

## MEMORANDUM

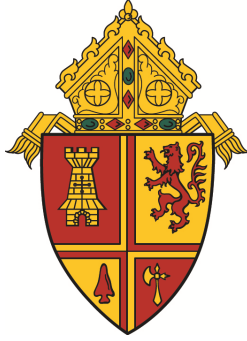
To: Retired Priests of the Diocese of St. Petersburg  
From: Deacon Rick Wells, Chancellor *RW*  
Date: May 11, 2022  
Re: Tax Reporting of Diocesan Pension Benefits

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This memorandum will address the Diocese of St. Petersburg Pension Plan regarding the taxability of pension benefits paid during the calendar year 2022.

First of all, each of the retired priests shall submit both 1099R forms received from the Diocesan Pension Plan (one form designated as retirement benefit and the other designated as Priest's housing allowance), together with a copy of this letter of explanation, to Internal Revenue Service (IRS) along with their Form 1040 Income Tax Return for the year 2022.

Under Internal Revenue Code Section 107, a Priest's housing allowance can be excluded from income for federal income tax purposes if it is used by the priest for such purposes (rental payment, payment for utilities, maintenance items, etc.) According to the Office of General Counsel, United States Catholic Conference, Revenue Ruling 75-22 states that "housing allowance" means an amount paid to a Minister to rent or provide a home if such amount is designated as housing allowance pursuant to official action taken by the employing church or other qualified organization before the payment is made.



## **Special Notice to Retired Priests Tax Reporting on Diocesan Pension Benefits Calendar Year 2021**

Please note that 50% of the annual pension benefit designated as **retirement benefit** is taxable while the remaining 50% designated as **housing allowance** represents potentially tax-free housing.

There are a few items we wish to bring to your attention in this matter:

1. The 50% pension benefit designated as housing allowance is tax free to the extent you use it for housing purposes. If you are living somewhere free of room and board and have no housing related expenses, the housing allowance becomes taxable. To the extent you do not use some or all of the housing allowance for housing purposes, report the amount not used on Line 21 of Form 1040 and enter “excess housing allowance” in the space provided for the explanation.
2. Attach a copy of the diocesan Memorandum concerning Tax Reporting of Diocesan Pension Benefits to your personal tax return validating the tax-free portion of the pension benefit.
3. If you receive a notice from the Internal Revenue Service (IRS) that you underpaid your taxes resulting from the housing portion of the pension, please call your tax accountant. Occasionally the IRS does not compute the tax-free portion of your pension when calculating your tax liability. Don't lose the tax break because of an IRS error. Your accountant can respond to the IRS and resolve the matter.