

Clergy Residence Deduction

Parish pastors are generally eligible for the Clergy Residence Deduction (CRD) thereby reducing the amount of income tax (and CPP) that would otherwise be payable on their income. In the absence of prior approval from CRA, the congregational treasurer is required to include any amounts paid as housing allowance (or in the case of a pastor living in a parsonage, the fair rental value of the parsonage) as income when calculating income tax other deductions for each pay period. The pastor then claims the deduction when filing his/her income tax return at the end of the year.

For clergy owning or rent their own accommodation and wishing to have their income tax reduced at source:

To receive the benefit of this deduction in advance, i.e., for each pay during the year, rather than at the end of the year, the pastor must complete and submit forms T1213 (Request to Reduce Tax Deductions at Source) and T1223 (Clergy Residence Deduction (CRD)) with CRA. Part B of form T1223 needs to be completed by the employer (usually by the congregational treasurer). The treasurer is permitted to reduce income tax at source once written approval is received from CRA, resulting in lower income tax and CPP deductions (and hence higher net pay). *Note that these forms must be filed on an annual basis and should be submitted in October to allow sufficient time for CRA to respond with its approval prior to the first payroll of the upcoming year.*

To avoid possible CRA requests for further information and resulting delays, in addition to forms T1213 and T1223, the following items should be included in the annual submission:

- Job Description (including percentage of time on each responsibility)
- Copy of ordination certificate
- Letter from real estate agent confirming the fair market value of pastor's residence (including utilities)

For clergy with housing provided by the congregation (e.g. a parsonage) and wishing to have their income tax reduced at source:

The process of filing a T1213 in advance with CRA is not required; however the pastor must inform the treasurer in writing if he/she is requesting immediate tax relief. Unlike the situation with clergy receiving a housing allowance, this notification is only required once, not on an annual basis.