



## Clergy Residence Deductions

### How to Do It and Be Compliant with Canada Revenue Agency

**There are two parts** to claiming the Clergy Residence Deduction (CRD) on personal income tax. It's complicated, and treasurers and ministers must work together, but educating yourself about who is responsible for what is an important step. Tab 4 of the New/Change Employee Sheet contains a detailed description of claiming this deduction at source; all treasurers and ministry personnel are encouraged to thoroughly review this information to be compliant with Canada Revenue Agency (CRA) guidelines.

Claim CRD on your income tax filed in the spring. Here's how:

- ➔ **If you are ministry personnel** and you work in a ministry role at a ministry site or pastoral charge
- ➔ **Then complete form T1223** and have your treasurer sign it.
- ➔ **File T1223** with your tax return to claim the deduction to receive your tax credit.

Claim CRD to reduce taxes at source. Here's how:

- ➔ **To be compliant with CRA guidelines**
  - ministers complete T1213 in fall of 2014 for 2015 (and fall 2015 for 2016, etc.)
  - receive written authorization from the CRA: the letter of authority
- ➔ **Treasurers**
  - report the amount authorized to ADP in the CRDAPP line
  - report balance of housing allowance (if any) in the NOCRDAPP line
- ➔ **Ministry Personnel** retain letter of authority in your files in case of CRA audit

#### **Treasurers:** Be CRA Compliant

If the ADP New/Change Employee Sheets have previously noted an approved amount of Clergy Residence Deduction, but you have not yet received the T1213 (or TP-1016-V in Quebec) from the minister, you must indicate that change.

- In the field that “approved” deduction amounts were previously noted, write “STOP.”
- In the field that contains “unapproved” amounts, complete the information as applicable.

The New/Change Employee Sheet, Tab 4, contains a very detailed explanation of the full process for managing CRD and at-source deductions.

Please contact the Ministry and Employment unit with any questions you may have about this process. E-mail [MinistryandEmployment@united-church.ca](mailto:MinistryandEmployment@united-church.ca) or phone 1-800-268-3781 ext. 3161.

# The Clergy Residence Deduction and Payroll **In More Detail**

If you already know the basics of claiming the Clergy Residence Deduction (CRD), this information should assist you with ensuring your compliance with Canada Revenue Agency (CRA) and Revenue Quebec(RQ) regulations. It is important to be in compliance with the tax laws in whichever jurisdiction you reside. The following information is designed to provide more details than page 1 for those more familiar with the process.

Understanding the CRA—and, for ministers who work in Quebec, RQ—guidelines regarding the CRD is complicated, especially if the minister and/or the pastoral charge wish to receive CRA/RQ remittance credits with each pay processed (at source). If source credits are desired, it is the minister’s responsibility to provide the treasurer/payroll administrator with the documentation needed on an annual basis to ensure compliance with CRA/RQ.

For payroll administrators who are not interested in closely managing the processing of the CRD through payroll, the easiest option would be to direct ADP to apply all CRA/RQ remittances to the housing allowance amount paid. To make this happen, using the New/Change Employee Sheet (2015), provide the following direction to ADP:

- In the field(s) that “approved” deduction amounts were previously noted, write “STOP.”
- In the field that contains the “unapproved” amount, complete the information as applicable.

If the payroll administrator is prepared to manage CRD source credits, the minister and payroll administrator need to understand CRA/RQ guidelines (summarized below) or both risk penalties with CRA/RQ if deemed noncompliant. **Note:** ADP will not monitor whether pastoral charges have received the necessary authorization to apply source credits. It is assumed that the treasurers and ministry personnel are aware of the CRA/RQ guidelines, and ADP has been directed by the treasurer to process the CRD correctly through the New/Change Employee Sheet.

## CRA/RQ Guidelines Summary

If the minister wishes the ministry unit to reduce their taxable income by the amount of the CRD and thereby reduce the amount of income tax deducted at source (pay by pay), the minister must obtain a “letter of authority” issued by the CRA (and, for ministers who work in Quebec, RQ). Otherwise, the minister can claim the CRD when filing their personal tax return at year end.

Since the CRD is based on the fair rental value of the minister’s home, it may be more or less than the actual housing allowance. ADP has earning codes (CRDAPP & NOCRDAPP) to accommodate these situations.

To obtain a letter of authority, ministers must apply annually

- federally using the CRA Form T1213, Request to Reduce Tax Deductions at Source
- and, for ministers who work in Quebec, using the RQ Form TP-1016-V, Application for a Reduction in Source Deductions of Income Tax

Once the CRA (and RQ if applicable) provides written authorization (a letter of authority), the treasurer can direct ADP to process housing subject to Employment Insurance only. The letter of authority is valid for the current calendar year only. Government authorization to reduce tax deductions at source must be done on an annual basis, and ministry personnel must reapply each fall for the following calendar year.

A resource for completing the T1213/TP-1016-V is available at [www.united-church.ca](http://www.united-church.ca) (search “Instructions for Completing Form T1213/TP-1016-V”).