

**Archdiocese of Washington
Parish Accounting Manual
Section V. Payroll
Payroll and Benefits Accounting Standard and Administrative Guideline**

Introduction and Purpose

Many matters related to employee payroll and benefits are addressed in the Human Resources Handbooks listed below under Related Documents.

The purpose of this standard is to communicate the requirements of payroll and benefits accounting matters not addressed in the archdiocese Employee Policy and Human Resources Handbooks.

Scope

This standard is applicable to all canonically established parishes and missions of the archdiocese. All references to the parish also apply to the parish school.

Related Documents

- Archdiocese of Washington Employee Policy Handbook
- Archdiocese of Washington [Human Resources Procedure Manual](#)
- Common Human Resources Information System (CHRIS) [Human Resources Processing](#) and [Payroll Processing Guide](#)
- Annual Budget Considerations document issued by the Moderator of the Curia regarding personnel, benefits and other costs.

Risks to be managed

Across the archdiocese, parishes experience avoidable problems related to payroll and benefits, many of which carry fines and penalties for non-compliance with Federal and state laws.

Examples of the most frequently occurring problems include:

- Late payroll tax remittances or underpayments
- Annual payroll tax reporting on Form W-3 that does not agree to the quarterly reporting on Form 941.
- Expense advances given to employees with no receipts collected to substantiate the business purpose of the expenses. (Unsubstantiated expenses are taxable income to the employee).
- IRS Form 1099-NEC not issued for payments made to independent contractors
- Federal tax forms missing from employee personnel files
- Tax records not retained or unable to be located in parish files
- Disbursement of payroll not approved by pastor

Standard Statement

1. Pastor authority over payroll and benefits administration

The Pastor shall perform the following activities in the oversight of payroll and benefits at the parish:

- Authorize the hiring and termination of parish employees
- Issue annual employee appointment continuation letters
- Approve employee payroll each pay period
- Approval of ACH for payroll direct deposit
- Ensure the parish complies with all Federal and local laws and archdiocesan policies regarding payroll and benefits

2. Compensation of Archdiocesan Priests

- **Salary**
Priests shall be compensated according to the annual pay and benefits scale issued by the archdiocese.
- **Car insurance reimbursement**
Priests shall be reimbursed by the parish for the actual cost of their car insurance premium up to a maximum of \$1,500 per priest per calendar year. The priest shall substantiate the amount of insurance paid by submitting an insurance invoice and evidence of payment such as a canceled check. The reimbursement shall be paid through CHRIS payroll as taxable income and shall be included in the amount reported as priest's wages on IRS Form W-2.
- **Expense advance**
Archdiocesan priests shall receive a monthly \$500 non-taxable expense advance with the second pay period of the month (along with their regular salary) through CHRIS payroll. Expense advances are paid to priests under an "accountable plan" meaning the expense advance is not subject to income tax to the extent the priest can document deductible expenses within 60 days of the advance.

Priests' documentation of use of expense advance is due to the parish bookkeeper by January 1. Any advance above the amount of substantiated deductible expenses shall be added to the priest's wages and reported on IRS Form W-2 and IRS Form 941.
- **Priest self-selected retreat**
If a priest does not attend the archdiocese retreat, the priest may be reimbursed up to \$400 by the parish for attending a retreat of his choosing.
- **Taxation**
Archdiocesan priests are dual status employees for tax purposes:
 - For Federal income tax purposes, Archdiocesan priests are employees. Their wages are reported on IRS Form W-2 and they pay state, local, and Federal

income taxes.

- For social security purposes, Archdiocesan priests are self-employed. They pay self-employment tax which is calculated by the priest on Schedule SE of their Federal tax return.

An archdiocesan priest shall not have the parish deduct social security and Medicare taxes from his wages at the employee's rate and pay the matching share, as the parish does for lay employees.

Visiting archdiocesan priests who hear confessions, etc. shall also receive IRS Form 1099-NEC for amounts paid by the parish in excess of \$600 each calendar year. See Extra Clergy Mass/Confession priest stipend chart following.

- **Priest Personnel Files**

Personnel files for archdiocesan priests are maintained at the archdiocese.

3. Deacon compensation and expense reimbursement

Deacons shall not be paid a salary by the parish. The parish shall reimburse ordained deacons for expenses they incur in their duties as deacons assigned to the parish. These reimbursements are not taxable to the deacon.

4. Compensation of Members of Religious Communities

- **Compensation amount**

The parish shall compensate religious communities for the members of their order serving in the archdiocese according to the annual pay and benefits scale issued by the archdiocese.

Parishes shall have a written agreement with the religious community for each individual outlining work responsibilities and amounts to be paid.

- **Taxation**

Members of religious communities who have taken a vow of poverty are not subject to income tax on stipends paid to the community for their services. Checks for stipend payments shall be made payable directly to the religious community in CHRIS. The IRS could consider payments made directly to an individual religious to be taxable income even if he or she is a member of a religious community.

Payments to a visiting priest who is a member of a religious order shall be made to the order, not the priest.

The parish shall not prepare IRS Form W-2 or IRS Form 1099-NEC for religious, shall not withhold taxes, and shall not include payments as wages on IRS Form 941. See Extra Clergy Mass/Confession priest stipend chart following.

5. Compensation for Extra Clergy and Stipends

	Mass intention	Mass/confession supply priest stipend
Diocesan priest employed by ADW - home parish Diocesan retired priest in residence - home parish	paid to priest thru CHRIS; reported on W-2	n/a
Diocesan priest employed by ADW - away parish Diocesan retired priest in residence - away parish	paid to priest thru CHRIS; reported on W-2	
Religious priest assigned to parish - home parish	paid to Order thru CHRIS; no W-2 or 1099 reporting	n/a
Religious priest assigned to parish - away parish	paid to Order thru CHRIS; no W-2 or 1099 reporting	
Visiting priest from outside ADW (not assigned to or resident in parish)		
Diocesan priest	paid to priest through payables; 1099 reporting if > \$600 in calendar year	
Religious priest	paid to Order through payables; no W-2 or 1099 reporting	

6. Other Guidelines

- Employee taxable income**
 Parishes shall include all taxable income in employee wages. Applicable taxes shall be withheld from employee pay and taxable income shall be reported to the employee, IRS and state taxing authorities.
 Taxable income includes employee salary, overtime pay, bonuses, unsubstantiated expense advances, gifts of cash or cash equivalents such as gift cards (regardless of the amount) and payment for additional services performed for the same employer.
- Prohibited employee situations**
 The parish shall not:
 - Employ any individuals who are under the age of 18
 - Have any employees with a direct report relationship to a family member
- Independent contractors**
 The parish shall determine whether an individual should be classified as an employee or an independent contractor using the criteria outlined in the Human Resources Handbook.

 The parish shall use IRS Form W-9 to request the taxpayer identification number and other data from its independent contractors. The parish shall not pay a contractor invoice before the completed Form W-9 is received from the contractor.

The parish shall issue IRS Form 1099-NEC to each independent contractor to whom the parish has paid more than \$600 in one calendar year. No taxes shall be withheld from payments to independent contractors and the parish shall not pay social security or Medicare taxes for them.

- **Receipt of IRS notices**

The parish bookkeeper shall notify the Pastor and the archdiocese Office of Human Resources in the event a notice is received from the IRS or other government body regarding parish payroll or benefits matters.

- **Reconciliations**

The bookkeeper shall ensure the accuracy and consistency of payroll accounting and reporting by performing the following reconciliations:

- Reconciling payroll expense from the general ledger to the quarterly IRS Form 941
- Reconciling quarterly IRS Forms 941 to the annual IRS Form W-3
- Reconciling individual IRS Form W-2s to the annual Form W-3

Standard Compliance

- **Compliance measurement:** the Chief Financial Officer or his delegate may review the procedures and financial records of a parish to determine compliance with the standard. Additionally, the Human Resources Executive Director or her delegate may review the parish data in the CHRIS system to determine compliance with Human Resources policy.
- **Exceptions:** none
- **Non-compliance:** a parish in non-compliance shall be responsible to modify its procedures to become compliant. The Pastor shall write a letter to the Chief Financial Officer describing the parish plans for becoming compliant.

Approvals

July 12, 2017	Chief Financial Officer
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Revision history

July 12, 2017	Replaces June 1995 Section V. – Payroll of the Parish Accounting Manual
February 2023	Updated with Extra Clergy Mass/confession supply priest stipend chart

**Archdiocese of Washington
Parish Accounting Manual
Section V. Payroll
Payroll and Benefits Administrative Guideline - Pastor Responsibilities**

Introduction and Purpose

As noted under Related Documents below, there are several documents that govern personnel administration at the archdiocese. The Payroll and Benefits Accounting Standard, communicates the requirements for Pastor involvement in payroll and benefits administration.

The Pastor is not expected to be an expert in payroll and benefits laws or accounting. However, the Pastor should know the general process followed for payroll and benefits. He should periodically ask questions of the parish bookkeeper to verify that the bookkeeper has performed the correct accounting procedures.

The purpose of this guideline is to recommend how the Pastor might best fulfill his payroll and benefits oversight responsibilities.

Scope

This guideline is applicable to all canonically established parishes and missions of the archdiocese. All references to the parish also apply to the parish school.

Related Documents

- Archdiocese of Washington Employee Policy Handbook
- Archdiocese of Washington [Human Resources Procedure Manual](#)
- Common Human Resources Information System (CHRIS) [Human Resources Processing](#) and [Payroll Processing Guide](#)
- Payroll and Benefits Accounting Standard

Guideline Statement

The Pastor should perform the following oversight of payroll and benefits at the parish:

Access control

The Pastor should confirm that employee personnel files and payroll/benefits computer systems are password protected to prevent access by all except his authorized, designated employee(s).

Employee identification

The Pastor should meet each new employee hired at the parish and school so that he recognizes all names listed in the payroll register as bona fide employees.

Worker classification

The Pastor should confirm that the parish bookkeeper has properly classified individuals as either employees or independent contractors using the criteria in Section 1 of the Archdiocese Human Resources Handbook. The parish must withhold, report and remit payroll taxes for employees, so the correct designation of each individual is very important.

Completeness of employee personnel files

The Pastor should request the bookkeeper to present a selection of employee personnel files to verify that they contain the paperwork required by law and archdiocese policy (section 3 of the Human Resources Handbook).

Employee situations

The Pastor should ask his staff to keep him informed of all employee situations such as injury (workplace or other), short or long term disability, Family Medical Leave use, employee misconduct, significant role changes, etc. so that he can ensure that the parish provides the appropriate pastoral care as well as complies with archdiocese policies and applicable laws.

Payroll review prior to payment

Each pay period, the Pastor should review the payroll reports prior to payments to employees. The Pastor should have knowledge of the number of employees paid each pay period and a general sense of the dollar amount of employee payroll. The Pastor should ask the bookkeeper to highlight and explain any unusual or unexpected payroll amounts (see examples below).

The CHRIS Payroll Processing Handbook Task 11 provides guidance to the bookkeeper for performing this review. The Pastor should verify that these steps are taken by the bookkeeper or can choose to review the detail himself:

- Pre-Check Summary Liability Listing: Compare total earnings and deductions to previous payroll register for a reasonable or no variance
- Pre-Check Exceptions Report: Review columns for unpaid active employees, terminated employees getting paid, employees with more than one pay, zero net pay
- Payroll Edit Detail Listing: Review earnings and deductions for all employees
- Pre-Check Detail Listing: Review gross to net for all pays; Review employees with data changes, new hires, terminations, new garnishments and other areas of possible concern
- Instant checks: Understand and agree with the reason if the bookkeeper produced a payroll check for an employee outside the regular payroll process
- Pastor secondary authentication required for disbursement of ACH for direct deposit payroll

See Parish Accounting Manual Section III Cash and Cash Receipts

Employee benefits status

The Pastor should periodically review the vendor invoice which lists all of the benefits-eligible parish employees and the various benefits that they receive (e.g., medical, dental, vision, voluntary life insurance). Benefits eligibility is addressed in section 610 of the Archdiocese Employee Policy Handbook. The Pastor should verify that all eligible employees are listed on the invoice.

403(b) withholdings

Employee authorized withholdings for 403(b) plan contributions are auto-debited from the parish checking account. The Pastor should periodically review the debit memo to verify its accuracy.

Tax withholdings and reporting

The Pastor should verify that tax withholdings from employee pay are remitted to the Federal and local governments on a timely basis by the vendor Ultipro.

The Pastor should review the parish quarterly and annual payroll tax returns filed by the vendor Ultipro. The Pastor should have knowledge of the number of employees and a general sense of the dollar amount of employee payroll each quarter and each year. The Pastor should ask the bookkeeper to highlight and explain any unusual or unexpected payroll amounts.

IRS notices received

The Pastor should receive and read any IRS notices received by the parish. The Pastor should work with parish staff to understand the situation that led to the notice and decide what steps the parish should take to respond to the notice and prevent future notices. The Pastor should ensure the bookkeeper submits a copy of the notice to the archdiocese Office of Human Resources for assistance in resolution.

Records organization

The Pastor should know the location of all parish records relating to Federal and local tax reporting and should periodically verify that the records are kept organized and up to date.

Approvals

July 12, 2017	Executive Director Parish and School Financial Operations
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Revision history

July 12, 2017	Initial document
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