

Clergy Tax Talk 2023



Larry Dresner, ChFC®, RTRP
Financial Education Client
Specialist

Dolly Rios, CPA
Principal, Rios & McGarrigle, LLC

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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, 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)

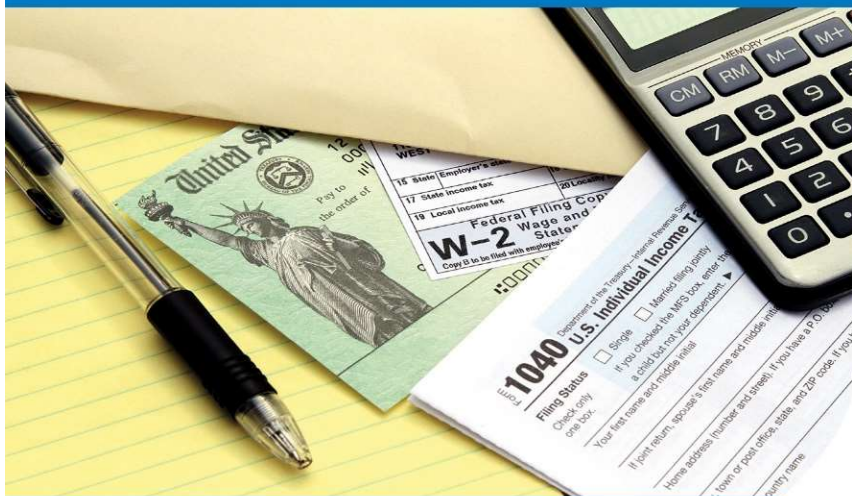
- General Government Services

SECA (15.3%)

- Social Security
- Medicare

2023 Clergy Tax Return Preparation Guide

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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)

CPG Resources

Church Pension Group

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

Website: cpg.org

Client Services

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

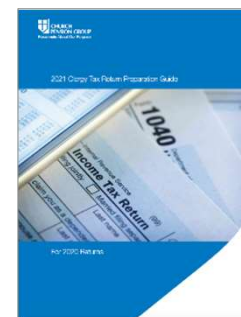
Email: benefits@cpg.org

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

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

2023 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

2023 Tax Guide for Episcopal Ministers (for 2022 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

2023 Federal Reporting Requirements for Episcopal Churches (for 2022 Taxes)

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