

STIPENDS FOR VOLUNTEERS

The practice of giving cash gifts/stipends to volunteers has become quite common over the years as volunteers are becoming harder to find for various church programs.

The volunteers who are receiving stipends are for example, organists, music directors, housekeepers, catechists, etc. The IRS considers these payments to be taxable because the recipients are employed by the parish or institution.

The following options should be considered if you are presently giving cash or cash value items to your volunteers as a sign of appreciation.

1. Rather than giving a cash gift to volunteers, show your appreciation through a dinner or special party. The cost of such an event would be considered a business expense and not income for the volunteer.
2. If you give a gift to the volunteer, it must be non-cash and less than \$25.00 in value. Non cash gifts of \$25.00 or less are acceptable and are not reported on a W-2 or 1099.
3. If a parish elects to pay CCD teachers with SCRIP, the amount of SCRIP would be reported on a W-2 as if cash were paid. If the parish pays an employee less than \$100.00 in a calendar year, those wages are not subject to social security and Medicare taxes but are subject to federal and state withholding. SCRIP and other gift certificates are considered equivalent to cash. The wage and hour minimum wages are applicable when paying hourly salary amounts.
4. You may provide babysitting for those volunteers who need it. You could even contract with a suggested babysitting facility to watch the volunteer's child each time they volunteer their services. It is suggested that the parish contract this arrangement directly with the day care facility and not give the money to the volunteer to pay for the babysitting.
5. Blanket dollars paid as gas money to cover mileage may not be paid to volunteers for teaching classes. Actual mileage reimbursements are discouraged. However, the volunteer may list the mileage as a charitable contribution to the parish on an appropriate tax form.
6. If you have volunteers who need some kind of remuneration for them to continue to participate in your program and you feel it is worth paying for their services, then you will need to hire those individuals as employees, even if it is for a couple of hours per week. This would entail filling out the appropriate forms in the Parish Administration Manual, III, G, page 4; and paying the indicated taxes, even if they are minimal.

Therefore, I ask that you review your procedures and begin compliance with the IRS requirements. Failure to implement these policies could result in audit penalties and fines.

I realize the importance of the volunteers and that they sustain the life of the parish, but we must appropriately recognize appreciation for their services.

Please remember that any individuals performing services for the parish under supervision of the pastor and compensated by the parish are employees of the parish. All compensation of these individuals are wages subject to FICA, and Federal and State withholding, and must be reported on W-2's and quarterly 941's.

Please refer to the article *Cash Payments to Individuals and "Independent Contractors,"* (**See **PARISH FINANCE MANUAL** page **Fin.XI.C.page 1**), which has been provided by Deirdre Dessingue Halloran, Associate General Counsel, United States Catholic Conference, Washington, D.C. Please also refer to the IRS Contractor or Employee checklist (**See **PARISH FINANCE MANUAL** page **Fin.XI.D.page 1**), which is for your use in determining status of independent contractors or employees.