



Diocese of Rockford

555 Colman Center Dr.
P.O. Box 7044
Rockford, IL 61125

TO: Priests, Business Managers and Bookkeepers

FROM: Rev. Msgr. Daniel J. Deutsch, Vicar for Clergy and Religious

DATE: October 6, 2016

RE: Changes in Priests' Compensation

Effective January 1, 2017, we are implementing a few changes to priests' compensation in the Diocese of Rockford. The changes are a result of recommendations from the diocesan Audit Committee and diocesan staff. The changes have been discussed with the Presbyteral Council and the Vicars Forane, and approved by Bishop Malloy. Following are the changes resulting from this consultative process.

1. The base salary for priests will increase 10% effective January 1, 2017. An updated priests' salary scale reflecting this increase is attached.
2. All priests will receive a one-time \$800 taxable stipend payable the last week of December 2016.
3. The monthly professional expense advance of \$800 will be replaced by a direct reimbursement for documented ministry-related professional expenses. Priests will be required to submit receipts with professional expense reimbursement forms to be reimbursed for their ministry-related expenses. The current annual fiscal year limit of \$9,600 in reimbursable expenses will continue.
4. We are establishing procedures for food reimbursements, eliminating any flat monthly allowances.

Background:

Since 1995, the Priests' Compensation Policy allows priests to receive a monthly advance (currently \$800 per month) for ministry-related professional expenses. Each priest was responsible for maintaining documentation for advances received and, to the extent his documentation could not substantiate the entire advance, he was required to return any unsubstantiated amounts. Since the individual priests retained the documentation, the parish offices did not have the documentation for the parish records.

Under the new procedures effective January 1, 2017, priests must provide the parish or other diocesan organizations with documentation in the form of mileage logs and receipts. The parish or other diocesan organization will reimburse priests based on the documentation submitted. The annual fiscal year limit on professional expense reimbursement remains at \$9,600.

If priests were following the reimbursement policy procedures under existing policy, the only difference between the advance method and the new reimbursement method is timing. Under the advance method, priests received \$800 at the beginning of each month. Under the new reimbursement method, priests will receive reimbursement after submitting documentation to the bookkeeper.

Recognizing that priests do not earn large salaries, switching from reimbursing expenses in advance to reimbursing expenses after the fact could put a stress on a priest's personal finances. Therefore, we are authorizing a one-time \$800 stipend for which no documentation is required. It will be paid near the end of December 2016 and, since we are requiring no documentation for the payment, it will appear as income on each priest's Form W-2 for 2016.

To assist with the recording of the information required for reimbursement, we have designed three forms as follows: Professional Expense Reimbursement Form, Mileage log & Table Expense Reimbursement Form. Attached are the forms and also will be available on the Diocesan website. A summary of Definitions will also be included.

Priests need not use these particular forms to receive reimbursement. If priests have established record keeping systems that contain all of the required substantiation, they may submit their own formats for reimbursement. Further, we consider the forms a work in progress. We welcome suggestions for improvement.

Table expense:

The main change to the procedures regarding paying for priests' food is the elimination of flat allowances paid to some priests for table expenses. Effective January 1, 2017, priests will only be reimbursed for documented food expenses. Table expense may be of four types:

1. Food purchased by the parish. If a parish pays for groceries which are consumed at the parish rectory, then there is no reimbursement or reporting requirements for priests. They benefit from an in-kind and income tax-free benefit.
2. Groceries purchased by a priest consumed at the rectory. In this scenario, the priest should submit receipts for grocery purchases. The attached form entitled "Table Expense Reimbursement" may be used for reimbursement purposes. This is a separate reimbursement from the professional expense reimbursement. The reimbursement is income tax-free and not includible on a priest's Form W-2.
3. Meals consumed by a priest at a restaurant eating alone or with others but not for a ministry purpose. In this scenario, a priest may be reimbursed by the parish using the Table Expense Reimbursement form. The only difference is that, according to IRS regulations, those reimbursements are taxable and must be included on the priest's Form W-2. The IRS does not extend the income tax-free status to personal meals consumed outside the rectory.
4. Meals consumed by a priest at a restaurant for ministry purposes. This type of expense falls under the category of professional expenses. The priest may be reimbursed for ministry-related meals, but the reimbursement is part of the Professional Expense Reimbursement, not Table Expense Reimbursement. This type of reimbursement is tax-free as a ministry-related professional business expense.

Conclusion:

The diocesan Audit Committee has recommended these changes to bring parishes and diocesan organizations into full compliance with government regulations. Through a one-time additional stipend of \$800, and a 10% increase to the base salary of priests, we have made efforts to mitigate the negative cash flow implications to our priests. If you have questions regarding policy issues, please refer them to me. For technical compliance issues, please contact the Office of Finance and Administration.

Diocese of Rockford
Professional and Table Expenses
Definitions

PROFESSIONAL EXPENSES (G/L: xxx-40200)	
MILEAGE	The IRS sets a standard mileage reimbursement rate each year to reflect current automobile operating costs. The rate covers gas, insurance, cost of owning (car loan payments or lease payments) and repairs to a vehicle. Report the number of miles driven in a month on the professional expense report. Tolls or Parking are also reimbursable in addition to any mileage calculation. Report any tolls/parking and attach a receipt to the professional expense report. Do not attach receipts for gas, repairs, etc., unless it is a diocesan owned vehicle.
LODGING	The eligible expenses for lodging while at a ministry-related meeting, retreat, conference. Eligible expenses require a receipt which includes date, location and purpose of the lodging.
CLOTHING	The cost of vestments, black clerical suits, dry cleaning, etc.
CELL PHONE	The cost of the regular cell phone service and usage is reimbursable. Please understand that excessive personal use may be denied reimbursement.
DUES & SUBSCRIPTIONS	Professional dues to organizations, subscriptions to magazines, etc.
SUPPLIES	This category includes ministry supplies, computer supplies, books, etc.
MINISTRY-RELATED MEALS OUTSIDE OF RECTORY	Any meals outside of rectory that have a ministry purpose. Please annotate on the receipt the ministry purpose and who is in attendance. You can report any travel related meals also in this category. This expense is part of the professional expense limits for the year.
TABLE EXPENSES (G/L: xxx-45200)	
MINISTRY-RELATED MEALS AT RECTORY	Meals or celebrations at the rectory for a group of people should be a parish expense directly and not be reported on the individual expense report.
PERSONAL MEALS AT RECTORY	Per the IRS, this is an income tax-free benefit to priests. If a priest buys groceries for use at the rectory, he should submit the receipts for reimbursement. This is a separate reimbursement from professional expenses and does not count toward the \$9,600 annual limit for professional expense reimbursements.
PERSONAL MEALS (EATING ALONE OR WITH FRIENDS) NOT AT RECTORY	The IRS views this as a perk or benefit which is taxable. Any personal meals that are reimbursed need to be reported to the diocese annually to be added to the priest's wages for tax reporting.



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Professional Expense Reimbursement

NAME: _____ **REIMBURSEMENT PERIOD:** _____

PARISH/CCHS/AGENCY: _____ **CITY:** _____

Comments: Please indicate the full date and a brief description of ministry purpose, and attach receipts. See example below.

Professional Expense Summary:

(attach receipt for each item)

DATE	Description - Category	Amount	Receipt
10/1/2016	Example: US Cleaners – dry cleaning	35.00	√
TOTAL Professional Expenses			

Enter mileage total from separate mileage log(s) _____ miles x \$0.545 = _____
 @ current IRS reimbursement rate (0.545 effective January 1, 2018)

TOTAL Professional Expense Reimbursement Requested: \$ _____
 Limited to \$9,600 annually per fiscal year

Signature: _____ Date: _____



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Mileage Log

NAME: _____ **REIMBURSEMENT PERIOD:** _____

PARISH/CCHS/AGENCY: _____ **CITY:** _____

Comments: Please indicate the full date and a brief description of ministry purpose. See example below.
(Trips to hospital, nursing home, travel for meetings or conferences.)

DATE	DESCRIPTION OF TRAVEL INCLUDING PURPOSE & LOCATION	MILEAGE
10/1/2016	Example: St. Anthony Hospital – sick calls	10

Total mileage to be carried over to Professional Expense Reimbursement form: _____



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Table Expense Reimbursement

NAME: _____ **REIMBURSEMENT PERIOD:** _____

PARISH/CCHS/AGENCY: _____ **CITY:** _____

Comments: Use this reimbursement request for purchases of groceries for meals eaten at the parish rectory and for personal meals eaten at restaurants.

DATE	Grocery Store / Restaurant	Amount	Receipt
10/1/2016	Example: Whole Foods - groceries		✓
TOTAL Table Expense (Split into categories below)			

SUBTOTAL by category: RECEIPTS MUST BE ATTACHED FOR **ALL** ITEMS.

Table Expense – Groceries \$ _____
 Table Expense – Personal meals at restaurants (not ministry-related) _____ *

TOTAL Table Expense Reimbursement Requested: \$ _____

Signature: _____ Date: _____

* Note: Personal meals at restaurants are reimbursable, but according to IRS rules, are taxable and will be added to W-2 wages.