

# Clergy Tax Talk 2022



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# ≡ Today's Presenters



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Church Pension Group  
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**Dolly Rios, CPA**  
Principal  
Rios & McGarrigle, LLC

# ≡ 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, but make quarterly estimated tax payment to cover both income and SECA taxes anticipated for the current year
- Can voluntarily have tax withheld
  - Include enough to cover estimated self-employment tax liability

Federal Income Tax (tax rate based on income)

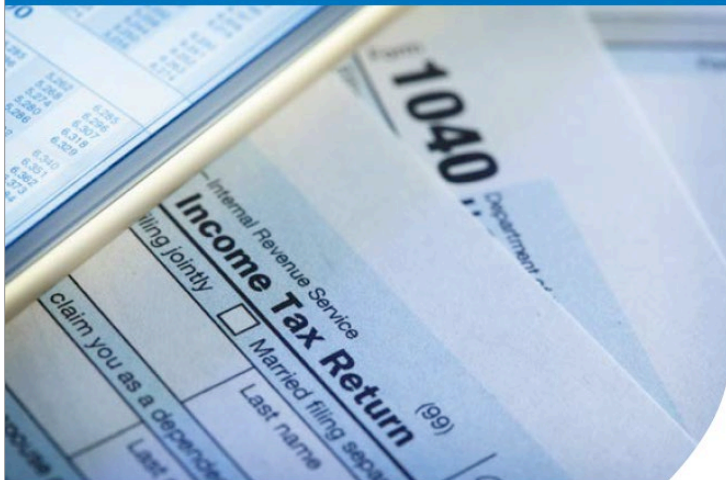
- General Government Services

SECA (15.3%)

- Social Security
- Medicare



2021 Clergy Tax Return Preparation Guide



For 2020 Returns

# 2022 Clergy Tax Return Preparation Guide

# Income While Working\*

## Federal: Taxed as Employee

- Cash salary
- Benefit values
  - Non-accountable expense allowance
  - Employer-paid group life insurance > \$50,000 or group-term life insurance for dependents > \$2,000
  - Unused portion of your housing allowance
  - Personal use of a church-provided car
  - Social Security offset
  - Bonuses/special offerings
  - Forgiveness of debt by employer
- Other (self-employment income)
  - Consulting, counseling, or 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\*

- Contributions to 403(b) & 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





# 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



# Federally Taxable Income in Retirement



**Cash salary**  
(work after retirement)



**Pension payment**  
(monthly plus Christmas benefit)  
in excess of housing reduction



**Retirement plan distributions**



**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 if  
opened for 5 years



**Social Security**  
may be taxable



**Other**  
(self-employment)

# Federal Income Tax Exclusions in Retirement

## Housing



Lower of actual cash spent, fair rental value furnished plus utilities, or declared housing allowance (pension benefit, Christmas check, RSVP withdrawal)



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

# Federal Income Tax Exclusions in Retirement

## Benefits



Post-Retirement Health Subsidy



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

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## Church Pension Group

19 East 34th Street,  
NY, NY 10016  
(800) 223-6602

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

## Client Services

Monday – Friday  
8:30 AM – 8:00 PM ET  
(866) 802-6333

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

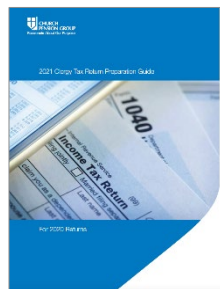
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## Complimentary Individual Financial Discussions

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

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## Tax Hotline



**Nancy Fritschner, CPA**  
(877) 305-1414

**Mary Ann Hanson, CPA**  
(877) 305-1415

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

# 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, J.D., LL.M., CPA**

## **2022 Church & Clergy Tax Guide**

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

## **2022 Tax Guide for Episcopal Ministers (for 2021 Taxes)**

- Specially edited by The Church Pension Fund to meet the needs of The Episcopal Church
- Available to active and retired clergy free online at [cpg.org/taxpubs](https://cpg.org/taxpubs)

## **2022 Federal Reporting Requirements for Episcopal Churches (for 2021 Taxes)**

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