



CATHOLIC DIOCESE OF CLEVELAND

Financial Policy & Procedure Statement H

COMPENSATION TO PARISH EMPLOYEES



CLASSIFICATION OF WORKERS AT THE PARISH

A person performing services at the parish would be classified as either an employee or independent contractor. An employee of the parish generally works at the direction of the pastor and performs duties as assigned. Most workers at the parish would be classified as employees. An independent contractor is someone with whom the parish contracts to perform a specific function. A key point to classifying someone as an independent contractor would be if the individual works at the direction of the pastor. For example, if the parish contracts with an individual to maintain the landscaping of the parish. If the pastor does not direct the individual how to maintain the grounds or when to maintain the grounds, most likely this person would be classified as an independent contractor. The compensation paid to the person classified as an independent contractor would be reported using form 1099-Misc.

PAYMENT OF EMPLOYEES

All wages and compensation to any employee of the parish should be paid by check. The check should have the proper federal, state and local tax withheld. The check should be delivered to the employee on a timely basis, meaning wages should be paid on an established pay day. The distribution of pay checks should be on pay day and not on an earlier date. If an employee is paid in advance, and separation of the employee occurs, it may be difficult to recover wages not earned. Each employee should receive a pay check. It is not recommended to allow an employee to refuse compensation. The preparation of a paycheck should be supported by proper documentation. Proper documentation would include a signed time card or time sheet for an hourly person. The signed time sheet should be approved by the pastor or his designee before a check is prepared.

All payroll information and personnel records should not be available for general access by the parish staff. The pastor, payroll clerk, and business manager should be the only persons with access to payroll information.

If the parish has no regular payroll clerk on staff or has a large number of employees, it may be a good idea to utilize the services of a third-party payroll company.

COMPENSATION TO CLERGY

Diocesan priests are paid according to a schedule published annually by the Finance Office after approval of the Chancery. The salary schedule is published before the end of February of each calendar year. The effective date of the salary schedule is July 1st of the year.

It is the option of each priest to have withholding from their wages. Because priests are treated as independent contractors for social security purposes, they are responsible for their own FICA payments. The parish should not reimburse the priest for FICA.

The individual priest may elect to be paid on payday along with lay employees or at the end of each month. The priests should be paid by check, payment in CASH is prohibited. Payment of stipends is at the option of the pastor of the parish and is not covered in this section.

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COMPENSATION TO CLERGY (continued)

Effective January 1, 1999, all clergy of the Diocese of Cleveland must be issued a W-2 form for wages earned. No Diocesan priest assigned to your parish should be issued a form 1099. Priests are permitted by law to participate in a 403-B tax shelter annuity program. Each priest should contact his tax advisor prior to participating in such a program.

COMPENSATION TO RELIGIOUS

Religious men and women provide services to parish communities. The parish contracts with the religious community for the individual to work at the parish. Since there is a contractual arrangement, the religious community and the parish will agree on a salary and benefits. It is recommended this salary and benefits follow closely the salary and benefits paid to lay employees for a similar position. Payment for the services of the individual should be **PAID DIRECTLY TO THE RELIGIOUS COMMUNITY. A CHECK SHOULD NOT BE MADE PAYABLE TO THE INDIVIDUAL.** The payment of the wages should occur on a date established in the contract between the parish and the religious community.

EMPLOYMENT FILES

A personnel file should be maintained for each employee. At a minimum, the following items should be contained in the file:

- Completed employment application
- Emergency information sheet (should include information regarding whom to contact in the case of an emergency and any pertinent emergency medical information)
- Completed IRS Form W-4 and State of Ohio Form IT-4
- Completed Form I-9 (Immigration and Naturalization Information)
- Authorized pay rate information
- Completed employment reviews
- Any documentation necessary to support a change in employment status (copies of any correspondence)
- Copy of Health Insurance enrollment form or waiver of coverage (if employee is eligible to receive health benefits)
- Photocopy of pension card submitted (if employee is eligible for pension benefits)

Access to personnel files should be limited to the pastor. The files should be kept in a secure location, preferably in a fireproof cabinet.

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EMPLOYMENT TAX RETURNS

The parish has an obligation to file employment tax returns and to remit taxes and other deductions withheld from an employee's pay check. All payroll taxes should be remitted on a timely basis, according to Internal Revenue Service guidelines. These guidelines may be found in Circular E published annually by the Internal Revenue Service.

There are interest and penalties assessed for failure to comply with the published regulations.

The State of Ohio and the local taxing authority also require filing of tax returns and the remittance of tax withheld from employees' pay. Contact the State of Ohio, Department of Taxation and your local taxing authority. (Most communities in Cuyahoga County would report through the Central Collection Agency or Regional Income Tax Authority).

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