



Frequently Asked Questions – PRIESTS' AUTOMOBILE EXPENSES

WHEN DOES A PRIEST NEED TO SELECT EITHER THE MILEAGE OR THE 80/20 AUTOMOBILE REIMBURSEMENT? This is an annual election, and must be done effective on January 1, for the entire year. A priest cannot change from one option to the other – except at the end of the year.

CAN A PRIEST CHANGE AUTOMOBILE REIMBURSEMENT DURING THE YEAR? No, the election is done only once a year, effective January 1.

IF A PRIEST ELECTS THE MILEAGE OPTION, HOW ARE BUSINESS AND PERSONAL MILES INCORPORATED? Priests should only include miles that are work-related. In fact, the miles to and from the rectory to the church each day are personal miles and any other business-related miles during the rest of the day are work miles. Miles driven from Atlanta to Miami for a vacation are personal miles and should not be included for reimbursement.

IF A PRIEST ELECTS THE 80/20 OPTION, WHAT KINDS OF EXPENSES ARE INCLUDED? Any auto-related expenses such as oil, gas, routine maintenance, car washes, insurance, etc., are included as “routine” for the 80/20 option. Major auto repair costs (such as a new engine or transmission) are costs that must be paid by the priest himself. This 80/20 option applies to the priest’s primary vehicle only. Any additional vehicles are purely his personal expense.

WHO SHOULD PAY THE AUTOMOBILE INSURANCE INVOICE? Each priest should always pay their own insurance bill, out of their own personal bank account. Reimbursement of the insurance bill would then be handled as noted above, if they opted for the 80/20 plan, or no reimbursement if they opted for the per-mile option.

WHEN WE SAY THAT A PRIEST IS IN THE 80/20 OPTION, HOW DOES THAT WORK? If a priest pays, for example, \$1,000 for insurance, then the parish would reimburse him for 80 percent of the expense (\$800) and would also include that \$800 in his taxable income for the year (via 1099). The remaining 20 percent (\$200) is priest’s own personal portion of this expense.

SHOULD THE PRIEST OR THE PARISH PAY THE 80/20 AUTO BILLS? To simplify the paperwork and administration, the priest should always pay their bills and then seek reimbursement from the parish for the 80 percent. Priests

should not use parish credit cards for their own automobile expenses, as this merely complicates the reimbursement process between the priest and parish.

IF A PRIEST HAS ELECTED THE 80/20 OPTION AND DOES NOT PAY HIS EXPENSES, BUT SIMPLY GIVES THE RECEIPT TO THE PARISH TO BE REIMBURSED, HOW DOES THIS WORK? This is not the best way to handle auto expenses. If the parish pays the bill entirely, the priest needs to reimburse the parish for his 20 percent, and this complicates the 1099 process. It becomes very labor intensive to resolve. For simplification, receipts that are paid in this manner should simply be 1099'd entirely to the priest.