

# Clergy Tax Talk 2025



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# ≡ Today's Presenters



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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 (tax rate based on income)

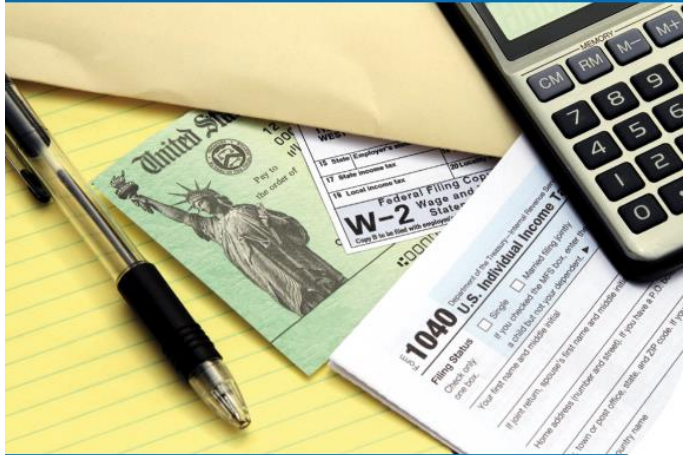
- General Government Services

SECA (15.3%)

- Social Security
- Medicare

# 2025 Clergy Tax Return Preparation Guide

2025 Clergy Tax Return Preparation Guide for 2024 Returns



# 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





# 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



# Federally Taxable Income in Retirement



**Salary**  
(work after  
retirement)



**Pension  
payment**  
in excess of  
housing allowance



**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)

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## Church Pension Group

19 East 34th Street  
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**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



**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, JD, LLM, CPA**

## **2025 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)

## **2025 Clergy Tax Return Preparation Guide for 2024 Tax Returns**

- 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)

## **2025 Federal Reporting Requirements for Episcopal Institutions**

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