

MEMORANDUM

TO: All Diocesan Priests
FROM: Michael J. McNamara
RE: Automobile Reimbursement Policy
DATE: November 17, 1992

This is an update of the automobile reimbursement policy for diocesan priests. This policy is necessary so that the archdiocese can properly comply with Federal and State income tax laws. The policy is as follows:

Priests of the Archdiocese of Atlanta will have the option to be reimbursed for automobile expenses in either of the following methods:

1) 80% of all operating expenses including gas, oil, insurance, repairs, etc.

or

2) 28 cents per mile for mileage driven for Church business.

If option #1 is used it will be necessary for the employer to include the reimbursement on your W-2 form as income. You will have to report this as income on your annual income tax return. You then may deduct the business portion of your auto expenses as part of your itemized deductions on your return. This deduction could be severely limited depending on your total itemized deductions. For example, if your total itemized deductions are \$5,250, including automobile expenses of \$5,000, you would only benefit for \$1,650 since your standard deduction is \$3,600.

Option #2 reimburses the priest at the rate of 28 cents per mile based on reports of business miles submitted by the priest to the employer. This type of reimbursement is tax free and is not required to be included in the priest's W-2.

The option selected by you depends on your personal situation, primarily the number of business miles driven.

Remember, the "Actual Expense Method" requires reporting to the IRS while the Mileage Method does not.

MJM/ap