



**DIOCESE OF FALL RIVER**  
**OFFICE OF THE CHANCELLOR**

## Memorandum

Date: December 13, 2021

To: All Pastors, Administrators, and Priests in the Diocese of Fall River  
From: Kevin R. Kiley  
RE: Priest Living Expenses

In the **Parish Living and Administration Guide** released in 2018 the Diocese outlined priest living expenses that are the responsibility of the parish (for example, food or utilities) as opposed to a personal expense (for example, car payments). Included in parish expenses are up to \$834/month or \$10,000/year for food and basic toiletries. In years past it was customary practice for Parishes to provide priests a cash allowance directly from weekly collections to pay for these items. This practice would lead to a misstatement of Parish revenues and expenses and could have negative tax implications for the priest if not managed correctly. Please note that all funds included in the weekly collection should be deposited into the Parish bank account and recognized as Parish income. All Parish payments related to food and toiletries, whether an advance or reimbursement to a priest, should be reflected as an expense on the Parish books.

Below are three acceptable processes Parishes can follow when paying these expenses:

1. The priest may use a parish credit card to pay for food and basic toiletry items. The credit card statement should be reviewed by the pastor and paid by the parish business manager. According to the IRS, tax-free reimbursements must have (1) a business connection and (2) proper substantiation (see *Income Taxes for Priests*; Scott A. Hoselton). Whenever possible the priest should provide the business manager receipts that back-up his line item expenses on the credit card statement. This card should only be used for parish expenses and the statement should be kept on file by the business manager.
2. The priest may use personal funds or a personal credit card to "front" costs for food and basic toiletry items. The priest may then fill out an expense reimbursement form and submit the form with receipts to the parish business manager. The form should be reviewed and approved by the pastor. The business manager can then cut a check to the priest to reimburse him for these charges.
3. The parish may cut the priest a check to "advance" him for these expenses. For example, the parish could advance the priest an amount (for example, \$150/week or \$200/week). However, the priest now needs to contend with two more IRS rules. For advances to be tax-free, the priest must also (3) spend the funds in a reasonable amount of time and (4) return any excess funds to the parish. Failure to comply with these rules results in the payments being reclassified as taxable income (see *Income Taxes for Priests*; Scott A. Hoselton).

Payments made using options 1 and 2 above do not need to be reported by the parish on the priest's W-2, nor would the priest need to report these tax-free payments anywhere on his tax return.

Please feel free to call Joe Harrington (508-985-6503) in the Chancery Finance Office if you have any questions.

## Exhibit 4: Parish vs. Personal Expenses

**Diocese of Fall River**  
**Parish Living and Administration Guide**  
*Fall 2018*

### Parish Expense

#### Automobiles

1. Auto insurance (parish or cemetery owned vehicles)

#### Housing

1. Rectory housing
2. Utilities (water, sewer, heat, electricity, trash)
3. Telephone/basic cable
4. Housekeeping/household supplies
5. Food/basic toiletries (up to \$834/mth or \$10K/yr per person)\*
6. Furniture (bed, tables, chairs)
7. Cell phones

#### Clothing

1. Dry cleaning of vestments and clerical clothing
2. Laundry of church linens and priest albs
3. Vestments that remain in the parish

#### Parish Office

1. Office furniture
2. Office equipment (computers, printers, copiers)
3. Parish phones and phone lines
4. Reimbursement for cell phones (used in ministry)
5. Internet access (see above)
6. Basic office supplies
7. Postage for parish mailings

#### Other

1. Education/retreat (up to \$1,000)
2. Staff meals (where parish ministry is conducted)

### Personal Expense

#### Automobiles

1. Car or lease payments
2. Gasoline
3. Maintenance and repair charges
4. Car taxes (excise taxes)
5. Cabs or car services (unless on parish/diocese business)
6. Auto insurance on privately owned vehicles

#### Housing

1. Prescriptions, vitamins, or dietary supplements
2. Pet supplies, food or bills
3. Meals with friends or family
4. Furniture the priest takes with him

#### Clothing

1. Vestments retained by the priest
2. Casual clothing or shoes
3. Dry cleaning of casual clothing

#### Parish Office

1. Computers, tablets, printers (priest will take with him)
2. Personal stationery and cards
3. Postage on personal items

#### Other

1. Vacation expenses
2. Membership dues (gyms, golf, etc...)
3. Personal entertainment
4. Exercise equipment/personal trainer
5. Life insurance, annuities, personal investments
6. Personal books and periodicals

\*The USDA **Cost of Food at Home** chart provides a point of comparison; the average of "liberal plan" for males 19-50 years old (\$367.90/month), and males 51-70 years old (\$340.20/mth), with 20% added for individuals that live alone; then adding 11% of MA compared to the U.S. average\*\*, comes to \$471.59/mth or \$5,659/yr.

*Calculation: = (\$369.70+\$340.20)/2 \* 1.20 \* 1.11 = \$471.59, rounded up to \$475/month*

\*\* source = [https://www.bestplaces.net/cost\\_of\\_living/state/massachusetts](https://www.bestplaces.net/cost_of_living/state/massachusetts)

[See Chancery Finance Office with questions]