

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.

Tax Deductions for: Clergy

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	
Entertainment (enter 100% of expense)	
Greeting Cards	
Insurance - Business	
Legal & Professional Services	
Map Book	
Pager	
Photocopy Expenses	
Postage	
Software - Appointment/Calendar	
Software - Theological	
Software - Word Processing	
Telephone - Book	
Vestments	
Vestments - Repair	
Vestments - Cleaning	
Word Processor - Computer	
Other: _____	
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	
Telephone	
Train	
Other: _____	

COMMUNICATION Expenses:

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

EQUIPMENT Purchases:

Answering Machine	
Calculator	
Copy Machine	
Fax Machine	
Pager	
Telephone	
Other: _____	
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 Expenses	
Reference Materials	
Seminar Fees	
Textbooks	
Other: _____	
Other: _____	

MISCELLANEOUS Expenses:

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

Tax Deductions for Clergy

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. Use this section to 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. Since there are special rules for cellular telephones and similar items (called "listed property" in the tax law), it is important to track their business and personal use carefully. Such property potentially qualifies for larger current deductions when it's used more than 50% for business. Keep your bills for the cellular phone and, again, mark business calls.

Auto Travel:

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 call 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 accrued when traveling away from "home" overnight on job-related and continuing education trips 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 in a timely 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 pagers or telephone answering machines are shown differently on your tax return than are general job-related supplies. Keep documentation for these items separate from everyday expenses so that they may be easily identified when your return is prepared.