

# Clergy Tax Talk 2026: Active Clergy



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# ≡ Clergy Taxes

- Clergy have dual tax status
  - Clergy are employees for federal income tax reporting purposes and are self-employed for social security purposes
- Receive Form W-2, not Form 1099-Misc
- Exempt from withholding—make quarterly estimated tax payment to cover both income and self-employment (SECA) taxes anticipated for the current year
- Can voluntarily have tax withheld
  - Include enough to cover estimated self-employment (SECA) tax liability

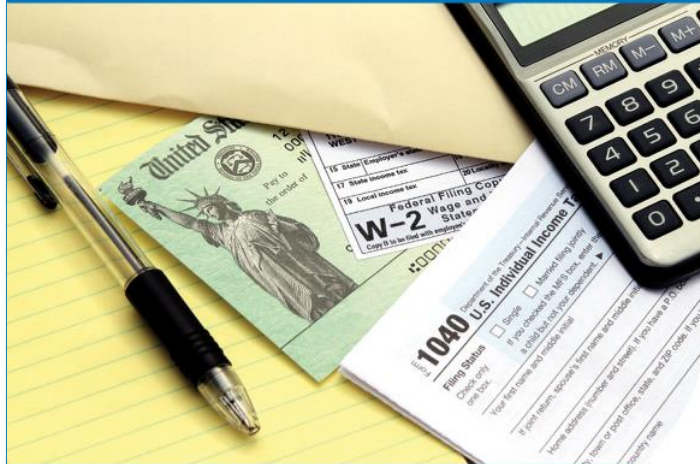
**Federal Income Tax (graduating tax rates based on income)**

**SECA (15.3%)**

- Social Security
- Medicare

# 2026 Clergy Tax Return Preparation Guide for 2025 Tax Returns

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# Income While Working\*

## Federal: Taxed As Employee

- Cash salary
- Additional taxable items
  - Non-accountable expense allowance
  - Employer-paid group life insurance > \$50,000
  - Unused portion of your housing allowance
  - Social Security offset
  - Bonuses/special offerings
- Other (self-employment income)
  - Consulting, counseling, supply service fees

## SECA: Taxed As Self-Employed

- Federal taxable earned income
- Housing allowance exclusion



\*There may be other income for each category. Contact your tax professional.

# Federal Income Tax Exclusions\*

- Pre-tax contribution to 403(b) and traditional IRA (within IRS limitations)
- Housing Allowance
  - Cash housing allowance (cleric provided)
    - Lowest amount of vestry resolution, actual cash spent, or fair market rental value furnished plus utilities
    - Used to “provide, furnish, and maintain” your primary home
  - Church-provided housing
    - Fair market rental value of church-provided housing as furnished, with utilities if paid by the church



\*You may be eligible for other exclusions. Contact your tax professional.

# Accountable Reimbursable Business Expense Plan

## Travel and other business expenses

- Should be paid directly by the employer, or
- Reimbursed through an Accountable Plan
  - Document usage/expense
  - Condition reimbursement of expense on adequate substantiation (e.g., written evidence of expenses of more than \$75\*)
  - Submit for reimbursement within 60 days of incurring expense
  - Not taxable as income
  - Not reported on W-2

\*Some employers may require lower amounts and/or receipts for any expense.



# Potential Reimbursable Business Expenses



Must be necessary or enhance your job as a cleric

- Books, trade journals, newspapers and publications
- Professional organization dues
- Dues to chambers of commerce and similar organizations
- Continuing education
- Meals and entertaining with a clear business purpose
- Non-commuting transportation (i.e., travel from church to the hospital)
- Business use of cellular phone
- Cost of purchasing and dry-cleaning clericals

# Home Office Deduction?



- Tax Cuts Job Act
  - No home office deductions for W-2 employees
- Deduction requirements
  - Use space exclusively and regularly
  - No other fixed location to conduct business
- Applicable only to self-employment income

# Federally Taxable Income in Retirement



**Salary**  
(work after  
retirement)



**Pension  
payment**  
in excess of  
allowable housing  
allowance  
exclusion



**Retirement  
plan  
distributions\*  
and / or other  
investment  
earnings**



**RSVP  
distributions\***  
(may be used  
for housing  
allowance)

# Federally Taxable Income in Retirement



**Traditional IRAs**  
fully taxable



**Roth IRAs**  
non-taxable after  
age 59½ and after  
5 tax years from  
first contribution  
or rollover



**Social Security**  
may be taxable



**Other**  
(self-employment)

# Federal Income Tax Exclusions in Retirement

## Housing



Lower of actual cash spent, fair market rental value furnished plus utilities, or declared housing allowance (Clergy Pension Plan benefits and RSVP withdrawals)



If church-related income is earned during retirement, obtain a separate housing allowance resolution from employer

# Federal Income Tax Exclusions in Retirement

## Non-cash benefits



Post-Retirement Health Subsidy



Up to \$50,000 CPF Life Insurance Benefit  
(if you have no other group life insurance from an employer)

# Federal and SECA Taxable Income

## Putting it all together: Example\*



**The Rev. John Smith, an ordained minister, is vice president of academic affairs at Episcopal High School of Virginia.**

Fr. Smith's compensation package includes:

Annual salary	\$80,000
Designated housing allowance	\$20,000

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The amount of housing allowance that may be excluded from gross income for federal income tax purposes cannot exceed the lowest of the following:

Actual costs: mortgage payments, utilities, home maintenance and furniture**	\$21,600
Fair rental value of the home, as furnished, plus utilities***	\$21,000
<b>Designated housing allowance (lowest)</b>	<b>\$20,000</b>

\*\*Clergy compensation and housing allowance only. You may have other income, deductions, and/or exclusions.

\*\*For actual housing costs, track expenses and keep receipts.

\*\*Work with your tax preparer to calculate this amount.

# Federal and SECA Income Tax

## Putting it all together: Example (cont'd)



The Rev. John Smith, an ordained minister, is vice president of academic affairs at Episcopal High School of Virginia.

The Rev. John Smith may exclude \$20,000 from gross income for federal tax purposes:

Annual salary	\$80,000
Designated housing allowance	(\$20,000)
<b>Taxable income (federal income tax purposes)</b>	<b>\$60,000</b>

However, the entire \$20,000 will be considered in arriving at net self-employment income and, as such, for SECA tax:

Taxable income (federal income tax purposes)	\$60,000
Housing allowance	\$20,000
<b>SECA tax basis</b>	<b>\$80,000</b>

# Federal Income Tax in Retirement

## Putting it all together: Example



The Rev. John Smith is retired.

Income from The Church Pension Fund (CPF)  
sponsored retirement plans (100% designated for housing)

CPF pension	\$20,000
RSVP withdrawal*	\$5,000

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Total designated for housing \$25,000

**Actual cash spent: mortgage payments, utilities, home maintenance, and new furniture\*\*** **\$20,600**

Fair rental value of the home, as furnished, plus utilities\*\*\* \$21,000

\*This example assumes all RSVP contributions were made on a pre-tax basis.

\*\*This is not an exhaustive list. Be sure to track expenses, keep receipts, and work with a tax professional.

\*\*\*Work with your tax preparer to calculate this amount.

# Federal Income Tax Retirement

## Putting It All Together: Example (cont'd.)



The Rev. John Smith is retired.

Fr. Smith's retirement income from The Church Pension Fund includes the following (100% designated for housing)

CPF pension / RSVP withdrawal**	\$25,000
Lower amount (housing allowance)	\$20,600
CPF pension	(\$20,000)
<b>Remaining housing allowance</b>	<b>\$ 600</b>
RSVP withdrawal*	\$5,000
Remaining housing allowance	(\$ 600)
<b>Taxable income (federal income tax purposes)</b>	<b>\$4,400</b>

\*Illustration for CPF pension and RSVP withdrawals. You may have other income, exclusions, and/or deductions.

\*\*Pre-tax contributions and tax-deferred earnings



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## Church Pension Group

19 East 34th Street  
New York, NY 10016  
800-223-6602

**Website:** [cpg.org](http://cpg.org)

## Client Services

Monday to Friday  
8:30 AM to 8:00 PM ET  
866-802-6333

**Email:** [benefits@cpg.org](mailto:benefits@cpg.org)

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## Complimentary Individual Financial Discussions

Committed to helping you retire with more financial security. Our dedicated specialists understand the unique needs of those who serve The Episcopal Church.

**Schedule online:** [cpg.org/letschat](http://cpg.org/letschat)



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## Tax Hotline



**The Rev. Canon Michele Racusin, CPA**  
833-270-0795

**Dolly Rios, CPA**  
833-363-5751  
(Spanish and English)



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## 2025 Clergy Housing Allowance Webinar Replay

Get a refresher on this tax benefit, including information on deductions you might overlook and answers to common questions.

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## Clergy Housing Allowance eLearning Course

This course provides a comprehensive overview of the clergy housing allowance.

# Take Advantage of Your Resources



**Consult a tax advisor/accountant who understands clergy tax rules**

**Need a recommendation?**

Ask fellow clergy or your  
Diocesan Financial Officer

**Tax resources by Richard R. Hammar, JD, LLM, CPA**

## **2026 Church & Clergy Tax Guide**

- Comprehensive, nondenominational guide to US tax law for ministers and churches. May be purchased online at [store.churchlawandtax.com](https://store.churchlawandtax.com)

## **2026 Clergy Tax Return Preparation Guide for 2025 Tax Returns**

- Available to active and retired clergy free online in MyCPG Accounts: Sign in at [cpg.org/mycpg](https://cpg.org/mycpg) and access “Reports”

## **2026 Federal Reporting Requirements for Episcopal Institutions**

- Available to administrators free online in My Admin Portal (MAP): Sign in at [cpg.org/map](https://cpg.org/map) and access “Reports”

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