

# KEY EXPENSES

## 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. 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 your 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.

## COMMUNICATION 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. The costs (basic fee and toll calls) of a second line in your home are also deductible if the line is used exclusively for business.

When communication equipment, such as a cell phone, is used part for business and part personally the cost of the equipment must be allocated to deductible business use and non-deductible personal use. Keep your bills for cellular phone use and mark all business calls.

## PROFESSIONAL FEES & DUES:

Your auto expense is based on the number of qualified business miles you drive. Expenses for travel between business locations or daily transportation expenses between your home and temporary work locations (e.g., from home to a hospital visit to an ill parishioner) are deductible; include these trips in figuring business miles. However, expenses for your trips between home and the office each day, or between home and one or more regular places of work, are COMMUTING expenses 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; and (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.

## OUT-OF-TOWN TRAVEL:

Expenses incurred when traveling away from "home" overnight on job-related and continuing education trips that were not reimbursed or reimbursable by your employer 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.

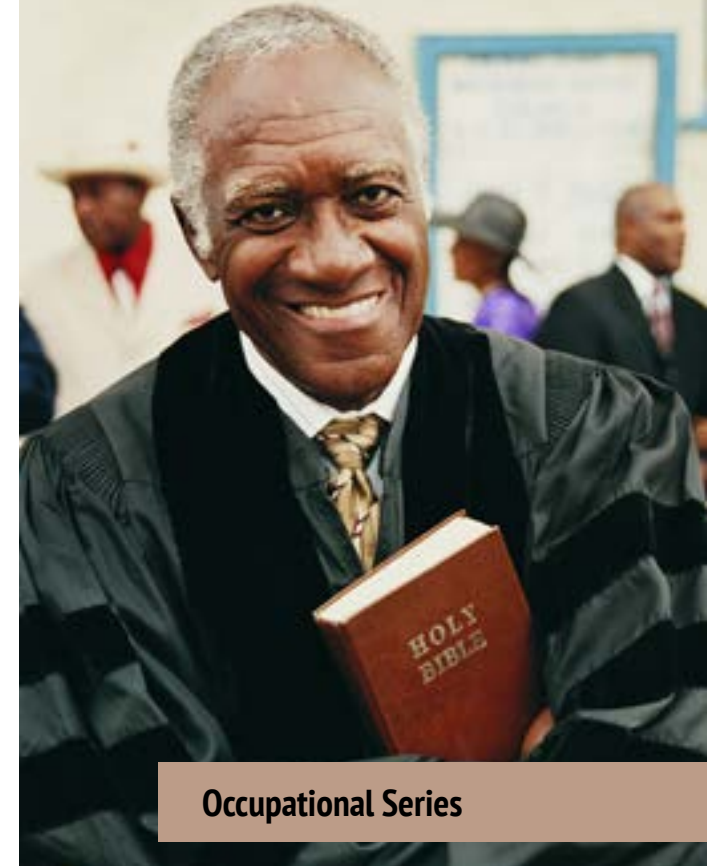
Document away-from-home expenses by noting the date, destination and business purpose of your trip. Record business miles if you drove to your out-of-town location. In addition, keep a detailed record of your expenses – lodging, public transportation, meals, etc. Always list meals and lodging separately in your records. Receipts must be retained for each lodging expense. However, if any other business expense is less than \$75, a receipt is not necessary if you record all of the information timely 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.

## 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, are not deductible.

## EQUIPMENT PURCHASES:

Equipment purchases, such as telephones and computers with a useful life of over one year are shown differently on your tax return than are job-related supplies. Keep documentation for these items separate from everyday expenses so that they may be easily identified when your return is prepared.



Occupational Series



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# INTRODUCTION

In order to deduct expenses in your trade or business, you must show that the expenses are "ordinary and necessary." An ordinary expense is one that is customary in your particular line of work. A necessary expense is one that is appropriate but not necessarily essential in your business. The application of these terms to you relies heavily on the "facts and circumstances" of your unique situation.

**IMPORTANT** – For Federal purposes, the expenses included in this brochure are no longer deductible after 2017 and generally through 2025 as a result of tax reform (TCJA) for performing services as an employee. However, not all states conformed to TCJA and these items may still be deductible on your state tax return. In addition, where you also have self-employed income for presiding over weddings, funerals, etc., those expenses are deductible business expenses for both federal and state tax purposes. Please enter separately and circle the business expenses.

## PARSONAGE ALLOWANCE:

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

## SUPPLIES & EXPENSES:

Books - Religious Music	
Books - Theology	
Business Cards	
Clerical Service	
Computer	
Entertainment (enter 100% of expense)	
Greeting Cards	
Insurance - Business	
Legal & Professional Services	
Map Book	
Pager	
Photocopy & Printing Expenses	
Postage	
Software - Appointment/Calendar	
Software - Theological	
Software - Word Processing	
Telephone - Book	
Vestments	

Vestments - Repair	
Vestments - Cleaning	
Other: _____	
Other: _____	

## OUT-OF-TOWN TRAVEL:

Airfare	
Bridge & Highway Tolls	
Bus & Subway	
Car Rental	
Laundry	
Lodging (do not combine with meals)	
Meals (do not combine with lodging)	
Parking	
Porter, Bell Captain	
Taxi, Uber, Lyft & similar	
Telephone	
Train	
Other: _____	

## COMMUNICATION EXPENSES:

Cellular Calls	
Fax Transmissions	
Paging Service	
Phone Card	
Toll Calls	
Internet Access	
Other: _____	

## EQUIPMENT PURCHASES:

Answering Machine	
Calculator	
Copy Machine, Printer	
Fax Machine	

Pager	
Telephone	
Other: _____	

## AUTO TRAVEL:

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

## CONTINUING EDUCATION:

Correspondence Course Fees	
Course Registration	
Materials & Supplies	
Photocopy & Printer Expenses	
Reference Materials	
Seminar Fees	
Textbooks	
Other: _____	
Other: _____	

## MISCELLANEOUS EXPENSES:

Business & Professional Associations	
Professional Subscriptions	
Other: _____	
Other: _____	
Other: _____	