

Date: January 7, 2020
To: Bookkeepers & Business Managers, Pastors, School Administrators
From: Parish Accounting
RE: **2019 & 2020 Taxes / QCD Letter / Mileage Rate Change**



As you prepare for finishing off the 2019 tax year and entering 2020, we have a few reminders:

Please review the following memos that were issued:

- Acknowledging Charitable Contributions – Calendar Year 2019 dated December 3, 2019
 - This provides guidance on issuing tax acknowledgements and parishioner statements including contributions that are tax deductible.
 - Donations for individuals (example, seminarian or priest) are not tax deductible.
 - Compare your contributions in ServantKeeper, ParishSoft and other software systems to your donations in QuickBooks before issuing parishioner statements. Any variances should be reconciled before sending the statements. Keep a copy of your year-end statements on file for 7 years.
- 2019 Year End Tax Information / 2020 Tax Changes dated December 17, 2019
 - This outlines the due date for 2019 federal and state tax filing as well as provides step by step instructions for completing the tax forms in QuickBooks.
 - Compare the four quarterly 941s to the W-3 before issuing W-2s and 4th quarter 941.
 - Contact Linda or I if you need help determining your 1099 contractors.
 - This also identifies upcoming changes in 2020 including the new federal and state W-4s, these are on the diocesan website in the bookkeeper manuals.

The 2020 W-4s are quite a bit different from the previous versions. **Employees hired in 2020 and making a change in withholding in 2020 are required to use the 2020 W-4.** Existing employees that are not making a change do not need to file the new W-4. Please review the updated W-4 forms so you understand them. Employees must now elect the dollar amount they want withheld on the federal W-4. You may assist your employees to ensure they have all required fields completed, however do not give tax advice on the amounts to enter. Note if an employee marks exempt, the employee does not have federal and state taxes withheld from their paycheck. Only Medicare and Social Security is withheld for lay employees. Refer to <https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4> for further detail.

Qualified Charitable Distributions (QCD) (aka IRA distributions) are not included on the parishioner statement, rather an acknowledgement letter is issued. We have prepared a sample QCD letter that can be issued for these distributions. This is included at the end of this memo.

The IRS Reimbursement Rate for business miles driven is .575 cents per mile effective 1/1/2020. Diocesan priests should be paid at this rate (the 2019 rate was .58 cents per mile). You may use this rate or elect a lower rate for employees. Chancery employees are reimbursed at 40 cents per mile when driving their personal vehicle.

Please contact Linda Topf (712-233-7593) or Julie Mahaney (712-233-7515) with questions.

Sample QCD/IRA Distribution Acknowledgement Letter
(include on location's letterhead)

Date

<QCD Donor's Name & Address>

Dear <insert Donor's Name>,

Thank you very much for your gift of (insert amount and date of the gift and check number). The IRA distribution (QCD) was received directly from your investment company <insert name of payor here>.

This acknowledgment of your contribution to (Your Parish/School Name) is provided pursuant to section 170(f)(8) of the Internal Revenue Code and must be kept as documentation of your contribution for income tax purposes. (Your Parish/School Name) in no manner provided any goods or services in connection with this contribution. We may have provided you with intangible religious benefits in exchange for this gift.

Generally, QCDs are not reported as taxable income and hence would not be eligible for an itemized charitable deduction. This amount will not be recorded on your annual parishioner statement.

As always, consult your advisor for how the tax rules apply to you.

Again, thank you for your financial support.

Sincerely,

<Name>