

Clergy Tax Worksheet

PARSONAGE ALLOWANCE:

Many members of the clergy are paid a cash "housing allowance," which they use to pay the expenses related to their homes (e.g. interest, real property taxes, utilities etc.). Alternatively, some may live in a parsonage owned by the church. Neither a cash allowance (to the extent it is used to pay for home expenses) nor the estimated rental value of the parsonage is included in income for the purpose of computing your income tax. However, those amounts ARE INCLUDED in your income for the purpose of computing your self-employment (Social Security) tax, if any. Use this section to record your home expenses and the total annual amount of housing allowance or parsonage value you receive. Because of IRS regulations, it is very important that the governing body of your church designate the portion of your salary that is your housing allowance. NOTE: If you have made an election for exemption from self-employment taxes, other rules may apply. In such case, consult with your tax advisor.

TELEPHONE EXPENSES:

Toll calls made from your home related to church business are deductible if the expenses aren't reimbursable to you. To be assured of a deduction, clearly mark your monthly phone bill to show the business calls. Since there are special rules for cellular telephones and similar items (called "listed property" in the tax law), it is important to track their business and personal use carefully. Such property potentially qualifies for larger current deductions when it's used more than 50% for business. Keep your bills for the cellular phone and, again, mark business calls.

AUTO EXPENSES:

Your auto expense is based on the number of qualified business miles you drive. Expenses for travel between business locations or daily transportation expenses between your home and temporary work locations (e.g., from home to a hospital call to an ill parishioner) are deductible; include these trips in figuring business miles. However, expenses for your trips between home and the office each day, or between home and one or more regular places of work, are COMMUTING expenses and aren't deductible.

Document business miles in a record book as follows: (1) give the date and business purpose of each trip; (2) note the place to which you traveled; (3) record the number of business miles; and (4) record your car's odometer reading at both the beginning and the end of the year. Keep receipts for all car operating expenses - gas, oil, repairs, insurance etc. - and any reimbursement you received for your expenses.

OUT-OF-TOWN TRAVEL

Expenses accrued when traveling away from "home" overnight on job-related and continuing education trips are deductible. Your "home" is generally considered to be the entire city or general area where your principal place of employment is located. Out-of-town expenses include transportation, meals, lodging, tips and miscellaneous items like laundry, valet etc.

Document away-from-home expenses by noting the date, destination and business purpose of your trip. Record business miles if you drove to your out-of-town location. In addition, keep a detailed record of your expenses - lodging, public transportation, meals etc. Always list meals and lodging separately in your records. Receipts must be retained for each lodging expense. However, if any other business expense is less than \$75, a receipt is not necessary if you record all of the information in a timely diary. You should keep track of the full amount of meal and entertainment expenses even though only a portion of the amount may be deductible.

CONTINUING EDUCATION

Educational expenses are deductible under either of two conditions: (1) your employer requires the education in order for you to keep your job or rate of pay; or (2) the education maintains or improves your skills as a member of the clergy. The costs of courses that are taken to meet the minimum requirements of a job, or that qualify you for a new trade or business, are not deductible.

EQUIPMENT PURCHASES

Equipment purchases such as pagers or telephone answering machines are shown differently on your tax return than are general job-related supplies. Keep documentation for these items separate from everyday expenses so that they may be easily identified when your return is prepared.

| PARSONAGE ALLOWANCE | | OUT-OF TOWN TRAVEL | | ATUO TRAVEL | |
|---------------------------------|--|-------------------------------------|--|--------------------------------------|--|
| Housing Allowance Received | | Airfare | | Educational (mi) | |
| Insurance – Home | | Bridge & Highway Tolls | | Funerals (mi) | |
| Interest – Home | | Bus & Subway | | Infirm – Hospital Visits (mi) | |
| Rent – Home | | Car Rental | | Parishioner Meetings (mi) | |
| Repairs – Home | | Laundry | | Parking | |
| Taxes – Home | | Lodging (do not combine with meals) | | Out-of-Towel (mi) | |
| Utilities – Home | | Meals (do not combine with lodging) | | Outings – Congregation (mi) | |
| SUPPLIES & EXPENSES | | Parking | | Tolls | |
| Books – Religious Music | | Porter, Bell Captain | | Weddings (mi) | |
| Books – Theology | | Taxi | | Other: | |
| Business Cards | | Telephone | | CONTINUING EDUCATION | |
| Clerical Service | | Train | | Correspondence Course Fees | |
| Entertainment (100% of expense) | | Other: | | Course Registration | |
| Greeting Cards | | TELEPHONE EXPENSES | | Materials & Supplies | |
| Insurance Business | | Cellular Calls | | Photocopy Expenses | |
| Legal & Professional Services | | Fax Transmissions | | Reference Materials | |
| Map Book | | Paging Service | | Seminar Fees | |
| Pager | | Pay Phone | | Text Books | |
| Photocopy Expenses | | Toll Calls | | Other: | |
| Postage | | Other | | Other: | |
| Software – Appointment/Calendar | | EQUIPMENT PURCHASES | | MISCELLANEOUS EXPENSES | |
| Software – Theological | | Answering Machine | | Business & Professional Associations | |
| Software – Word Processing | | Calculator | | Professional Subscriptions | |
| Telephone – Book | | Copy Machine | | Other: | |
| Vestments | | Fax Machine | | Notes: | |
| Vestments – Repair | | Pager | | | |
| Vestments – Cleaning | | Telephone | | | |
| Word Processor – Computer | | Other: | | | |
| Other: | | Other: | | | |