

Memo

Date: November 4, 2009

To: All Active Clergy on Diocesan Payroll

From: Gina Carreon, PCP, Payroll and Finance Administrator

Re: **New CRA Guidelines for Clergy**

Who it affects: Clergy who receives Paid Housing Allowance

As of January 1, 2010, the Canada Revenue Agency (CRA) requires clergy who own or rent their accommodation (and therefore receiving a paid housing allowance) to file form T1213 with CRA for approval before they can have their tax deductions reduced at source. Form T1213, *Request to reduce tax deductions at source*, is the CRA form an individual uses to request these deductions from Central Payroll.

Not Affected: Clergy living in a Rectory

Clergy who are provided rectory housing need **NOT** file the T1213 because the provided housing taxable benefit will generally equal the Clergy Residence Deduction (CRD) amount.

How will this affect you?

- As of January 1st, 2010, a written approval from the CRA to reduce tax deductions at source is needed (Form T1213).
- Once approved, you need to send this information to the Diocesan Payroll Office before being allowed a reduction of income tax at source.
- If not approved, all income including cash housing allowance will be subject to all statutory withholding taxes, resulting in reduction of take-home pay.
- If approved, the housing allowance will continue to be treated as non-taxable benefit, and pay remains similar to 2009.

Below are two examples of how a clergy with an annual stipend of \$38,000 and housing allowance of \$19,000 will be affected by this new ruling:

| | With CRA Approval | Without CRA Approval |
|----------------------------|--------------------------|-----------------------------|
| Monthly Stipend | \$ 3,166.67 | \$ 3,166.67 |
| Cash Housing | \$ 1,583.33 | \$ 1,583.33 |
| Federal Income Tax | (270.42) | (580.32) |
| Ontario Income Tax | (146.86) | (311.19) |
| EI | (82.18) | (82.18) |
| CPP | (142.31) | (220.69) |
| Total take-home pay | \$ 4,108.23 | \$ 3,555.62 |

What you need to do:

- Complete T1213 and send to CRA immediately. CRA will notify you in writing within four to eight weeks whether or not they approve your request. To find out the nearest Client Services Division in your area, please call 1-800-959-8281.
- Here is the link to the T1213 form:
<http://www.cra-arc.gc.ca/E/pbg/tf/t1213/t1213-04e.pdf>