



# Memo

**Date:** January 11, 2021

**To:** All pastors, parish mission administrators, school principals and business Managers

**From:** Michael Warren, Director of Financial Services, and Patrick Warner, Parish Accounting Manager; Office of Finance

**Re:** IRS Auto Mileage Rates for 2021, Mileage vs 80/20 Guidance, and FAQs

---

**STANDARD MILEAGE RATES:** Effective January 1, 2021 the standard mileage rate in the archdiocese for business mileage will be 56¢ per mile. Please use this rate to reimburse employees who drive their personal vehicles for church/school related business. This rate is also used to compensate archdiocesan priests who have chosen the actual mileage method for their automobile reimbursement.

## **PRIEST AUTOMOBILE ALLOWANCE AND EXPENSE OPTIONS**

**AUTOMOBILE ALLOWANCE** – Each priest is responsible for providing his own automobile. Priests may elect one of two methods to recover a portion of the cost of a single automobile:

**80/20 Option:** where 80 percent of all normal operating expenses including insurance, gas, oil, repairs, etc. are paid.

The most efficient way of handling the payment of auto expenses for those who elect the 80/20 option: the priest should pay the expenses, and then submit receipts to the business office. The business office will reimburse the priest for 80 percent of the expense (meaning the priest absorbs 20 percent of the expense). The priest would have the 80 percent reimbursement included on his 1099 for the year.

**Per Mile Option:** An amount per mile (56¢) is defined by the IRS, for mileage drive on church/school business. This reimbursement is processed via expense reports that include appropriate documentation.

**ORDER PRIESTS** – Order priests are provided automobiles by their order. The order is reimbursed through a fixed automobile allowance paid directly to the Order.

**PARISH, SCHOOL OR CATHOLIC CENTER** – The entity to which the priest is assigned is responsible for the automobile allowance (whether that is paid under the “per mile” option or the “80/20” option).

**AUTOMOBILE OPERATING EXPENSES** – For those who elect the 80/20 option for automobile reimbursement, these expenses do not include extraordinary replacements, such as a new engine or transmission. Personal auto mileage are not included in reimbursable mileage. Reimbursement does not include accident repair cost in excess of that covered by insurance.

**FLEET AUTOMOBILE POLICY** – Priests are encouraged to purchase automobile insurance through the archdiocesan fleet policy. The fleet policy is billed out in July for the entire policy year. If a priest declines the fleet policy and instead procures insurance coverage independently, then the outside coverage must include at least a \$500,000 combined single limit of liability (or \$1,000,000 if available), and the policy needs to specify that the archdiocese is an additional named insured party. Any vehicles covered by an outside policy must be made available for the Office of Finance and Catholic Mutual, as requested.

Other questions? We have attached a summary of several common questions. If you have further questions, please contact Patrick Warner ([PWarners@archatl.com](mailto:PWarners@archatl.com)) or Michael Warren ([MWarren@archatl.com](mailto:MWarren@archatl.com)).

Thanks.



## **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.