

## DIOCESE OF JOLIET FINANCIAL POLICIES

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The following are procedures necessary for reporting income and tax.

1. Form W-2
  - A. All priests are to receive a Form W-2 for income and any income taxes withheld.
    1. Unlike lay employees, priests are subject to self-employment tax, therefore, no social security tax withholding will be shown on the W-2
      - \* Self-employment tax for priests is paid when he files his tax return and completes Schedule SE.
      - \* Compensation for priests is not to be reported on quarterly payroll tax reports as wages subject to social security and medicare.
    2. Priests taxable income is comprised but not limited to the following:
      - \* Salary
      - \* Stole fees and honoraria
      - \* Mass stipends and fees
      - \* Personal use of parish-owned vehicles
    3. Ministerial Allowances for priests
      - \* Non-taxable – Do not include in income if priest provides parish with written statement declaring that all of the ministerial allowance was used for expenses associated with priestly ministry.
      - \* Taxable – Include in income if no statement, as listed above, is provided by the priest.
      - \* Partially Taxable – Include in income only the amount that the priest did not use for expenses, if the funds were not returned to the parish.
    4. Housing Allowance for priests
      - \* Non-taxable for income tax purposes and not included on the W-2.
      - \* Subject to self-employment tax that is calculated on the Priest's tax return.
    5. Food Allowance for priests
      - \* Taxable – Include in income if the parish provides a food allowance and priest takes his meals off the premises of the parish. Buying groceries or carryout

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food from the cash food allowance and eating it on the premises does not circumvent this rule.

- \* Non-taxable – Do not include in income if a “meal” is provided at the rectory, where the priest resides and if he is considered working (on call) while taking the meal.
- \* Subject to self-employment tax that is calculated on the Priest’s tax return.

B. Retirement plans for priests

- \* Box 13 of the Form W-2 must be checked for priests that are members of the Diocese of Joliet Retirement plan.
- \* Box 13 of the Form W-2 must be checked for all priests that are members of the Diocese of Joliet Retirement plan and contribute money to a section 403(b) annuity plan.

2. Form 1099

- A. In no instance should a Diocesan priest receive a Form 1099 for his duties as a pastor, associate pastor, agency head or chaplain. The policy of the Diocese of Joliet is to treat priests as employees and not independent contractor.
- B. Priests not assigned to a parish, agency or hospital who are paid stipends are to receive a Form 1099 if the total stipends paid for the year amount to \$600 or more.
- C. If a Diocesan priest for his services as a pastor, associate pastor, agency head or chaplain receives a Form 1099 he would be considered as an independent contractor. As such, taxable income should include salary, health insurance premiums, pension contributions, retreat and education allowances, physical examinations and ministerial allowance. These benefits are non-taxable to employees and taxable to non-employees.
- D. Religious or Priest salaries that are paid directly to an Order are not to be issued a Form 1099 because the Order is tax-exempt.