The Priest Tax Equity Reimbursement will shift to a fiscal year reimbursement. This is motivated by several factors: parishes budget on a fiscal year, priest compensation amounts change at the fiscal year, but most especially because priests are moved on a fiscal year cycle and this has created some hiccups involving retiring priests, newly ordained priests, and occasionally the situation where an ‘order’ priest either precedes or follows a diocesan priest.

One aspect that will not line up entirely will be the value of housing compensation. That is set on a calendar year basis. We suggest using the value of housing compensation in the most recent letter from the finance council chair to the pastor (usually done before Dec 31 of the year). If you did not do this letter already this fiscal year, please contact Scott Bader in Parish Financial Services immediately.

The other change of note will be that for this year, the parishes will be having to reimburse for a year and a half worth of tax payments.

The parish will do the normal tax equity calculation for tax year 2022 (in calendar year 2023). Nothing changes about this for 2022. But the parish will also be reimbursing for the first half of 2023. This will be done by adding one half of the 2022 tax year calculation onto the tax equity reimbursement you calculated for tax year 2022. (The calculation is done for you in the spreadsheet.)

Note that the 2022 tax year reimbursement and the first half 2023 reimbursement are being brought forward into this fiscal year and needs to be paid so that it will be included in a payroll for the priest that occurs before June 30th (and thus also would be swept from your parish bank account before June 30th) of 2023.

It is anticipated at the time of this writing that the reimbursement going forward will be spread throughout the year and incorporated into the regular paycheck. More information will follow in the next month.

PROCEDURES FOR PRIESTS’ TAX EQUITY PAYMENTS AND RELATED INCOME TAX MATTERS

TO BE PROCESSED IN 2023

**Reimbursement of Self Employment and Certain Income Taxes:** Each diocesan priest (and any ‘Order’ priest that pays income tax) will be reimbursed for approximately one half of his self-employment tax and marginal federal income tax on the self-employment reimbursement as well as the food allowance for the preceding calendar year, as well as half of the anticipated amount for 2023 (calculated as one half of the 2022 amount).

**Procedures**

1. The Priest(s) assigned to a Parish as of June 30, 2023 should submit the two pages (tabs) of the worksheet titled Priest Tax Equity Reimbursement 22-23. Please note that the schedule for 2023 is based on taxable income for calendar 2022. If a priest will have only served for part of fiscal year 2022-2023 in your parish, please contact Parish Financial Services for how to calculate this.

2. After review, In Paycom, the PAA will use this supplemental spreadsheet to enter the tax equity reimbursement for the priest and send to payroll.

Below is the example of how it should be entered.

Earning or Deduction column: enter #1

Amount/hours column: enter dollar amount.



3. Questions regarding this policy or its implementation should be directed to Scott Bader at (206) 382-4585 or scott.bader@seattlearch.org;

Note the tax on the food allowance is essentially reimbursed twice, hence entering it on the request tab and it being included also in the income from the W-2 on the detail tab.