



## Catholic Diocese of Columbus

### **800.0 - Compensation to Employees**

The compensation arrangements with all Diocesan employees are subject to the following policies and rules set by the laws of the Federal, State and Local governments, as well as Universal Church Law. This section of the policy manual includes both policies as well as guidelines that will help Diocesan entities to administer proper employee compensation programs. The policies and guidelines include:

801.0 - Classification of Workers

801.1 - Wages and Compensation

801.2 - Employee (W2) or Independent Contractor (1099)

801.3 – Classification of Workers as Exempt or Non-Exempt

802.1 - At Will Employment

802.2 - Timesheets as Documentation of Hours Worked & Benefit Time Used

802.3 - Overtime & Flex Time

803.0 - Plan 125

804.0 - Payroll is Prepared Properly and Timely

805.0 - Issuance of W2

806.1 - Clergy - W2 Compensation

806.2 - Priests Pension and Other Post-Retirement Benefits

806.3 - Other Religious – Compensation

806.4 - Stipends - Tax Reporting Requirements

807.0 - Changes to Employee Status

808.0 - Reimbursement of Priest Mileage for those serving on Diocesan Councils or Committees

809.0 – Work for Tuition & Taxability of Scholarships



## Catholic Diocese of Columbus

- Policy    Guideline  
 Diocesan    Parish    School    All

### **801.0 - Classification of Workers**

The regulations provided by the Internal Revenue Service and the Department of Labor require that those individuals who provide service for compensation be properly classified.

Policy 801.1 provides general guidance on the payment of compensation and wages to all individuals performing services in the Diocese of Columbus

Policy 801.2 provides guidance in classifying individuals as either Employee or Independent Contractor per the regulations of the Internal Revenue Service

Policy 801.3 provides guidance in classifying individuals as either Exempt or Non-Exempt per the regulations of the Department of Labor under the Fair Labor Standards Act.

Questions or requests for clarification should be sent to the Diocesan Personnel Office or the Diocesan Finance Office.



## Catholic Diocese of Columbus

Policy     Guideline  
 Diocesan     Parish     School     All

### **801.1 - Wages and Compensation**

All employees are to be compensated a fair and just wage for services rendered. Determination of a fair and just wage should be based on the requirements of the position and what others are paying for a similar set of responsibilities.

The establishment of individual compensation levels within a Parish are at the discretion of the Pastor.

The establishment of individual compensation levels within a school, excluding teachers and principals, are at the discretion of the Principal, with consultation with the Pastor (elementary schools) and/or Superintendent of Catholic Schools.

The establishment of individual compensation levels for teachers is set by agreement with appropriate bargaining association (i.e. COACE) or by the Principal with consultation with the Pastor (in entities where teachers are not covered by a bargaining association).

The establishment of individual compensation levels for principals and assistant principals are set at the discretion of the Superintendent of Catholic Schools.

The establishment of individual compensation levels for employees of Agencies, Institutions or Diocesan Offices are set at the discretion of the appropriate Director and Moderator, based on parameters set within each entity's budget.

Pay is on a salaried or an hourly basis for all employees. Hourly employees are paid a specific hourly rate for each hour worked. If vacation and holiday are offered, then vacation and holiday pay are to be based upon their regular hourly rate. Salaried employees receive a set amount of pay per pay period for all hours worked within that pay period. Vacation and holiday pay are integrated with salary.

#### Supplemental Pay

In addition to being hired as a lay teacher, many of our teachers are offered the opportunity to perform additional service to the school (i.e. coaching, Power of the Pen coordinator, School Safety Patrol coordinator, etc.) for which an amount is paid to the employee in addition to their teacher salary. This additional amount, when paid through the school, is to be recorded as employee compensation, with appropriate deductions made (i.e. taxes withheld, etc.) and reported on the employee W2. If the employee is paid by someone other than the school, and the other entity uses a separate tax ID, then the income may be reported on a 1099. Questions related to the proper reporting of supplemental pay should be addressed to the Diocesan Finance Office.

#### Compensation to Salaried Employees

Being paid on a "salary basis" means an employee regularly receives a predetermined amount of compensation each pay period on a weekly, or less frequent (i.e. monthly, bi-weekly, semi-monthly, etc.), basis. The predetermined amount cannot be reduced during the pay period because of variations in the quality or quantity



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### **801.1 - Wages and Compensation**

of the employee's work. Subject to exceptions listed below, an exempt employee must receive the full salary for any week in which the employee performs any work, regardless of the number of days or hours worked. Exempt employees do not need to be paid for any workweek in which they perform no work. If the employer makes deductions from an employee's predetermined salary, i.e., because of the operating requirements of the business, that employee is not paid on a "salary basis." If the employee is ready, willing and able to work, deductions may not be made for time when work is not available.

#### **Circumstances in Which the Employer May Make Deductions from Pay**

Deductions from pay are permissible when an exempt employee:

- is absent from work for one or more full days for personal reasons other than sickness or disability;
- for absences of one or more full days due to sickness or disability if the deduction is made in accordance with a bona fide plan, policy or practice of providing compensation for salary lost due to illness;
- to offset amounts employees receive as jury or witness fees, or for military pay;
- for penalties imposed in good faith for infractions of safety rules of major significance; or
- for unpaid disciplinary suspensions of one or more full days imposed in good faith for workplace conduct rule infractions.

Also, an employer is not required to pay the full salary in the initial or terminal week of employment, or for weeks in which an exempt employee takes unpaid leave under the Family and Medical Leave Act

#### **Further Clarification of Compensation**

The IRS defines *compensation* as a payment for services performed by an employee for an employer, and includes: wages, salaries, bonuses (i.e. Christmas bonus, performance bonus, etc.), and property given to employees. The IRS also defines stipends, which are a fixed sum of money paid periodically for services, as compensation. This would include stipends paid to musicians and members of the clergy. Stole fees, which are fees of a pre-defined amount, paid to clergy after they administer a sacrament, such as a baptism or marriage, are compensation (as opposed to gifts as this is defined by the IRS).

All compensation paid to employees is to be reported through Form W-2, and the compensation is to be included in wages reported for unemployment and Worker's Compensation purposes. Appropriate income taxes and social security taxes are to be withheld on all compensation (exception is social security and medicare tax must not be withheld from clergy and religious wages). Failure to do this is a violation of Federal law and risks penalties to the individual and entity who fails to report the compensation. The employee must furnish the number of withholding exemptions claimed. If no information is supplied, the number of withholding exemptions will be zero. Please see **Policy 801.2 – Employee or Independent Contractor** for further clarification of who is to be classified as an employee.



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### **801.1 - Wages and Compensation**

There is an exception related to the reporting of stipends, stole fees and Honoraria paid to the clergy (priests, permanent deacons) and members of religious orders. Please see Policies 806.1 and 806.4 for further information on payment of these items to clergy.

#### **Specific Examples of Classification and Reporting of Compensation**

Many entities will provide a bonus to their employees at specific times of year, such as Christmas. These payments are to be classified as compensation, paid through payroll and reported on the employee's W2.

Teachers in the Diocesan school system may be eligible to receive a discount on tuition for their children which attend a Diocesan school. This is not compensation and is not to be reported as such for the teacher.

There are instances where a teacher will receive a payment from a Diocesan entity where they are employed to help pay for tuition for the teacher's child. These payments, when made to the parent, are "for the benefit of" the student as permitted under Proposed Treas. Reg. Sec. 1.117-6(c)(3) and therefore are excluded from gross income to the extent actually used for tuition, or related expenses such as books, supplies or fees. To the extent used for other purposes, the amount received is taxable income. If the amount was paid directly to the child's school, the burden of proving actual use would be automatically satisfied.

For sports referees, umpires and officials, by the type of work they perform, they are not to be considered employees. Per the IRS regulations, if paid in excess of \$600 per year, they are to receive a 1099. See Policy 613.0 – Athletic Event Payments for further clarification.

Several of our High Schools offer work study programs which provide tuition reductions for students. Per the IRS, if the amount received represents payment for services by the student required for receiving the tuition reduction and the services are subject to direction or supervision of the grantor, then these amounts are to be considered compensation. These students are to be classified as employees, paid through payroll, and be issued a W2 for the compensation paid to them.

Payments made to a teacher to assist with their completion of continuing or additional education, are not compensation to the extent actually used for tuition, or related expenses such as books, supplies or fees.



## Catholic Diocese of Columbus

Policy     Guideline

Diocesan     Parish     School     All

### **801.2 - Employee (W2) or Independent Contractor (1099)**

From time-to-time, a question arises as to whether payments to an individual for work performed are documented on a W2 (an employee) or a 1099 (an independent contractor). The Internal Revenue Service provides guidance that will allow a reasonable determination to be made. It should be noted that each decision will be specific to the relationship between the entity and individual.

When individuals perform services for us and receive money or property for those services, we must properly classify them as an employee or an independent contractor. This decision will impact how we document payments for tax purposes, whether we provide benefits to them, whether we are required to withhold taxes from the amounts we pay them, and whether they are covered by our Worker's Compensation and Unemployment insurance.

The relationship is determined by the specific facts of each case. Important factors characteristic of an independent contractor are:

- They offer the same service, under essentially the same pricing, to other customers (financial control criteria)
- They are self-managed, using their own discretion as to how an assigned task is done (behavioral control criteria)
- You do not have the right to fire them, but you can remove them or have them removed from the job (type of relationship criteria).

If the answer to any of the three questions is yes, then the individual is most likely an independent contractor. In addition, if you have other individuals performing similar responsibilities, then each individual should be classified the same way (employee or independent contractor).

The IRS has a very specific list of criteria that if a difference of opinion exists, can be helpful in classification. These questions are available on the IRS website ([www.irs.gov](http://www.irs.gov)), Form SS-8.

Although the designation of an individual as an independent contractor in a contract is not necessarily controlling (i.e. specific facts may override this), a contract clearly stating the relationship as that of independent contractor is helpful.

If they are an independent contractor, you may be required to obtain the proper insurance certificate and worker's compensation insurance proof before allowing them to work on church or school property, depending on the type of work they are performing.

All others performing service for the church, for compensation, are to be classified as employees of the entity. By doing so, you will be in compliance with IRS regulations by withholding proper taxes. In addition, the individual will then be covered by our Worker's Compensation and Unemployment insurance.



## Catholic Diocese of Columbus

Policy       Guideline

Diocesan     Parish     School     All

### 801.2 - Employee (W2) or Independent Contractor (1099)

Some specific examples of how certain individuals are to be classified are:

Position	Employee or Independent Contractor	Comments
Priest	Employee	See Note 1, Note 2
Religious	Employee	See Note 1
Deacon	Employee	See Note 2
Seminarian	Employee	
Director of Religious Education	Employee	
RCIA Director	Employee	
Youth Minister	Employee	
Religious Education Teacher	Employee	
Director of Music	Employee	
Pastoral Associate, Assistant, Minister	Employee	
Sacristan	Employee	
School Teacher, including Substitutes and Pre-School Teacher	Employee	
Coach	Employee	
Principal	Employee	
Director	Employee	
Business Manager	Employee	
Bookkeeper	Employee	
Accountant	Employee	
Administrative Assistant	Employee	
Secretary	Employee	
Receptionist	Employee	
Maintenance Worker	Employee	See Note 3
Custodial Worker	Employee	See Note 3
Librarian	Employee	



## Catholic Diocese of Columbus

Policy     Guideline

Diocesan     Parish     School     All

### 801.2 - Employee (W2) or Independent Contractor (1099)

Position	Employee or Independent Contractor	Comments
Library Aide	Employee	
Teacher Aide	Employee	
Cafeteria Worker	Employee	
Technology	Employee	See Note 3
Pre-School Director	Employee	
Pre-School Aide	Employee	
Latchkey Worker	Employee	
Organist	Employee	See Note 4
Cantor/Accompanist	Employee	
Musician	Employee	See Note 4
Housekeeper	Employee	See Note 3
Athletic Director	Employee	
Athletic Trainer	Employee	See Note 3
Athletic Official	Independent Contractor	
Event Worker	Employee	
Sworn Site Security	Independent Contractor	
Student Workers	Employee	See Note 5

**Note 1:** For non Diocesan Priests and Religious, the preferred method of compensation is to pay the Order directly. If this is the case you may set up the Order in the payroll system, but no taxes are to be withheld. If the individual priest or religious is set up in the payroll system, again, no taxes are to be withheld

**Note 2:** For stipends paid to clergy, please follow the rules outlined in Financial Policy 806.4 - Stipends – Tax Reporting Requirements, as to the appropriate method for documenting these payments

**Note 3:** It is possible that individuals performing this function may meet the criteria for an independent contractor (i.e. offer the same service, under essentially the same pricing, to other customers; and self-managed, using their own discretion as to how an assigned task is done). If so, they must provide proof of general liability and workers compensation insurance

**Note 4:** It is possible that individuals performing this function may meet the criteria for an independent contractor (i.e. offer the same service, under essentially the same pricing, to other customers).

**Note 5:** If you employ individuals under the age of 18, you must adhere to the State of Ohio Minor Labor Laws.





---

## **Catholic Diocese of Columbus**

---

Policy     Guideline

Diocesan     Parish     School     All

### **801.2 - Employee (W2) or Independent Contractor (1099)**

Should you need further assistance in determining the proper classification of an individual, it is recommended that you contact the Diocesan Personnel Office or the Diocesan Finance Office.

\



## Catholic Diocese of Columbus

- Policy    Guideline  
 Diocesan    Parish    School    All

### **801.3 - Classification of Workers as Exempt or Non-Exempt**

For purposes of the policies in this section, workers are classified as:

1. **Exempt (Salaried) Personnel:** An exempt employee is an employee who, because of his or her duties, responsibilities, and salary level is exempt from the overtime provisions of the Fair Labor Standards Act (FLSA). Exempt employees are expected, by most organizations, to work whatever hours are necessary to accomplish the goals of his or her position. Thus, exempt employees have more flexibility in their schedules to come and go, as necessary, in order to accomplish work. Exempt personnel often include management and certain staff positions. Exempt personnel are generally salaried and are not eligible for overtime.
2. **Non-exempt (Hourly) Personnel:** Non-exempt personnel are those that are not Exempt, and generally hold clerical, secretarial, maintenance positions, and other support staff. Non-exempt personnel are generally, though not always, paid on an hourly basis and are always eligible for overtime.

Each employee job description is to clearly indicate the employee's classification as either Exempt or Non-Exempt.

#### Exempt/Non-Exempt Guidance

It is critical that employees be properly classified as Exempt or Non-Exempt. Hours worked must be tracked for all Non-Exempt employees to document that we are paying at least minimum wage and are paying overtime worked at a rate of time and ½ their hourly wage.

It is very important that all Non-Exempt employees report and record all time worked, regardless of whether the time worked was specifically requested or directed or the work was performed at the physical location or home. You must pay the employee for all time worked regardless of whether you specifically requested or directed the employee to work those hours, no matter where the work was performed.

The criteria, under the Fair Labor Standards Act (FLSA), for determining Exempt status varies in different situations, but usually two tests must be met:

- Salary test – the individual must earn at least \$455 per week on a salary basis to be classified as Exempt. A “salary” is the same amount of compensation each week, regardless of the quality or quantity of work performed. With certain limited exceptions, an Exempt employee must receive their full salary for any week in which they perform any work.

- Job Duties test – the individual must regularly perform the job duties required for the particular exemption (i.e. Executive, Professional, etc.) and usually must exercise discretion and independent judgment with respect to matters of significance to be classified as Exempt.

The FLSA provides an exemption to the Salary and Job Duties tests that allows for classification of individuals as Exempt:

- Teacher Exemption – applicable to those whose primary duty is teaching, tutoring, instructing in the activity of imparting knowledge and who is employed and engaged in this activity as a teacher in an educational establishment (as this is defined in the law).

Also, the courts have ruled that those employees who hold a “ministerial” position and duties, are exempt from the federal wage and hour laws. This Ministerial Exemption is applicable if the employee’s primary duties consist of teaching, spreading the faith, church governance, supervision or participation in religious ritual or worship. These individuals will always be classified as Exempt, regardless of their wage.

Based on this information, the following positions are to be treated as Exempt, even if they do not meet the Salary test above.

<b>Position</b>	<b>Classify As</b>	<b>Comments</b>
Priest	Exempt	Ministerial Exemption
Religious	Exempt	Ministerial Exemption
Deacon	Exempt	Ministerial Exemption
Seminarian	Exempt	Ministerial Exemption
Director of Religious Education	Exempt	Ministerial Exemption
RCIA Director	Exempt	Ministerial Exemption
Youth Minister	Exempt	Ministerial Exemption
Religious Education Teacher	Exempt	Ministerial Exemption
Director of Music	Exempt	Ministerial Exemption
Choir Director	Exempt	Ministerial Exemption
Pastoral Associate, Assistant, Minister	Exempt	Ministerial Exemption
School Teacher, including Substitutes	Exempt	Teacher Exemption
Pre-School Teacher, when Pre-School is part of Elementary School	Exempt	Teacher Exemption
Coach	Exempt	Teacher Exemption
Librarian – if under contract with the school	Exempt	Teacher Exemption

The following table lists position titles often found at parishes and schools. For each position, they must meet the Salary test specified above, or they must be classified as Non-Exempt. If they meet the Salary test, then you must verify that they meet the Job Duties test based on their job description in order to confirm whether to classify them as Exempt or Non-Exempt.

<b>Position</b>	<b>Comments</b>
Principal	
Director	
Business Manager	
Bookkeeper	
Accountant	
Administrative Assistant	
Secretary	
Receptionist	
Maintenance Worker	
Custodial Worker	
Librarian – if subject to a Letter of Understanding	
Library Aide	
Teacher Aide	
Cafeteria Worker	
Technology	
Pre-School Director	
Pre-School Aide	
Latchkey Worker	
Organist	Specifically ruled to not meet Ministerial Exemption
Cantor/Musician/Accompanist	Specifically ruled to not meet Ministerial Exemption
Sacristan	
Housekeeper	
Athletic Director	
Athletic Trainer	
Event Worker	
Student Worker	



## Catholic Diocese of Columbus

Policy    Guideline  
 Diocesan    Parish    School    All

### **802.1 - At Will Employment**

The employment relationship for individuals employed by the Diocese is "at will." (see Exception below). This means that either the employee or the Diocese can end the relationship at any time and for any reason other than those prohibited by law. Neither the Diocese nor the employee has a legal obligation to continue the employment for any particular length of time or to end it only upon certain reasons or procedures.

Therefore, employees are not asked to make any promise to work for the Diocese for any particular length of time, and they remain free to leave for any reason. Likewise, the Diocese does not promise to employ anyone for any specific length of time or make any promise that the relationship would end only because of some particular reason, cause, or only after compliance with certain procedures.

Certain terms and conditions of the employment relationship, such as annual salary, vacation, holidays, retirement, or other benefit plans seem to imply continued employment. None of these are to be construed as altering the basic "at will" nature of the employment relationship. Unless otherwise expressed in a written agreement executed by the pastor/principal/director/moderator or Bishop, all employment is as described above. For policy related to employment contracts see Policy 1004.0 – Contracts & Commitments (Employment).

No representative of the Diocese, other than the Bishop, is authorized to make any promise or agreement which would change the basic "at will" arrangement, in which case the promise or agreement must be in writing.

No oral or spoken promises or representations to the contrary should be relied upon by anyone.

The American Guild of Organists (AGO) has created a model contract for use by its members. This contract jeopardizes the at-will nature of the employment relationship and is not to be used.

The employment relationship with a member of a religious order is an at-will relationship. It is to be documented using an agreement between the order and the hiring institution. A template for use in creating this agreement is in policy 1814 – Agreement for Services of Religious. The exception as to the type of relationship and the form for documenting the relationship would be where the religious serves as a teacher, principal or assistant principal.

The Auxiliary Professional Contract is no longer to be used by schools (elementary or High School).

#### **Exception**

Lay teachers (full and part-time, but not substitutes), Principals and Assistant Principals are not included in this policy. Teachers in Franklin County are bound by a bargaining unit for contracts set within their employment. Teachers outside of Franklin County may be bound by a bargaining unit for contracts set within their employment or have contracts set by the Pastor of individual elementary schools, or principals and Department of Education for High Schools. Principals and Assistant Principals usually have contracts set by the Department of Education or in agreement with the individual pastor of elementary schools.



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **802.2 - Timesheets**

#### Timesheets as Documentation for Hours and Benefits

All non-exempt employees, both hourly and salaried, are to report and record all the time they work on a timesheet (See Example Timesheet, **policy 1811.0**). All recorded working time will be compensated.

All exempt, hourly employees, are to report and record all the time they work on a timesheet (See Example Timesheet, **policy 1811.0**). All recorded working time will be compensated.

All exempt, salaried employees are to record, at least monthly, benefit time taken. Only in this way can an accurate calculation of benefit time due employees upon termination be made. One alternative is to use a calendar to record benefit time used. An example of a form for tracking salaried employee benefit time is included as **policy 1811.1**.

Copies of timesheets are to be retained in the individual employee's file.



---

## Catholic Diocese of Columbus

- Policy    Guideline  
 Diocesan    Parish    School    All

### **802.3 - Overtime & Flex Time**

Pastors/Principals/Directors/Moderators will provide specific work schedules for each employee to adequately and efficiently utilize the resources of the office. Overtime is calculated on a weekly basis in accordance with state law.

#### Overtime

The Fair Labor Standards Act (FLSA) prescribes standards for overtime pay. In compliance with the Fair Labor Standards Act, all non-exempt employees working more than 40 hours per work week, will be paid at a rate of one-and-one-half times their regular rate of pay for each hour over 40 hours. Overtime is to be approved by the Pastor/Principal/Director prior to hours being incurred.

#### Flexible Time

A pastor/principal/director/moderator may choose to allow for flexibility of working hours in order to meet specific needs such as fluctuating volumes of work. Flexible time cannot be used to offset extra hours in one week against another week. These rules apply only to non-exempt employees.



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### **803.0 - Premium Conversion Plan (125)**

The Diocese of Columbus Premium Conversion Plan (the “Plan 125”) has been implemented to enable employees to gain a tax advantage for expenses they now pay for group benefit coverage.

#### **ELIGIBILITY**

##### **Current Employees**

All lay employees (including teachers) and priests (not as an independent contractor, or member of a religious order), who enroll in the health, dental, vision, flexible spending account (FSA) and/or dependent care account (DCA) plans are automatically enrolled in the Diocesan Premium Conversion Plan/125 Plan.

##### **HOW THE PLAN WORKS**

The amount of compensation used to pay group benefit premiums for the health, dental, vision, FSA and/or DCA plans are withheld from employee pay as part of this Plan. The Diocese uses the amount withheld to pay for the employee portion of premiums under the plan or plans in which they are enrolled. The premiums paid by the employee will be paid on a pre-tax basis and will therefore realize the tax advantages of this Plan.

##### **Termination of Participation**

An employee who separates employment or no longer qualifies for benefits will have his or her participation terminated in the Premium Conversion Plan (125) at the end of the month in which he or she is no longer qualified for benefits.





---

## **Catholic Diocese of Columbus**

---

- Policy     Guideline  
 Diocesan     Parish     School     All

### **803.0 - Premium Conversion Plan (125)**



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### **804.0 - Payroll Prepared Properly and Timely**

Typically, there are four functions that must be accomplished through the payroll cycle. They are:

- Personnel administration and employment file maintenance
- Timekeeping and payroll preparation
- Payment of payroll
- Preparation of payroll tax returns and payment of taxes

#### **Personnel Administration and Employment File Maintenance.**

This process involves the maintaining of personnel records and wage information. The following policies are in effect:

- A record of compensation levels will be retained in all employee files (i.e. Letter of Understanding or Contract, where applicable)
- Timesheets, for both hourly and salaried employees, will be retained in employee files as prescribed in Policy 802.2

#### **Payroll Preparation.**

All entities of the Diocese of Columbus will calculate and pay employees in an accurate and timely manner consistent with the agreed upon rate of pay and information contained on timesheets submitted by the employee. Taxes and other withholdings will be done consistent with documentation submitted by the employee (i.e. based on W4, IT4 and employee benefit election forms). All payroll will be processed through Paycor Payroll Service.

#### **Payment of payroll**

Payroll will be paid through Paycor on a set schedule based on the established policy of the entity. The following policies are in effect related to paying payroll:

- All entities will accurately record payroll costs in their accounting system in a timely manner, including recognition of all employer liabilities.

#### **Preparation of Payroll Tax Returns and Payment of Taxes.**

All entities of the Diocese of Columbus are to use Paycor for the payment of payroll. The filing of all payroll tax returns and remittance of payroll taxes will be completed by Paycor.



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### **805.0 - Issuance of W2's**

Pursuant to Federal Tax law, W-2's must be issued as follows:

- Annual W-2 – W2's will be created through the Paycor payroll system and issued to all individuals with earned income for the calendar year. W2's will include all compensation for the calendar year as required by the tax statutes of the United States. W2's will be mailed or distributed by all Diocesan locations to all individuals no later than January 31.



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **806.1 - Clergy-W2, Compensation and Benefits**

Beginning with the 2005 tax year, all priests are required to file a W-2 for income tax purposes.

**See USCCB III. Compensation of Diocesan Priest and the Dual Tax Status of Priests: Employees for Income Tax Purposes, Self-Employed for Social Security Tax.**

#### **Compensation**

- The salary for all active priests of the Diocese is determined each year by the Diocesan Bishop after having consulted the Priestly Life and Ministry Committee. This compensation is comprised of base salary and seniority addition for each year of completed service pay.
- Car allowance was consolidated into the base salary as of 01/01/2005. The amount included is to be considered full compensation for the cost of mileage incurred in fulfillment of Parish duties – no additional reimbursement for mileage is to be made by the Parish for Parish duties.
- Items of withholding also reported on the W-2 form are: FIT-Federal Income Tax; SIT-State Income Tax; and LIT-Local Income Tax.
- Include in the W-2 amounts paid to/for the priest representing personal meals consumed outside the rectory

Items not to be included on the W-2 form which are paid by the priests' parish are:

- Pension
- Life Insurance
- Professional Allowance
- Stipends
- Long Term Care.

\*\* No 1099 Form is required to be given for these items except as noted in Policy 806.4.

Items not to be included on the W-2 which are paid partially by the parish and the priests are:

- Health Insurance
- Dental Insurance
- Vision Insurance.

\*\* No 1099 Form is required to be given for these items.

Each year, the Diocese of Columbus sends to each active priest, a summary sheet of wages and benefits for the upcoming fiscal year with a letter from the Bishop. These will be distributed by the Finance Office prior to each new fiscal year.



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **806.2 - Priests Pension and Other Post-Retirement Benefits**

Canon law stipulates that the diocesan bishop must provide suitable support and housing for all diocesan clergy upon their retirement from active service. In the United States, the USCCB has promulgated a set of norms in light of this provision of canon law. In adhering to these norms, each diocese has developed its own approach to providing for the well-being of its retired priests. Many dioceses have adopted defined benefit plans to provide pension benefits for retired priests.

In some cases, dioceses sponsor tax-sheltered annuity plans or other forms of defined contribution plans. Additionally, dioceses may provide other post-retirement benefits, such as medical and dental benefits, long-term care, and housing allowances. Although there are numerous types of benefit programs, all dioceses are obligated to provide financial support for retired priests in accord with the gospel spirit.

It is the policy of the Diocese of Columbus that once a retired priest enters diocesan paid long-term care, all pension and social security benefits received by the priest are to be remitted to the diocese, and the diocese will in turn provide a stipend for living expenses, in addition to paying for the long-term care arrangement.



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **806.3 - Other Religious – Compensation**

“Religious Order” means canonical religious institutes of societies of apostolic life that meet the requirements of **Rev. Proc. 91-20, 1991-1 C.B. 524**

An employer who is pastor/principal/director or moderator, will verify that the individual is a member of a section 501c(3) religious order subject to a vow of poverty recognized by the Church. Then, verify that services have been authorized by his/her religious superior.

**Regarding orders who take a vow of poverty, compensation is to be made to the religious order by either direct deposit or mailing a check to the order. This agreement will be made in writing from the religious order superior.**

Individuals not belonging to a religious order may have compensation paid directly to the individual and then this income becomes taxable to the individual. Some employers may treat such compensation as qualifying under **Rev. Rul. 77-290**. In this case, the employer would be convinced that there was a legitimate impediment to the payment to the religious order. In either case, this will require written documentation from the superior of the religious order.

This supporting documentation is to be updated annually. For questions related to compensation of religious, please contact the Diocesan Finance Office.



## Catholic Diocese of Columbus

Policy    Guideline

Diocesan    Parish    School    All

### **806.4 - Stipends – Tax Reporting Requirements**

The Internal Revenue Service considers stipends and fees, stole fees and Honoraria paid to a member of the clergy as payment for services rendered, and thus, represent earnings subject to Federal Income Tax and Social Security/Self-Employment Tax.

Stipends, stole fees and Honoraria are amounts paid related to a sacerdotal function performed by the member of the clergy, regardless of how the amount is determined (i.e. set fee or determined by the payer).

**From an income reporting standpoint, you will need to determine whether you are responsible for tracking and reporting stipends paid to clergy on Form 1099-MISC. The criteria for making this determination are:**

- If the stipend is paid from parish, school or agency funds, then you will need to track the amounts paid by individual and if the amount exceeds \$600 in a calendar year, issue a 1099-MISC to that individual. Amounts paid from parish, school or agency funds are those where the amount paid is charged to an expense account (i.e. for a parish, this would generally be accounts 200 or 280).
- If the stipend is paid from funds provided by a donor (e.g. Mass stipend funds; provided by the wedding couple; provided by the family following a baptism), these are the responsibility of the clergy to track and report on their income tax return

**This policy applies to all clergy, both Priests and Permanent Deacons.**



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **807.0 - Changes to Employee Status**

This policy relates to employee changes from exempt to non-exempt or vice-versa, changes from hourly to salaried status or vice-versa, a reduction/increase in hours affecting an employees' benefit eligibility and terminations (voluntary or involuntary).

Any change in employee status is to be guided by the following policies;

- All changes are to be reported to the person responsible for processing payroll and updating of all employee records
- All changes are to be noted in the employee's file
- The employer is required to notify the Self-Insurance Office immediately of any change in the individuals employee status

In addition, life changes may occur for an individual employee. These include: Birth, death, adoption, marriage, divorce, disability, etc. The employee is required to notify the Self-Insurance Office immediately of any changes because of the impact on benefits eligibility.





## Catholic Diocese of Columbus

Policy     Guideline

Diocesan     Parish     School     All

### **808.0 – Reimbursement for Priest Mileage When Serving on Diocesan Committees**

Mileage will be reimbursed to priests who reside outside Franklin County and who serve on Diocesan committees or councils. Mileage will be reimbursed at the current rate used for Diocesan employees. Priests requesting reimbursement are to complete and submit a standard form identifying the Diocesan committee or council served on and the mileage incurred to attend each meeting.

The form requesting reimbursement is to be submitted to the Vicar for Priests for approval and processing.



## Catholic Diocese of Columbus

Policy     Guideline  
 Diocesan     Parish     School     All

### **809.0 – Work for Tuition & Taxability of Scholarships**

#### **Work for Tuition**

In our schools we have numerous situations in which individuals perform service for the school and earn money towards tuition. This includes:

- \* Summer work programs for students
- \* Jobs, such as maintenance, performed by parents
- \* Committee chair undertaken by parents

In all of these cases, the IRS considers the amount “paid” to these individuals, even if taken as a discount from tuition, as compensation to the individual because the “Payments are compensation if paid for services which are subject to direction or supervision of the employer”.

These individuals must be classified as employees, paid at least minimum wage, and have appropriate taxes withheld and remitted to the government. The net pay earned by the individual can then be turned over to the school in payment for tuition. If the individual is less than 18 years of age, the Child Labor Laws must be filed.

#### **Taxability of Scholarships**

A Qualified Scholarship is excluded from gross income under Internal Revenue Code section 117(a). A scholarship includes “an amount ... allowed to, or for the benefit of, a student ... to aid such individual in pursuing his/her studies. The term includes ... the amount of tuition ... furnished or remitted to a student to aid him/her in pursuing his/her studies. But, does not apply to an amount received which represents payment for services by the student required for receiving the scholarship: IRC 117(c). Payments are compensation if paid for services which are subject to direction or supervision of grantor, or are to enable student to pursue studies primarily for benefit of grantor, and are not compensation if primary purpose of studies or research is to further education of student and are not provided at direction or supervision of grantor.