

Reaching Out Wednesdays

Topic: Handling Taxes for Seminarians in Formation

Question: 3. How do you handle taxes for your seminarians in formation?

Diocese of Fargo: We educate the guys on their responsibility with taxes as they enter Theology. We give a simple letter explaining that our assistance with room & board is taxable income and we give them the dollar amount for each. We also provide them with a list of deductible expenses to track once they are ordained as deacons.

Diocese of Kansas City (KS): Our accounting office does not issue a 1099 to seminarians because a letter is sufficient. Instead, they prepare a spreadsheet for each seminarian which divides payments made to them or on their behalf into two categories. One is categories that are not taxable such as tuition, textbook stipends, and fees. The second category has taxable items such as airfare payments for them to fly to Spanish Immersion, stipends for living expenses, help with medical bills, etc. They use the spreadsheet when preparing their tax return. Usually the taxable items don't have much if any impact on their tax bill because their income is so low. With the spreadsheet I send each of them a letter explaining the two categories, and giving a reference to the IRS documents which address this income. I have attached a sample letter. The accounting office tries to get the spreadsheets to me by mid-February, and I alert the guys in late January not to file their taxes until they receive this letter and their spreadsheet. You also have to remember to send one to those who were ordained in that calendar year or who left the seminary.

Diocese of Austin: We provide a CPA who helps our men prepare their taxes. They pay whatever they owe, but the Diocese reimburses them for any tax on what is provided by the Diocese. They are responsible for taxes on their own investments, etc.

