

KEY EXPENSES FOR CLERGY

A 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 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.

B 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.

C AUTO TRAVEL:

Your auto expense is based on the number of qualified business miles you drive. Expenses for travel between business locations or daily transportation expenses in going 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, your trips between home and the office each day or between home and one or more regular places of work are COMMUTING 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; (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.

D TRAVEL - OUT OF TOWN:

Expenses of 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 \$25, a receipt is not necessary if you record all of the information in a 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.

E 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 aren't deductible.

TAX DEDUCTIONS FOR CLERGY

PARSONAGE ALLOWANCE

Allowance Received		
Interest – Home		
Taxes – Home		
Rent – Home		
Repairs – Home		
Insurance – Home		
Utilities - Home		

SUPPLIES & EXPENSES

Books – Religious Music	
Books – Theology	
Business Cards	
Insurance - Business	
Map Book	
Clerical Service	
Pager	
Telephone – Book	
Word Processor	
Entertainment <i>(Enter 100% of expense)</i>	
Software – Appointment/Calendar	
Software – Theological	
Software – Word Processing	
Greeting Cards	
Legal & Professional Services	
Photocopy Expense	
Postage	
Vestments	
Vestments – Repair	
Vestments - Cleaning	
Other:	
Other:	

TELEPHONE EXPENSES

Cellular Calls	
FAX Transmissions	
Paging Service	
Pay Phone	
Toll Calls	
Other:	

MISCELLANEOUS EXPENSES

Business & Professional Associations	
Professional Subscriptions	
Other:	

AUTO TRAVEL

Educational	
Funerals	
Infirm – Hospital Visits	
Parishioner Meetings	
Out of Town Travel	
Outings – Congregation	
Weddings	
Parking (\$)	
Tolls (\$)	
Other:	

TRAVEL – OUT OF TOWN

Airfare	
Bridge & Highway Tolls	
Bus & Subway	
Car Rental	
Laundry	
Lodging <i>(do not combine with meals)</i>	
Meals <i>(do not combine with lodging)</i>	
Parking	
Porter, Bell Caption	
Taxi	
Telephone Calls <i>(including home)</i>	
Train	
Other:	

CONTINUING EDUCATION

Correspondence Course Fees	
Materials & Supplies	
Course Registration	
Seminar Fees	
Reference Material	
Text Books	
Photocopy Expense	
Other:	

EQUIPMENT PURCHASES

Answering Machine	
Calculator	
Copy Machine	
FAX Machine	
Pager	
Telephone	
Other:	