Clergy Compensation – FAQ

Federal and State Withholding

Can Priests have additional amounts withheld on a bi-weekly basis for state and federal taxes?

- Yes, they would determine an "additional amount" to be withheld and include it on their W-4 or MW507

If we have a religious order priest and his payroll is paid through a stipend to the community, do the same rules apply?

- No, Religious order communities are tax-exempt

If the mass stipends are paid to a religious community, is that taxable?

- No, Religious order communities are tax-exempt

If the Priest has taxes withheld for State and Federal taxes, the AOB pays it for them?

- Yes. These withholdings are submitted with the payroll tax deposits each pay period and reported on Form 941 quarterly.

Professional Expense Allowance

When you record the PEA a priest opts to take via payroll does the amount get recorded in the GL as Salary or against the professional expense account?

- The amount must be taxed as salary, however in order to allow for consistent long-term financial analysis, we recommend that it be recorded in the Professional Expense Account.

What advantage is there for the priest to elect reimbursement and not include the full PEA in compensation?

- Fully documented reimbursed expenses are not taxable to the priest. However, if he elects to have it included in his compensation, he is taxed on the amount and it will be included in his total income for social security compensation. Please note that if you do not receive and maintain proper documentation for expense reimbursements, the parish can be fined by the IRS and penalties can also be assessed on the priest for under-reporting his compensation. We recommend that PEA expenses not be charged on the parish credit card, but paid directly by the priest and then requested for reimbursement with the proper documentation.

Professional Expense Allowance- Continued

"Entertainment" is a difficult area to determine whether or not it is Professional Expense. What constitutes allowable costs? DVD purchase? Group entertainment only?

- Personal entertainment costs are not reimbursable for professional or Business Expense. If a DVD is purchased that related to professional education or regarding something relating to the exercise of ministry, then it would be reimbursable for PEA (assuming the DVD would remain with the priest). If it is related directly to parish ministry, it would be reimbursable as a business expense (assuming the DVD would remain with the parish).

What if clergy submits for reimbursement of Professional expense and the Business manager disagrees with the admissibility but is overridden?

- In these circumstances, please reach out to Fr. Jim Proffitt in Clergy Personnel.

What is a reasonable meal cost reimbursement? Is it different if there is a cook employed by the parish? When is a group meal considered a business expense and when is it considered PEA? Can a dinner with other priests be considered a business expense? Are there guidelines as to how much is reasonable?

- In the event that a priest has friends over at the Rectory, it is part of his general living expenses, ***assuming it is reasonable***. If the cook is away on vacation or is out, the priest can go out to dinner and that is part of Rectory expense, ***assuming it is reasonable***. For example, he cannot take that opportunity to have dinner at the Charleston or another $100/plate meal. Meals are considered business expense if it is directly in line with fulfilling the operation of the parish. Dinner with the Corporators to discuss parish business and thank them for their service is a business expense. Meals out with other priests only qualify if they are discussing business that is directly related to your parish. If the meal with other priests is to discuss general Archdiocesan business it would be considered PEA and handled accordingly. Reasonableness of cost is a relative term and is difficult to define. However, that being said, the general cost of a meal should not ***regularly*** exceed $50/person (exceptions might be ordination anniversaries or other similar events)

Are costs for a priest to attend the National Eucharistic Congress PEA or a business expense of the parish?

- Under the Clergy compensation guidelines, this cost is considered PEA (Professional Expense Allowance) and is not a business expense of the parish.

Professional Expense Allowance- Continued

How do we handle the cost of Cell Phone bills for our clergy? These bills can include cost of cell phone, internet for tablets, cost of phones (payment plan), phone insurance, hot spots, international calling plans etc. Is 100% of that bill reimbursable to the clergy or is there an allowance? Is it compensation to be included in Payroll or is it PEA?

Purchases of cell phones, iPads, and associated would be charged to PEA and reimbursed or would be considered included in the PEA compensation as appropriate. Cell Phones usage is an integral part of a priest's work and therefore, beginning in FY'26, a monthly allowance of $80/month should be paid to the clergy, To be most consistent, this should be done through payroll on the first pay of each month (if they are a non-order priest currently paid in UKG). This reimbursement is not considered taxable compensation as it is provided for business use and should be recorded as telephone expense. (if you have questions about the Earnings Code or how to include in UKG, please contact your Regional Controller who can provide you instructions.)

Household Expenses

Is the purchase of Alcohol for the Rectory considered household expense?

- Rectory bar is okay within reason and as part of household budget.

Mileage

If you send a priest a W-2, should the amount you are paying for mileage be excluded from the total?

- Mileage can be part of a priest's reimbursable PEA or Business Expense. Assuming that all of the documentation is in place to support reimbursement, mileage is not taxable.

Is mileage part of PEA?

- Automobile mileage for ministry not related to the Parish is part of PEA (for example, annual retreat or travel to AOB committee meetings like BOFA)
- Mileage incurred directly related to the priest's assignment or role as pastor for events like area clergy meetings, hospital or communion calls are considered Business Expenses and are ***not*** part of the PEA allowance. ***(Note: you can reimburse for mileage or gas, but not both)***

Mass Stipend

Is the recommended stipend amount correct at $10?

- Yes, regardless of what amount is donated for daily or weekend Mass Intention, the recommended stipend to be paid to the priest is $10.

Mass Stipend - Continued

Is the stipend the same for weekend/week day assisting priests who do occasional masses for the parish?

- We recommend that the stipend for a visiting priest be included in the total that he receives for saying the Mass and not paid out separately.

Are Donations for Mass Intentions tax deductible to the donor?

- Per IRS Revenue Ruling 78-366, 1978-2 C.B.241 Mass intentions are an allowable charitable deduction to the donor, because the masses would be performed regardless of the receipt of the individual donation.

How is it handled when we are paying one pastor Mass stipends from two or more different parishes (each with their own FEIN) in a pastorate?

- There are two options:
  - Option 1: The Parish whose payroll includes the pastor, pays the stipends for the Mass Intentions said at their parish through payroll. The other parish(es) pay the stipends for the Masses said at their parishes through Accounts Payable and issues a 1099 to the pastor at year-end, in the event the stipends exceed $1,000.
  - Option 2: The parish whose payroll includes the pastor, pays for the stipends for all of the parishes in the pastorate through payroll and the other parishes reimburse that parish for the stipends paid on their behalf.

"Gifts" paid to the Parish but directed to be paid to a Priest.

It is my understanding that a check made payable to the parish but directed to be paid to a person cannot be recorded as a donation and cannot be included on their giving statement.

- The amount, once paid to an individual from parish funds is to be recorded as compensation and included in the priest's W-2 or 1099 NEC. The "gift" can be recorded as a donation by the donor but we recommend making sure that the individual making the gift understands that once it is deposited into parish funds and subsequently paid out, it becomes compensation to the receiver and is taxable.

If someone writes a check to the parish to give to the priests as a gift, how is it then transferred to the priest? Is it through payroll as a gift?

- Yes. The amount, once paid to an individual from parish funds is to be recorded as compensation and included in the priest's W-2 or 1099 NEC.

"Gifts" paid to the Parish but directed to be paid to a Priest - Continued

Can we reference this in the bulletin or is that a no no? We get Christmas presents like this each year.

- We do not recommend making this a bulletin announcement. It may make parishioners feel like they should be making a similar gift or feel guilty that they are not able to make a gift. As noted above, we recommend making sure that the individual making the gift understands that once it is deposited into parish funds and subsequently paid out, it becomes compensation to the receiver and is taxable.

Funeral and Wedding Stipend Payments

If a substitute priest does a funeral, we generally pay as "extra clergy fees". Is that okay because he gets a 1099?

- Yes, as long as it is included as what is reported as wages.

Should stipends being paid to clergy through payroll, for funerals and weddings also be recorded under the earnings code of Mass or can we use Funeral or Wedding earning codes if we have them?

- I would recommend using "Mass" for the clergy.

Payments to Religious Orders

Should we pay religious orders through Accounts Payable or Payroll?

- We recommend paying the order through Accounts Payable if possible.

Payments to Foreign Clergy

If Clergy Personnel has entered them in Ultipro, then can we assume that they have been vetted by Clergy Personnel and are legally allowed to be paid?

- NO! All priests with faculties and who are working in the AOB are entered into UKG, however, that does not mean they can be paid. In order to be paid they must have the correct documentation (green card, visa, etc.) based on their circumstances. Always inquire to the Office of Clergy Personnel prior to making payments. If a priest is here on a student visa, for example, he cannot be paid for any services.

Setting up Clergy in UKG

Is clergy personnel responsible for entering Clergy in UKG, other than summer assignment? Once the clergy are in UKG, are we responsible for maintaining their current salaries?

- That is correct. Clergy Personnel will set up the priest in the UKG system (they maintain the personnel file on the priests, including fingerprint dates and screening necessary to set someone up in UKG). Locations are only responsible for adjusting salary rates and tax withholdings.