

## **INCOME TAXES**

Priests are dual status taxpayers:

- 1) For federal and state income taxes you are employees
- 2) For social security (FICA) you are considered self-employed.

### **FEDERAL AND STATE INCOME TAXES**

- 1) What is considered taxable income for income tax purposes?
  - a) Base salary
  - b) Mass stipends and stole fees
  - c) Speaking honoraria and stipends
  - d) Cash allowances, food or auto  
Includes food allowance and 80% of actual auto expenses
  - e) Investment Income
  - f) Expense reimbursements not requiring documentation
  - g) Personal use of diocesan (parish) owned vehicle
  - h) Non-ministerial related earnings (professional counseling for which a fee is charged)
  - i) Pension benefits
- 2) What is not considered taxable income for federal and state income tax purposes?
  - a) The fair market value of room and board (include in the calculation for self employment taxes)
  - b) Properly documented expense reimbursements
  - c) The value of health and life insurance paid by the diocese
  - d) Retirement plan contributions ( including 403b matching) paid by the diocese or parish
- 3) What can be deducted from income?
  - a) One half of the self employment taxes (social security, FICA)
  - b) 403(b) contributions made through payroll deduction (for most priests the maximum deduction for 2008 is \$16,500)
- 4) What can be deducted from taxable Income?
  - a) Personal exemption \$3,500 for 2008
  - b) Personal deductions
    - 1) Standard deduction \$5,450 for 2008

- 2) Itemized deductions (Schedule A) Probably will not apply to most priests unless he owns a home that is mortgaged.

### **SOCIAL SECURITY TAXES (SELF EMPLOYMENT)**

- a) Social security rate is 15.3%
- b) You are automatically included unless you opt out.
  - 1) If you opt out of social security the decision is FINAL.
  - 2) The exemption applies only to ministerial earnings.
  - 3) Your decision MUST be based on religious conviction.
  - 4) You have until April 15 following the second year in which you earn \$400 or more from ministerial services.
  - 5) You must inform the Archbishop's office of your decision and discuss your reasons for doing so.

**DUAL STATUS 2007**

**FEDERAL INCOME, WITHHOLDING AND SOCIAL SECURITY TAX ANALYSIS  
FOR DIOCESAN PRIESTS**

	<b><u>SUBJECT TO FEDERAL INCOME TAX</u></b>	<b><u>SUBJECT TO SOCIAL SECURITY TAX</u></b>
Salary including salary supplements	yes	yes
Allowances (paid without required Documentation)	yes	yes
Stole fees and honoraria	yes	yes
Mass Stipends and fees	yes	yes
Professional fees	yes	yes
Non-ministerial related earnings	yes	yes
Personal use of parish owned vehicle	yes	yes
Value of room and board	no	yes
Pension benefits (exclusive of housing portion)	yes	no
Investment and passive income	yes	no

## **DIOCESAN INCOME TAXES (ASSESSMENTS)**

### **What are the diocesan assessments?**

- 1) General assessments
- 2) School assessments
- 3) Archbishop's Appeal
- 4) Georgia Bulletin

### **What types of income are included in the calculation for the general, school and appeal assessments?**

- 1) Offertory
- 2) Donations, restricted, unrestricted, votive candle, flower, etc.
- 3) Interest income
- 4) Gains on sale of property not used in parish operations

### **What types of income are excluded from the calculation for general, school and appeal assessments?**

- 1) School of religion income
- 2) Day care, pre-school and extended care income
- 3) Investment income from endowments
- 4) Gain/loss on sale of stocks
- 5) Approved building or debt reduction funds
- 6) Approved second collections
- 7) Bequests
- 8) Columbarium or cemetery income
- 9) Parish organization income
- 10) Diocesan subsidy or subsidies from other parishes
- 11) Rebates from the Archbishop's Appeal
- 12) Gain/loss on sale of property used for parish operations

### **What other items reduce the amount on which the assessments are calculated?**

- 1) Georgia bulletin expense
- 2) Prepayment on amortized debt
  - a) Parish must be current with all other diocesan debts.
  - b) Amount must come from current year's income not savings (see calculation below)
  - c) Amount of prepayment allowed to reduce assessable income is limited to amount paid which exceeds the amount that should have been paid if the loan were amortized for 10 years at the current diocesan interest rate.

If special arrangements have been made with the finance department that changed the interest rate charged, the term of the loan, or the payment amount, the amount of the prepayment will be the amount paid over the calculated amount due if none of these arrangements had been made.