



Memo

Date: November 4, 2024

To: Pastors, deacons and business managers

From: Holly Orsagh, director of financial services, Office of Finance

Re: Reclassification of salary as a Housing Allowance—
permanent deacons only

This document and the attachments are updated guidance on the process for permanent deacons to consider and decide upon, annually, whether to reclassify a portion of their salary, as allowed for all clergy per the IRS tax rules as a Clergy Housing Allowance.

The term “Housing Allowance” is only an IRS-defined term, as the archdiocese does not have any such defined allowance within our compensation program.

Each deacon should consult with a tax professional to determine whether or not to pursue this payroll reclassification. The amount of salary to be reclassified is income-tax free, but is not Social Security-tax free, and in addition, requires the deacon to pay both employer and employee portions of Social Security on his entire compensation, not just on the exact reclassification amount. See the attached example of the associated IRS forms.

If a deacon does elect to reclassify a portion of his salary, the election is good for one year and must be renewed each year. Further, it needs to be dated and submitted to the Office of Human Resources prior to the beginning of the new year, per the IRS.

Please see the [attached documents](#) and [IRS form examples](#). If you have any questions, please email me at horsagh@archatl.com.