

THE ROMAN CATHOLIC

# ARCHDIOCESE OF ATLANTA



## Reclassification of Salary/Wages as a Housing Allowance Permanent Deacons Only

The Archdiocese of Atlanta has many paid, part-time and full-time, positions for which being an ordained deacon is neither a qualifying nor a disqualifying factor. Many of these positions have a ministerial or pastoral component to the work. Compensation and benefits for these positions are administered under the direction of the Office of Human Resources.

If an ordained deacon fills one of these positions, then the deacon should evaluate his options under the Internal Revenue Code §107. By nature of being a member of the clergy, the IRS rules allow a portion of salary or wages to be reclassified as a Housing Allowance. This reclassification provides an income tax advantage but adds self-employment tax and reporting burdens. Each individual should consult with a tax professional to determine whether or not to pursue this reclassification.

For guidance, please search the IRS website ([www.irs.gov](http://www.irs.gov)) for the following:

- Topic 417 - Earnings for Clergy
- Ministers' Compensation & Housing Allowance

Another source of information is *Tax Manual for Deacons*, published by Scott Hoselton.

**Limits:** The reclassification of a portion of a deacon's compensation as a Housing Allowance is limited to the lowest of the following four restrictions:

- 1) \$3,000 per month or \$36,000 per year, or
- 2) the amount actually used to provide or rent a home, or
- 3) the fair market rental value of the home (including furnishings, utilities, garage, etc.)
- 4) 100% of the salary/wages for the position.

**For those who choose to elect the reclassification, the process to do so is as follows:**

Each calendar year, each deacon is responsible for providing the Office of Human Resources (HR) with a written request to reclassify a portion of his salary/wages as a Housing Allowance. The deacon should complete the *Request to Reclassify a Portion of Salary/Wages as a Housing Allowance Form* and submit it to HR, before year end. HR will review the form for completeness and compliance with the limits. When the review is finished, the form will be forwarded to the appropriate payroll location and a copy maintained in the deacon's personnel file.

**Attached** is a completed IRS Schedule SE (Self-Employment Tax) which provides an example of where the housing allowance AND computation of the SECA insurance are computed and payable by any deacon electing to receive a portion of their salary/wages as a housing allowance.

Compensation for positions in the archdiocese is paid via the payroll system. In the payroll system, the reclassification of a portion of payroll as a Housing

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Allowance is made through earnings code "HM". The Housing Allowance will be reported to the IRS in Box 14 of the annual W-2. For assistance, contact Shannon Wiggins at [swiggins@archatl.com](mailto:swiggins@archatl.com).

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## Request to Reclassify a Portion of Salary/Wages as a Housing Allowance Form

To: Archdiocesan Office of Human Resources

From: Deacon \_\_\_\_\_

Date: \_\_\_\_\_

Work Location: \_\_\_\_\_

Position: \_\_\_\_\_ Full or Part time \_\_\_\_\_

Annual Salary/Wages (before any reclassification):\$ \_\_\_\_\_

Please accept this as my request to reclassify a portion of my salary/wages as a Housing Allowance in the amount of \$ \_\_\_\_\_. This reclassification is within limits defined below, and is made pursuant to Internal Revenue Code Section 107. I represent that I am a Qualified, Ordained, Licensed or Commissioned Minister of the Gospel, pursuant to Internal Revenue Code 107 and the regulations set forth in the Internal Revenue Code. I understand that this reclassification will require me to file Schedule SE (Self- Employment Tax) with my Federal Income Tax Return.

I am completely qualified to elect to reclassify salary/wages as a Housing Allowance based upon the qualification of an Ordained Minister of the Gospel and I certify that I have performed the sacerdotal functions of an Ordained or Licensed Minister for the previous year.

	<u>Annual \$ Amounts</u>
House Payment (Principal & Interest) or (Rent)	\$ _____
Real Estate Taxes	\$ _____
Insurance (Contents)	\$ _____
Insurance (Structure, i.e., fire, liability)	\$ _____
Repairs & Upkeep	\$ _____
Utilities (Heat, electric, gas & water & Sewer)	\$ _____
Garbage Service/Pest Control	\$ _____
Alarm/Cable TV, Lawn Care, Other	\$ _____
Other/Roof/HVAC/Capital Repairs	\$ _____

Total Annually \$ \_\_\_\_\_

Total Monthly \$ \_\_\_\_\_

Fair Rental Value- Annual (indicate source of data) \$ \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Last 4 digits of SSN XXX-XX- \_ \_ \_ \_

HR Use Only:

Reviewed By: \_\_\_\_\_ Date sent to Payroll location \_\_\_\_\_

Last Revised: