clerical clothing such as vestments, dues and subscriptions, books, tapes, cassettes, and equipment used for business purposes. ***Priests may not submit receipts for reimbursement for actual car expenses such as gas, oil, repairs, etc.*** The Accountable Plan is maintained on a calendar year basis because of the resulting effect on the priest's individual income tax return. The deadline for submitting properly completed requests for reimbursement is 60 days after the end of each calendar year.

The reimbursement for business use of cell phones (e.g., iPhone, Android) remains actual cost, with a monthly limit that may be adjusted each year. Consult the Payroll Department for the current year monthly limit. In order to satisfy the IRS requirement for substantiating business use, a copy of the detailed invoice must be provided. All non-business charges (e.g., personal application downloads) need to be identified and subtracted from the amount of reimbursement.

Automobile insurance is no longer being billed separately by the Office of Risk Management. As such, priests will no longer be reimbursed (or pay) for this expense.

The parish/agency should also provide each priest with necessary hardware and software for a computer with Internet access. The initial cost should not exceed a limit that may change from time to time. Consult the Payroll Department for the current limit. This is not an annual provision, but available upon a priest beginning a new assignment if a computer is not already in place for his use. The value of this benefit is not transferable.

Questions regarding these matters should be addressed to Payroll Department at (314) 792-7117. For tax advice, please contact a qualified tax practitioner.





	This	Replaces
Section	14.3	14.3
Page	3 of 3	3 of 3
Date	03/01/2019	07/01/2015

### Priests' Accountable Plan Reimbursement Form

In order for a priest's expense reimbursements to qualify as non-taxable income according to the Internal Revenue Service, the following guidance is provided.

**Automobile** mileage reimbursements must be supported by a mileage log showing a destination and purpose and the number of miles. The total number of business miles is multiplied by the IRS approved standard mileage rate to arrive at the automobile mileage reimbursement. A one-line summary of total business miles without detail does not meet the IRS documentation requirement.

**Parking Fees and Toll Road Fees** should be documented by paid receipts.

**Other Business Travel**, such as airfare, trains, bus and cab fare, should be documented by a paid receipt and a description as to the business purpose of the trip.

**Meals and Entertainment** should be documented by a paid receipt with a listing on the receipt of individuals in attendance and the business purpose. This is separate from the cost of food purchased for the rectory which should be recorded in QuickBooks account #525100 Supplies-Household.

**Clerical garb** should be documented by paid receipts for clerical clothing and vestments.

**Subscriptions** (e.g., magazines, DVD/CD's) and **Books** used for business purposes should be documented by a paid receipt and a description of the business purpose of the expenditure.

**Continuing Education** expenses should be documented by paid receipts for activities such as annual retreats, days of recollection, educational workshops and support groups.

**Cell Phone Reimbursements** Each priest is entitled to a cell phone reimbursement for the lesser of the actual cell phone charges or the current monthly limit. A copy of the detailed invoice should be provided.



## 14.4 Declaration of Housing Rental Allowance Regarding Permanent Deacons

	This	Replaces
Section	14.4	14.4
Page	1 of 3	1 of 1
Date	03/01/2019	11/01/2012

### 14.4 Declaration of Housing Rental Allowance Regarding Permanent Deacons

#### **Parsonage Allowance**

In 1991, Archbishop May began to permit Permanent Deacons who are employed full-time by the Archdiocese of St. Louis, its agencies, offices, high schools or parishes to allocate or designate part of their salary as a parsonage allowance.

That amount was originally set in 1991 at a maximum of \$400 per month and is currently at a maximum of \$500 per month. Archbishop Carlson has made the decision that effective January 1, 2018 that amount will increase to a maximum of \$1,000 per month. Please remember that this is not an increase in salary, but rather an increase in the amount of your salary that you can designate as parsonage allowance.

This is considered as the maximum amount that you can designate to a parsonage allowance but under the tax code it cannot exceed your actual housing expenses. So if your actual housing expenses are only \$750 per month, the maximum amount that you can designate would be \$750 per month even though the maximum itself would be \$1000 per month. Similarly if your housing expenses were \$1,500 per month, the maximum you could designate as a parsonage allowance would be \$1,000.

Treating part of your income as a parsonage allowance can have an impact on your taxes and potentially your Social Security income. So before you decide to continue your current Parsonage Allowance or increase it to the new amount we would suggest that you speak to a tax advisor.

**Included with this memo is a Parsonage Allowance Election Form.** *This form must be completed if you wish to continue or change your current allowance.*

To be effective with earnings paid starting January 1, 2018, this form must be completed and returned to your payroll department (local or central payroll, depending on how you are paid) no later than the close of business on December 15, 2017.

Here are some typical questions that we receive about the Parsonage Allowance:

Q: Is this an increase in my salary?

A: No, this is only an increase in the amount you can designate as your Parsonage Allowance.

Q: Do I have to designate part of my salary as a Parsonage Allowance?

A: No, you do not. It is totally up to you.



## 14.4 Declaration of Housing Rental Allowance Regarding Permanent Deacons

	This	Replaces
Section	14.4	New
Page	2 of 3	New
Date	03/01/2019	New

Q: I am employed on a part time, but not employed full time, by the Archdiocese of St. Louis, an agency, office or parish. Can I still claim this as part of that salary?

A: No, you need to be employed full time, working and being paid for 40 hours.

Q: I am employed full time by a high school, does this apply to me?

A: Yes. It applies to all deacons who are employed full time by offices, agencies, high schools, and parishes of the Archdiocese of St. Louis and Catholic Charities.

Q: I am a member of a parish or agency staff but as a volunteer not as an employee. While I am not paid, can I deduct a similar amount from my taxes?

A: We would ask you to speak to your tax advisor.





## 14.4 Declaration of Housing Rental Allowance Regarding Permanent Deacons

	This	Replaces
Section	14.4	New
Page	3 of 3	New
Date	03/01/2019	New



### Archdiocese of St. Louis Permanent Deacon Parsonage Allowance Election Form

Effective Date of Election:

EE ID #:

EE Name:

(Available if on Archdiocesan Payroll)

I wish to elect a monthly allowance of \$

(We suggest you enter an amount that best reflects your actual housing expenses not to exceed \$1000.)

My allowance will be allocated on a per pay period basis. If paid semi-monthly, one-half of the allowance is given each pay period.

#### I understand all of the following:

- Parsonage allowance is exempt from Federal, State and City withholding taxes.
- Parsonage allowance is subject to Self-Employment tax.
- Parsonage allowance is excluded from the retirement benefit.

I can change my election any time in the future.

Signature:

Date Submitted:



## 14.5 Personal Vehicle Registrations

	This	Replaces
Section	14.5	14.5
Page	1 of 1	1 of 1
Date	03/01/2019	11/01/2012

### 14.5 Personal Vehicle Registrations

Our Risk Management Office continues to receive copies of personal vehicle titles that are registered in the name of a parish rather than the owner's name. Personal vehicles belonging to any individual, including priests, must be titled in the name of that individual.

We need to protect the Archdiocese from additional liability. We also have no choice but to comply with Missouri State tax laws. Personal vehicles must be properly titled.



## 14.6 Mass Stipends and Stole Fees (i.e., Sacramental Offerings)

	This	Replaces
Section	14.6	14.6
Page	1 of 1	1 of 1
Date	03/01/2019	07/01/2015

### 14.6 Mass Stipends and Stole Fees (i.e., Sacramental Offerings)

A Mass stipend is an offering attached to celebrating a Mass for a particular intention. Archdiocesan Statute #38 states “Money for Mass Stipends must be kept in a distinct account...from which the pastor will pay as the obligation is satisfied.” While these are not parish funds, they are monies given to priests, and attached to celebrating Masses for particular intentions. The diocesan ordinary is obliged to oversee the proper use of the stipend accounts. Therefore, they are subject to the regular parish audit. See Section 5.8.

On the other hand, Canon 581 states that stole fees are to be placed into the parish account. According to Canon 945, #1, the priest who celebrates or concelebrates the Eucharist has the right to receive a stipend for that celebration, whose amount is set either by a provincial council, a meeting of the bishops of the province, or local custom. In the Archdiocese of St. Louis, local custom goes back to the time of Archbishop May, who established the custom of allowing the priest to accept an offering of \$10 for a wedding and \$15 for a funeral which included cemetery visitation. These offerings can be taken from stole fees.

Parishes receive sacramental offerings for funerals, baptisms and weddings. These offerings should be recorded in QuickBooks account 446200, which should be titled Sacramental Offerings, as opposed to Stole Fees, in order to be canonically accurate. Payments to priests for special celebrations, excluding standard Mass offerings, are considered additional compensation. If the priest is on the parish payroll, payments for services are to be paid through payroll. If the sacrament is offered by a visiting priest, payment should be made by check with an IRS Form 1099 issued for payments over \$600 in a calendar year. Payments made to organists and cantors are also considered compensation and should be processed through payroll if the individuals are employees of the parish. If the individuals are independent contractors, payment should be made by check with an IRS Form 1099 issued for payments over \$600 in a calendar year.

Payments made *directly* to the priest or to liturgical ministers for services would be considered compensation for these individuals and taxable by law. However, since the payments are not paid to the parish and do not flow through the parish financial statements, the parish would bear no responsibility for reporting the income on either a Form W-2 or 1099.



	This	Replaces
Section	14.7	14.7
Page	1 of 2	1 of 1
Date	03/01/2019	11/01/2012

### 14.7 Seminarians and Transitional Deacons

**DATE:** April 23, 2018

**TO:** All Priests, Directors and Payroll Administrators

**FROM:** Marilisa P. Heiderscheid

**RE:** Transitional Deacons Earnings and Tax Withholdings

After much deliberation, it has been decided to standardize the methodology used for withholding taxes on our Transitional Deacons' earnings. Their wages will be handled as that of a lay employee until January 1<sup>st</sup> of their intended ordination year to the Sacred Priesthood. This change will simplify the transitional deacons' tax calculation.

While studying as a seminarian, a young man may work as a dishwasher and/or librarian at Kenrick-Glennon Seminary. During this time, he is paid in the same manner as all lay employees. Social Security and Medicare taxes are being withheld along with Federal and Missouri state taxes if the earnings are high enough. Beginning with the May 2018 ordination, we want all parishes who are assigned a transitional deacon to withhold Social Security, Medicare, and Federal and Missouri withholding taxes. If located in the city, the parish should also withhold City of St. Louis Earnings tax.

*On January 1 2019, transitional deacons who will be ordained priests in June 2019 should be considered Exempt from Social Security and Medicare tax withholding. This change is being made because ordained priests are treated as ordained ministers by the Social Security Administration.*

With each subsequent annual Ordination of Transitional Deacons, we want the same process in place regarding the handling of their tax withholdings.

Each year the Archbishop ordains deacons, the Archdiocesan Finance Office will produce compensation letters for them. In the letter, we will explain what they will receive, how it will be taxed and how their tax status will change in January.

By implementing this change, the W2 Forms we issue to transitional deacons will be more easily understood by tax preparers.

If you have any questions, you may contact Darlene Doerr at [darlenedoerr@archstl.org](mailto:darlenedoerr@archstl.org) or 314-792-7117.



## 14.8 Visiting Priests' Compensation

	This	Replaces
Section	14.7	New
Page	2 of 2	New
Date	03/01/2019	New

**Information pertaining to newly ordained transitional deacons and newly ordained St. Louis priests.**

### **Theology III seminarians who will be ordained as Transitional Deacons**

1. Theology III men studying for the Archdiocese of St. Louis have been receiving \$200 per month during the academic year. The stipend comes from the Archdiocese.
2. In the month of May, they will still receive the \$200 from the Archdiocese.
3. They will begin their parish ministry on or around June 1.
4. St. Louis transitional deacons receive \$1500 per month for the summer months (June through August). **(Implemented Spring, 2020)**
5. They receive \$500 per month from September through May.

### **Theology IV deacons who will be ordained priests at the end of May**

1. As noted above, during the academic year (September through May) they receive \$500 per month from their parish of assignment.
2. In June, they will receive a newly ordained priest's salary from the Archdiocese (PMBS).
3. Beginning July 1, they will receive a priest's salary from their parish of assignment.

**Note: There is a fiscal year increase in salary effective July 1.**

### **Deacons from Sending Dioceses**

1. If a deacon from a sending diocese is serving in a parish in his own diocese during the academic year, his compensation is determined by his diocese.
2. When a deacon is placed in a parish in the Archdiocese of St. Louis, the deacon receives \$500 September through April.
3. Pastors may consider December and January as "one month" in regards to salary because the deacon is on Christmas break and is not present at his assigned parish.

**Note: Except where noted compensation is paid by the parish of assignment.**

**Note: There is no mileage reimbursement from "portal to Portal", for the deacons are now paid by salary.**



## 14.8 Visiting Priests' Compensation

	This	Replaces
Section	14.8	14.8
Page	1 of 2	1 of 2
Date	03/01/2019	12/06/2017

### 14.8 Visiting Priests' Compensation

TO: Priests and Deacons of the Archdiocese of St. Louis  
Administrators of High Schools

FROM: Archbishop Robert J. Carlson

COPY: Dr. Robert Oliveri, Associate Superintendent for Secondary Schools  
Marilisa Heiderscheid, Controller

SUBJECT: Remuneration for Visiting

Priests DATE: November 13, 2017

I would like to thank you for the care with which you exercise your ministry. Recently, after hearing from the Archdiocesan Presbyteral Council and the Deans of the Archdiocese of St. Louis, I would like to inform you that the following updated guidelines have been established concerning the proper remuneration for visiting priests.

*Canon 281.1 of the Code of Canon Law states:*

*"When clerics dedicate themselves to the ecclesiastical ministry, they deserve a remuneration which is consistent with their condition in accord with the nature of their responsibilities and with the conditions of time and place; this remuneration should enable them to provide for the needs of their own life and for the equitable payment of those whose services they need."*

The recommendations also indicate that travel expenses, when appropriate, should be added to these amounts at the current rate established by the Internal Revenue Service. Consideration for travel reimbursement should be given when a visiting priest travels a significant distance to provide assistance. Mass offerings should also be given directly to the officiating priest.

The following amounts are to be used as guidelines when remuneration is offered for visiting priests:

Sunday Mass \$60  
Weekday Mass \$40  
Confessions \$25

Thank you for your service to the People of God entrusted to your care. Be assured of my prayers for you and those you serve.



## 14.8 Visiting Priests' Compensation

	This	Replaces
Section	14.8	14.8
Page	2 of 2	2 of 2
Date	03/01/2019	12/06/2017



### ARCHDIOCESE OF ST. LOUIS Visiting Priest Remuneration Sheet

PRIEST: \_\_\_\_\_

MONTH: \_\_\_\_\_

#### *CALCULATION:*

# Weekday Masses	(    ) x \$40.00 =	\$
# Weekend Masses	(    ) x \$60.00 =	\$
# Confession Days (Weekday & Weekend)	(    ) x \$25.00 =	\$
Reimburse Mileage	* # of miles (    ) x \$. _____	\$

# Mass Offering(s)	# of Masses (    ) x \$5.00	\$
<b>TOTAL:</b>		\$

**Thank you for your pastoral assistance!**

**\*The IRS rate for mileage reimbursement changes each year. Mileage reimbursement should be adjusted to the current rate established by the IRS annually.**