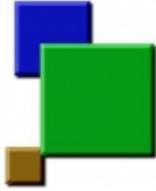


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## Religious Law and Consultation Newsletter



### Upcoming Webcasts

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**Taxation of Religious - New  
Overtime Rules**  
February 23

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**Legal/Financial Screening of  
Religious**  
May 17

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**Covenant Project - 4 Sessions**  
April 2016

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**Transitioning Sponsorship**  
August 16

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**Canon Law 101 - 4 Sessions**  
4 Sessions - On Demand

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**Vocation/Formation in the 21st  
Century**  
Nov 15

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Time: Tuesdays, 2:00 pm ET, 11:00  
am PT

[Registration](#)

Format: Live, On-Demand, USB or  
CD-ROM

Past programs are available [here](#).

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### Contact

## Taxation of Religious with Annual Update

2016 brings us the end of the Year of Consecrated Life and the Beginning of the Year of Mercy. As the year dawns, it is time to review the basics of taxation. Although the religious order is exempt from taxation, members of a religious order are taxable like every other citizen. Religious may have taxable income coming from several sources. Its taxation depends on the source, amount and type of income.

Religious working within the church remit their salary to their religious order. By doing this, they may qualify for the complete exemption of their compensation from taxation under Revenue Ruling 77-290. However, it is important to meet specific criteria for the exemption of this income from taxation. Namely, the person must

- be a member of a religious order with the vow of poverty,
- be working for 'another entity of the supervising church,'
- remit their income to the order.

Religious working for non-Catholic employers receive compensation which is generally taxable. However, because the income is given over to the order, religious are eligible for a charitable contribution tax deduction, for up to 50% of their adjusted gross income. There has been increased action of the IRS in examining these returns in the last several years. It is important to have appropriate documentation on hand so that if the return is examined, there is sufficient documentation on hand to substantiate the deduction.

**Self-employed** members receive compensation as spiritual directors, counselors, consultants, artists, etc. This compensation is subject to self-employment tax and income tax.

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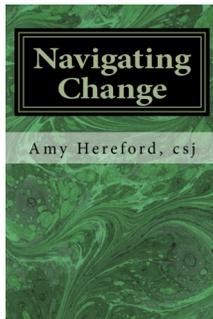
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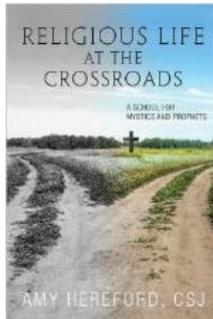
[Canon Law Reference](#)

[Nonprofit Resources](#)

[Blog](#)



**2014 CPA Award:**



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A distinction must be made between those who are self-employed and taxable, and those (described above) who are working for the order and are not taxable. Those with self-employment income over \$400 must pay self-employment tax.

**Patrimony Income:** Income from interest and dividends from patrimony of the members is also subject to taxation. Often the level of interest and dividends is low enough that individual members are not required to pay taxes.

In the 2015 tax year, no tax is due for a single person under 65 if income is below \$10,300; or for a single person over 65 if income is below \$11,850. Those who are required to pay taxes generally itemize to take advantage of the charitable contribution deduction and other deductions.

### Overtime Change

Under the FLSA, employers must pay employees at least the federal minimum wage and overtime at a rate of at least one and one-half times the employee's regular rate for any hours worked over 40 in a week. However, there are several exemptions from the overtime requirement for employees who meet certain criteria.

The most common exemptions from the FLSA overtime requirement are the "whitecollar" exemptions. In general, employees qualify for these overtime exemptions if: (1) they are paid a fixed minimum salary, "salary test"; and, (2) they perform specific executive, administrative or professional job duties, the "job duties test".

The proposed regulation which is likely to go into effect in summer 2016 nearly doubles the minimum salary from \$23,660/yr to around \$51K/yr.

There are unlikely to be any significant exceptions or exemptions for nonprofits or small employers.

Consider a teacher in a Catholic School who may make \$40K/year and who works 60 hrs/week, between classroom time, prep and grading. This teacher will become non-exempt, requiring employers to track their hours and pay overtime. The same would apply to salaried administrative and business positions in a religious community.

For more information on this topic, [February's webcast](#) will discuss the preparation of the tax return for religious with taxable income, including an update on new applicable tax legislation. May's webcast will be on the Legal and Financial Screening for Religious Life.

**Covenant Project Workshops** will be offered online in April and September this year. For more information:

[www.ahereford.org/covenant](http://www.ahereford.org/covenant)

**Recorded Webcasts:** Not available for a webcast? You can register to view it On-Demand or on CD-ROM, go to [www.ahereford.org/registration](http://www.ahereford.org/registration).

1. An [On-Demand](#) webcast is available for those who are unable to attend live. It is generally available within 48 hrs after the live webcast and may be view at your convenience over a several month period. The program can be downloaded or viewed on the web. (More environmentally friendly than the CD-ROM below)
2. In addition, webcasts are also offered on [CD-ROM](#). This format is especially helpful for those without access to high speed internet. CD-ROMs are shipped a few weeks after the webcast.

Please let me know if I can be of assistance to you or your organization.

Sincerely,  
*Amy Hereford*

*\*A webcast is a seminar delivered over the internet.*

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