

GUIDELINES FOR CHURCH TREASURERS

A. RECEIPTS

1. All Offerings should be counted at the time they are received by a Teller team consisting of at least two duly appointed unrelated persons of the same sex. If possible, neither of these persons should be the treasurer, but if there is no one else, the offering may be counted by the treasurer and one other duly appointed person. If more tellers are required, such persons shall not be related to other members of the team. (Related persons meaning: spouse, parent, grand-parent, child, sibling, aunt, uncle, or 1st cousin).

The Church Board should establish its own policy as to who the duly appointed persons might be, however, it is preferred that the pastor not be involved in the counting of offerings. As per the General Constitution, By-Law 10.8.3, Pastors and members of their families should not be involved in the Treasury. If an exception must be made, the local church is requested to consult with and obtain the specific approval of the District leadership in such cases.

When the Offering has been counted, it should be recorded as to Total Amount, Designated Amounts, and Donor Amounts, and then the Offering Summary Sheet MUST be signed or initialled by the two tellers.

Upon receipt of any offering, a Teller team must count and deposit funds at the church bank without delay. If necessary, Church funds should be kept in a secure place until they can be deposited. *At no time should anyone keep church funds in their vehicle or in their private home for an extended period of time.*

2. Offering Summary Sheet: (A sample of an Offering Summary Sheet is included at the end of this file). Two copies of each Offering Summary Sheet shall be made: one to be included with the offering when it is given to the Treasurer for deposit, and one to be retained on file at the place where the offerings are counted (usually the church office). This set of Offering Summaries shall be available to the auditor for comparison with the Treasurer's records at the time of the annual audit/review.
3. Weekly Donor Records. In addition to the actual bookkeeping ledgers, the Treasurer shall see that a weekly record of donor receipts is maintained for the purpose of issuing receipts to Donors at year-end. This record is confidential to the Treasurer only.

B. DISBURSEMENTS

1. All Disbursements shall be by cheque or EFT transfers. There must be no cash payments or transactions.
2. Disbursement Policy: For the safety of the Treasurer, the Church Board should go on record to clarify which disbursements the Treasurer is authorized to make without specific Board authorization. Generally, the Treasurer will be authorized to issue all routine payroll, facilities, utilities, office expenses, designation transfers, Missions and District Tithing disbursements. There must be a specific Board Motion authorizing all exceptional and special disbursements.
3. Designations Procedure:
 - a. *Routine Designations:* (such as "Missions", "Building Fund" or other funds which have the prior approval of the Board). The donor's designation of such funds must be handled as indicated by the donor. Such funds should be transferred to the designated account on a regular basis, at least once each month (preferably before month end.)

- b. *Special Designations*: (Where a donor submits an offering for a private designation of his/her choice, where the Board has not gone on record with specific prior approval of such a fund). In such cases, if an income tax receipt is at issue with the donor, then the Canada Revenue Agency requires that Charitable Institutions must not be used to simply channel private gifts between individuals. If a receipt is expected, the Board must specifically review such donations, and must exercise proper direction of all funds to be receipted for charitable purposes. If the designation is deemed by the Board to fall within the purview of its stated mission, the Board in such cases must specifically, by recorded motion, direct the Treasurer to disburse the funds as requested. If the designation is merely a personal gift and does not clearly fall within the mission statement of the Charity, then the Board cannot approve such designations for receipting for Income Tax Purposes, *and should not even deposit the funds into the church account.*
- c. *Donor Restricted Gift Policy*: Spending of funds confined to church board approved programs and projects. Each contribution directed toward an approved program or project will be used as restricted with the understanding that when the need for such a program or project has been met, or cannot be completed for any reason as determined by the church board, the remaining restricted contributions will be redirected to a similarly approved program or project, and where this is not feasible will be used where most needed.
- d. *Donations "in kind"*: (Where a donor gives something of value to the Charity, such as clothing for distribution to the poor, building materials, musical instruments, real estate, or any other non-cash commodity). Income Tax Receipts may be issued by the Treasurer only when there has been an actual "exchange of cheques" in an amount specifically approved by the Church Board as the appropriate value of the donated item. Where actual Invoices or Bills of Sale are not attached in support of the stated value of the item, the Church Board must be satisfied that the declared value of the donated item is supported by an acceptable appraisal.

"Exchange of Cheques" means that the Treasurer must deposit a cheque from the donor in the amount of the duly approved value of the donated item. Upon receipt of such a cheque, and with Board Approval, the Treasurer may then issue a cheque to the donor for the same amount.

- 4. Petty Cash: The only exception to disbursements by Cheque or EFT transfer only would be where church boards may approve a nominal petty cash procedure for the Church Office and/or Pastor. As a general rule, petty cash should be used for minimum value expenses. Where Petty Cash is used, those who use it are required to retain a receipt for every expenditure. These receipts must be given to the treasurer on a systematic basis, as mutually agreed upon. Integrity demands that there be no exceptions.

C. RECORDS

- 1. The Treasurer is required to keep the following records:
 - a. Regular Ledger System showing Receipts, Disbursements, Balances on Hand, etc., for all Funds as requested by the Church Board.
 - b. Bank Records: All Monthly Bank Statements, etc., for all accounts held by the church board. (If Church Departments such as Women's Ministries, etc., are not integrated with the General Church Treasury, such Department Treasurers will keep their own Bank Statements).
 - c. All Bills and Invoices must be kept to substantiate disbursements.
- 2. An Annual Audit or independent review of the Church Treasury shall be conducted, as directed by the Church Board.

D. REPORTS

1. Regular Monthly Financial Statements for all Accounts, reconciled to Bank Statements, shall be provided to the Pastor and Church Board.
2. Annual Financial Statements shall be prepared for publication at the Annual Congregational Business Meeting. Check with your District Office to see if they request that Church Treasurers forward a copy of the Annual Financial Statement to the District Office following the Congregational Business Meeting.
3. Canada Revenue Agency: (This information is for new Churches or new Pastors)
 - a. General Information may be obtained from CRA's Toll Free Number: Charities Division: 1-800-267-2384 or from their website: <http://www.cra-arc.gc.ca/menu-e.html> or in writing at Charities Directorate, Canada Revenue Agency, Ottawa, Ontario, K1A 0L5.
 - b. Payroll: Information about Deductions and Procedures is available in the Employer's Start-Up Kit and other Annual Information and Interpretation Bulletins. Canada Revenue Agency will assist with your requests for information. Call them at 1-800-959-5525 or at your closest office:

Please Note: Canada Revenue Agency has established Clergy Residence Deductions (housing allowances) as a tax-free benefit, available only to members of pastoral staffs who qualify. The Treasurer needs to confirm that every person receiving this tax exemption so qualifies. The form can be downloaded from <http://www.cra-arc.gc.ca/E/pbg/tf/t1223/README.html>

Please reference the CRD Information included in the PAOC Church Portal toolbox? Copy attached for your reference.

Other traditional clergy benefits no longer exist as such. For example, there is no general provision for "clergy car allowance", however, any employee is entitled to be remunerated on an expense basis for kilometres driven on church business.

For more information on Payroll Deductions please contact Canada Revenue Agency, or the PAOC District Office.

- c. Annual Charities Return (T3010). In order to retain current status with Revenue Canada, all Registered Charities are required to file a completed T3010 with Revenue Canada within six months of the close of the church's fiscal year.
Failure to do this may result in revocation of the Charities Registration for purposes of Income Tax Receipting.
4. Disclaimer to be included in each year's annual statements and/or on the offering envelopes:
"From time to time the church receives gifts for specific purposes or projects. If the project for which the gifts are received has been fully funded or cannot be completed for reasons beyond the control of the church board, the board reserves the right to use such funds for other similar purposes." (Please note the Restricted Gift Policy in section B.3.c above).

E. PAYROLL INFORMATION FOR TREASURERS:

1. **CLERGY INCOME TAX DEDUCTIONS:** The following information should be confirmed for your particular situation with your auditor or accountant.

PAYROLL DEDUCTION RULES

The Clergy must pay:		TAX	CPP	EI
a.	Basic Salary	Yes	Yes	Yes
b.	Clergy Residence Deduction*	No	No**	Yes
c.	Clergy Car Allowance*	No	No	No
d.	Employer Contribution to a provincial health plan	Yes	Yes	No
e.	Group Insurance Premiums			
	Life Insurance Premium	Yes	Yes	No
	Dental/Health Premium	No	No	No
	Disability Premium***			
f.	Pension Fund Employer Contributions	No	No	No

* **Clergy Residence Deductions** are permitted ONLY for members of church staffs who hold valid, current credentials with a recognized denomination such as PAOC, or are recognized by CRA as fulfilling clergy functions. Other salaried members of church staffs, who do not hold ministerial credentials, such as Counselors, Administrators, Secretarial or other staff, may not be able to claim the deduction. The deduction is equivalent to the greater of either \$10,000/year or 1/3 of the credential holder's remuneration, but never more than the "Fair Rental Value" of the pastor's housing, including utilities.

* **Clergy Car Allowance:** There is NO provision by Canada Revenue Agency for a church issuing a general "Car Allowance" as a non-taxable benefit. The only accepted practice is where a pastor regularly submits an *expense statement showing the number of kilometers driven on church business* (does not include travel to and from the church to the pastor's residence). The Church may then reimburse the pastor for such kilometrage. The Canada Revenue Agency considers a rate of \$0.52/km (for the first 5,000 km and \$0.46/km thereafter) to be a reasonable amount. The Church Board needs to approve by recorded motion the rate that will be used to compensate the pastor for car expenses incurred on church business.

** **CPP:** If the pastor is on low income and pays NO income tax, he is permitted to include the value of Housing received in his income in order to maximize his base for CPP premiums, provided the value of housing does not put him into the income tax category; however, if he pays any income tax at all, he is not permitted to include the value of Housing in his salary for CPP purposes.

*** **Disability Premiums:** When the employer pays the Disability Premium, income tax is to be paid by the employee either at the time the premium is paid OR when a claim is received. If your plan is set up so that *premiums* are taxable, this means that should the employee ever become entitled to make a Disability Claim, they would not be taxed on the amount of the benefit received.

Other Taxable Benefits: You should confirm with your accountant whether the following items should also be reported as Taxable Benefits by all employees, including clergy:

- a. Air Miles, accumulated from Business Expense accounts, when cashed in for personal use;
- b. Visa points claimed from business expense accounts for personal benefit;
- c. Low interest differential on any loans offered by church boards to staff members should be included on your T-4; See Employer's Guide to Payroll Deductions (Taxable Benefits, p.2-4).
- d. Since the 1994 Federal Budget, Employers shall include as taxable benefits all premiums on life insurance programs paid, including the Life Insurance portion of premiums paid.

2. **WORKERS COMPENSATION.** Check with your provincial Workers Compensation office to determine whether your Church is required to register and submit an annual payment on behalf of all employees. *This is not an employee salary deduction.* Normally, the Church is invoiced annually, based on the total payroll.

If you need further assistance with regard to any of these matters, please be free to access the PAOC Fellowship Services toolbox <https://portal.paoc.org/churchportal/Pages/Links/Church%20Administration.aspx>

March 2018

OFFERING SUMMARY

Date: _____

Coin	_____ X	\$0.01	= \$	Cash	_____ X	\$5	= \$
	_____ X	\$0.05	= \$		_____ X	\$10	= \$
	_____ X	\$0.10	= \$		_____ X	\$20	= \$
	_____ X	\$0.25	= \$		_____ X	\$50	= \$
	_____ X	\$0.50	= \$		_____ X	\$100	= \$
	_____ X	\$1.00	= \$		_____ X	\$500	= \$
	_____ X	\$2.00	= \$		_____ X	\$1000	= \$
TOTAL			\$ _____				\$ _____

Cheques	Name	Amount		Deposit	
				Coin =	\$
				Cash =	\$
				Cheques =	\$
				Total	\$ _____
				Designations	
				Tithes =	\$
				Offerings =	\$
				Building =	\$
				Missions =	\$
				Benevolence =	\$
	TOTAL	\$ _____		TOTAL	\$ _____

Counted By: _____
 (Each Person Should Sign) _____

Deposited On: _____, 201__

Note: Attach all supporting adding machine tapes properly labelled.
 Attach validated bank deposit slip and other receipt documentation.

CLERGY RESIDENCE DEDUCTION (CRD)

Qualification:

The Income Tax Act (ITA) allows for qualifying persons to claim a clergy residence deduction when filing their annual tax returns.

To qualify, a person must meet a two-part test.

The first part is the status test – The person must be a member of the clergy. This means they must have credentials with PAOC.

The second part is the function test – The person must be in charge of and/or ministering to, a diocese, parish, or congregation, or be in a full-time administrative position by appointment of the church denomination.

Payment of Housing Costs

There are two scenarios to consider...

The first case is when the employer provides the housing.
The housing cost is in addition to normal salary payments.

The second case is when the employee owns or rents their housing and pays for it out of their normal salary payments. In this case there is no provision for, or payments, from the employer for housing.

First Case – Housing Provided

- Box 30 on the T4 will be filled in. (This amount is also added to Box 14).
- The amount in Box 30 must reflect the value of the benefit received for housing only.
- Box 40 on the T4 will be filled in. (This amount is also added to Box 14).
- The amount in Box 40 may contain more than just the eligible utilities (electricity, heating, water & sewer); claim only the eligible amount for utilities.

Form T1223 – Clergy Residence Deduction

- Part C, sub-part (A) applies: 'If you received free accommodation for your residence, the value of which was shown in Box 30 of your T4 slip as a taxable benefit, claim this amount on line 231 of your return.'

Form T1213 – Request to Reduce Tax Deductions At Source for Year(s)

- When housing is provided there is no need to file this form to have taxes reduced when pay is processed.

Second Case – Housing Not Provided

In this case any amounts for rent & utilities must be added to salary and therefore paid as normal salary to the employee.

- Box 30 on the T4 is left blank as no taxable benefit is provided because the employee pays for housing out of their normal salary payments.

Form T1223 – Clergy Residence Deduction

- Part C, sub-part (B) applies: This part assumes Box 30 of the T4 is blank, if you owned or rented your residence being claimed you need to determine the amount to claim on line 231 of the tax return. You can use the form or follow the guideline on the next page, Tax Filing B: paragraph.

Form T1213 – Request to Reduce Tax Deductions At Source for Year(s)

- The employee may request Canada Revenue Agency (CRA) to reduce tax deductions when pay is calculated for the amount of the clergy residence deduction to be claimed. A letter of authority from CRA must be given to the employer before tax on pay calculations can be reduced.
- When submitting the T1213, include Form T1223 along with a copy of credentials and job description.

CANADA REVENUE AGENCY & PAYROLL

Payroll Deductions

All employees are subject to statutory deductions, namely; Tax, Canada Pension Plan, and Employment Insurance.

Tax – Will not be deducted on amounts for the residence of the clergy member where housing is provided by the employer. Where housing is not provided by the employer tax deductions will only be reduced after the letter of authorization is received from CRA.

Canada Pension Plan (CPP) – Will not be deducted on amounts for the residence of a clergy member if the employee receives a tax deduction for the residence.

Employment Insurance (EI) – Will be deducted.

Tax Filing

A: - Box 30, and the eligible part of Box 40, on the T4 requires the following for filing the Tax Return:
Line 101 (Employment Income) – Enter the amount in Box 14 on the T4(s) less the amount in Box 30 and the eligible part of Box 40.
Line 104 (Other Employment Income) – Enter the amount in Box 30 and the eligible part of Box 40 on the T4(s).
Line 231 (Clergy Residence Deduction) – Enter the amount in Box 30 and the eligible part of Box 40 on the T4(s).

B: - If Box 30 is not filled in on the T4 & you want to claim a Clergy Residence Deduction:

1: Make sure you meet both the Status and Function tests to qualify.

2: The amount cannot be more than the lesser of A: or B:

A: The first amount is the greater of:

- \$1,000 times the number of months working, up to a maximum of 10, or \$10,000.
- one third of remuneration, (Box 14 on the T4 slip).

B: The rent & utilities you paid, or the fair rental value of the residence if owned.

NOTE: Utilities means amounts expended for services of electricity, heating (eg. Gas), and water & sewer.

Form T1223 – Clergy Residence Deduction should not be filed with the Tax Return. It must be presented to CRA only if they ask to see it. Section B and the Certification on page two are to be completed by the employer. All other areas are to be completed by the employee. Don't forget to include your job description and a copy of your credentials from the PAOC.

References:

- Interpretation Bulletin: IT-141R Clergy Residence Deduction
- Employers' Guide: Payroll Deductions and Remittances – T4001
- Employers' Guide: Taxable Benefits and Allowances – T4130
- General Income Tax and Benefit Guide – 5000-G
- Charities Handbook (Canadian Council of Christian Charities)

- For further information or questions, contact your District Office