

*Archdiocese of San Francisco Policy
Guidelines for Tax-Exempt Housing
Allowance for Deacons (undated)
(Diaconate Office)*

Archdiocese of San Francisco
Policy Guidelines for Tax-Exempt Housing Allowance for Deacons

The benefit shall apply only to "ministerial deacons". Simply because a deacon is employed by the Archdiocese does not mean that the deacon qualifies for the ministerial housing allowance. Rather, the deacon must be an ordained deacon, performing sacerdotal functions and/or work that is of a unique and integral religious nature (as opposed to a temporal job, customarily performed by lay employees) in which the status of deacon is required or highly preferred. Examples would include Head of the Permanent Diaconate Program, Pastoral Associate, a member of the Archbishop's Cabinet, etc.

In order to participate in the program, the individual must regularly work, on a paid basis, a minimum of 20 hours per week, performing ministerial duties for the Archdiocese. A person working at least 37.5 hours per week would be entitled to the full housing allowance. Those working somewhere between 20 hours to 37.5 hours per week would receive the housing allowance on a *prorata* basis.

Per IRS requirements, any deacon claiming the ministerial housing allowance would, like the priests, be required to file Schedule SE with the IRS and pay into the Social Security system through self-employment tax, rather than the FICA employer matching tax withholding that normally applies. Therefore the employer should increase the deacon's salary to include the appropriate FICA rate normally paid directly to Social Security by the employer. This increase in the deacon's salary will not cost the employer any more total dollars than the salary and benefits package previously paid to the deacon as an employee. The deacon will then match the employer's salary increase, with his traditional FICA payment, for a total FICA payment, which is the amount of the self-employment tax the deacon is required to pay when filing the required Schedule SE tax return.

Deacons participating in the program should understand that their allowable tax-sheltered annuity contribution will be reduced, since the allowable percentage is based on taxable wages (i.e., the housing allowance would reduce the amount of taxable wages).

The housing allowance includes the following:

1. The lesser of actual mortgage payments (principal, interest, taxes, and insurance), or the fair-market rental value of the property, including all costs associated therewith. It is important to note that if the home is owned outright by the deacon (i.e., there is no mortgage owed on the property), then the fair rental value of the property cannot be included in the housing allowance. It also should be noted that the costs of home equity loans can only be included if they relate to home improvements as opposed to loans for personal items, such as an automobile, paying for children's tuition, etc.
2. Utilities (heat, electric, water, sewage, cable TV, basic telephone, rubbish removal, etc.)
3. Capital improvements (roof, furnace, new windows, etc.)
4. Repairs and maintenance (cleaning supplies, painting, replacements, etc.)
5. Interior furnishings (furniture, decorations, window treatments, etc.)

Note: Maid service or food does not count.

The housing allowance is limited to the lowest of the following three restrictions:

1. The amount designated in advance by the employer.
2. The fair rental value of the residence.
3. The actual expenses incurred in providing for the residence.

By September 1st of each calendar year, the participating deacons must complete a form, approved by the Archdiocesan Chancery Office, which sets forth, in a suitably verifiable manner, the estimated expenses for the upcoming calendar year (any excess of estimated expenses over actual expenses will be taxed). Note that retrospective allowances do not apply.

The applicant should understand his responsibility in requesting approval of his application for Tax Exempt Housing Allowance as stated on the application.

The following procedure should be followed in presenting application for Tax Exempt Housing Allowance:

1. Applicants must present adequate documentation of expenses as outlined on the application form for consideration before September 1st for the next year's allowance consideration.
2. The Diaconate Office must evaluate all requests to see if the deacon qualifies for the program. The Office's decision (approval/denial) and reasons must be communicated in written form to the applicant after review by the Finance and Legal Offices.
3. The Finance and Legal Offices will evaluate the completed approved requests submitted by the Diaconate Office for reasonableness. They will advise the Diaconate Office in writing if they agree or reject the request.
4. The decision is limited to one year and subject to review if any of the major factors change. Since the Diaconate Office oversees the program, they will be responsible for monitoring for any changes and will notify the Finance/Legal Offices of such changes when they occur.

Archdiocese of San Francisco
Deacons in Half-Time to Full-Time Salaried Ministry
Application for Tax-Exempt Housing Allowance
Section 107 (Internal Revenue Code)

Deacon's name: _____

Parish or agency issuing salary: _____

Weekly hours of ministry: _____

(Half time is at least 20 hours; Full time is at least 37.5 hours)
Please provide a brief description of the specific ministerial
duties performed in your position and the percentage of work time devoted
to such duties in the space below:

Fill in the amount of your projected request for tax-exempt housing expenses for the
calendar year in accordance with the Archdiocesan policy guidelines. (Note: attach
suitable documentation supporting your projection):

- | | |
|---|----------|
| 1. Mortgage payment (see guidelines for details)..... | \$ _____ |
| Utilities..... | \$ _____ |
| Capital Improvements..... | \$ _____ |
| Repair and Maintenance..... | \$ _____ |
| Interior Furnishings..... | \$ _____ |
| Total..... | \$ _____ |

or

2. Fair rental value of property..... \$ _____
(Please provide a statement of rental value from a realtor)

I acknowledge that I am responsible for the accuracy of the information submitted on this
application. I also understand that Archdiocesan approval of this application does not
insure that the IRS will honor the deduction items listed on this application when I submit
my tax return. For answers to questions in this regard I understand that I should seek
independent tax advice from a qualified professional.

Deacon's
signature: _____ date: _____