

Clergy Tax Talk 2026: Retired 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

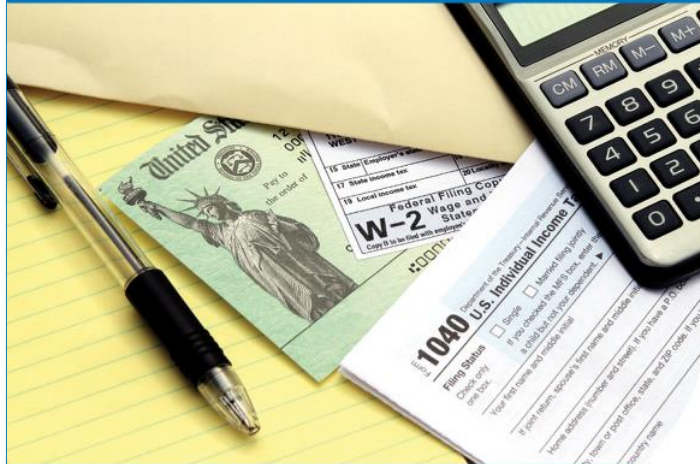
Federal Income Tax (graduating tax rates based on income)

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



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)

*Qualified Roth account withdrawals are not taxable.

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 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
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RSVP withdrawal*	\$5,000
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Total designated for housing	\$25,000
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Actual cash spent: mortgage payments, utilities, home maintenance, and new furniture**	\$20,600
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Fair rental value of the home, as furnished, plus utilities***	\$21,000
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*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)
Remaining housing allowance	\$ 600
RSVP withdrawal*	\$5,000
Remaining housing allowance	(\$ 600)
Taxable income (federal income tax purposes)	\$4,400

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

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Clergy Housing Allowance eLearning Course

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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

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 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 and access “Reports”

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