



**Diocese of Western Massachusetts Central Payroll System  
General Information and Instructions  
Effective January 1, 2010**

**1. Agency Agreement**

The Central Payroll System is operated as a service to the parishes and missions of the diocese. The input of payroll and benefit information takes place at Diocesan House but the actual printing of checks, direct deposit vouchers and payroll tax reporting is done by Checkwriters, a local professional payroll service. Under the current agreement, the Diocese, through its agency, provides this service without charge to parishes and missions. **Here's how it works:**

- a. Each parish reimburses the Diocese for all clergy and lay salaries and the employer's share of lay social security as well as clergy social security add-on. A Church Summary Special Listing is provided to the treasurer twice monthly which 1) provides the figures needed for the treasurer to verify payroll costs for each pay period and 2) serves as a basis for verifying the amount charged to the parish checking account via electronic funds transfer (EFT) twice monthly on the business day following the payroll date.
- b. The parish also reimburses the Diocese by EFT for group benefits provided to clergy and lay employees. A separate sheet with itemized costs of these benefits is included with the second monthly payroll mailing.
- c. Written notice of all payroll changes is required. A Central Payroll Authorization Form is required for this purpose and we ask that payroll forms be received at the diocesan offices five business days before the effective date of the payroll. Any changes received after a payroll is issued will not be processed until the next payroll is issued. If a special payroll run is required, the fee charged by Checkwriters will be passed on to the employing parish. The Diocese assumes no responsibility for overpayment to any person unless written notice has been received five business days prior to the due date of the payroll.
- d. Checkwriters requires that we process payroll 3 business days before the due date of the payroll (the 2<sup>nd</sup> and 4<sup>th</sup> Fridays of each month). These run dates are influenced by weekends and holidays. **Our scheduled run dates for the Year 2010 are:**

**2010 Payroll Run Date Schedule**

The diocese contracts with an outside payroll processor, Checkwriters, and this requires that we process payroll 3 business days before the due date of the payroll (the 2<sup>nd</sup> and 4<sup>th</sup> Fridays of each month). **There is an exception to this schedule in both November and December 2010 when the payrolls are scheduled for the 1<sup>st</sup> and 3<sup>rd</sup> Friday of the month due to the Thanksgiving and Christmas holidays.** This ensures that all direct deposit information can be transmitted to each employee account for timely credit on the scheduled pay date. The payroll information that you submit to the Diocesan payroll office is input here at the diocesan office. That information is then transmitted to the payroll processor for printing of checks and direct deposit vouchers. The run dates are influenced by weekends and holidays. Our schedule of run dates for the Year 2010 is as follows:



<b>2010 Run Dates for Payroll:</b>				
	<u>Pay Date</u>	<u>Run Date</u>	<u>Pay Date</u>	<u>Run Date</u>
January	8, Fri.	4, <b>Mon</b>	22, Fri	15, <b>Fri</b>
February	12, Fri	8, <b>Mon</b>	26, Fri	22, <b>Mon</b>
March	12, Fri	8, <b>Mon</b>	26, Fri	22, <b>Mon</b>
April	9, Fri	5, <b>Mon</b>	23, Fri	19, <b>Mon</b>
May	14, Fri	10, <b>Mon</b>	28, Fri	24, <b>Mon</b>
June	11, Fri	7, <b>Mon</b>	25, Fri	21, <b>Mon</b>
July	9, Fri	2, <b>Fri</b>	23, Fri	19, <b>Mon</b>
August	13, Fri	9, <b>Mon</b>	27, Fri	23, <b>Mon</b>
September	10, Fri	6, <b>Mon</b>	24, Fri	20, <b>Mon</b>
October	8, Fri	4, <b>Mon</b>	22, Fri	18, <b>Mon</b>
November*	5, Fri	1, <b>Mon</b>	19, Fri	15, <b>Mon</b>
December*	3, Fri	11/29, <b>Mon</b>	17, Fri	13, <b>Mon</b>

The “**Run Date**” is the date that **payroll information is input and transmitted** to our payroll service to be processed for the actual pay date. Please note that the funds for payroll will be collected from the parish account on the business day following the pay date.

The above-listed schedule of payroll run dates makes it necessary that we be informed in writing of all payroll changes such as those listed below as we have deadlines to meet with our payroll processor to ensure the timely payment of all employees:

- |                               |                                      |
|-------------------------------|--------------------------------------|
| New Employees                 | Medical/Dental Insurance             |
| Terminations                  | effective date of insurance cvg      |
| Salary Increases              | % of premium paid by parish/employee |
| Hours for Part-time employees | % of pension paid by parish/employee |

## 2. Annual Salary Information

Notice of annual salary information, both the amount and the effective date, should be sent to the Diocesan Payroll Department as close to the first of the year as possible. Please note that many parishes think they cannot submit salary changes until after the parish Annual Meeting. In the Episcopal Church, the canons of the church provide that the Vestry can approve the budget. Therefore, once your Vestry has approved the budget for next year, you can submit salary changes to the Diocesan Payroll Department.



### **Clergy Compensation**

Those clergy paid by the diocesan payroll system receive a “grant” toward the applicable self-employed social security tax, computed as follows:

Cash Stipend-Annual	\$31,000.00
<b>Plus: Actual Vestry approved Housing Allowance or Fair Rental Value of Unfurnished Rectory Plus utilities</b>	<b><u>24,000.00</u></b>
Social Security Base	\$55,000.00
X 15.30% Self-Employed Rate	8,415.00
<b>½ Social Security “Add-On”</b>	<b>4,207.50</b>

The annual “add-on” amount is added to the cash stipend and is subject to federal and state income taxes and is also part of the clergy pension assessment calculation.



### **Lay Compensation**

#### **Variable Work Hour Employees**

In most instances, part-time employees work a predetermined number of hours per week and therefore, can readily be paid fixed amounts on a monthly or semi-monthly basis. There are instances of employees who work varying hours. If you have an employee that is working variable hours, we must be informed in writing of actual hours worked. This can be accomplished by mailing a completed time sheet, by fax at (413) 746-9873 or email [solbon@diocesewma.org](mailto:solbon@diocesewma.org). In emergencies, we will accept a phone call, but it must be followed by written information to complete our files.

#### **Lay Pensions**

In 1991, at the 70<sup>th</sup> General Convention, a resolution was passed calling for the participation of all full-time lay employees in either a defined contribution or a defined benefit pension plan. The resolution indicates that the pensions shall be provided to all lay employees 21 years of age or older who work a minimum of 1,000 hours annually. For assistance in your planning and implementation of lay pensions, please contact Susan Olbon, Ext. 20 or via email [solbon@diocesewma.org](mailto:solbon@diocesewma.org)

## **Pay Frequency and Tax Status**

### **a. Computation of Pay Frequency**

An employee may elect to be paid monthly or semi-monthly. The salary base and the taxes withheld will be based on 1/12 or 1/24 of the annualized salary.

In effect, this means that all salaries will be annualized and reduced to a monthly base (1/12) or a semi-monthly base (1/24).

- ✓ **Monthly pay is issued on the 4<sup>th</sup> Friday of the month.**
- ✓ **Semi-monthly pay is issued on the 2<sup>nd</sup> and 4<sup>th</sup> Fridays of the month.**

In the event either the 2<sup>nd</sup> or 4<sup>th</sup> Friday of any month falls on a holiday, the payroll is issued in time to arrive on the workday immediately preceding.

### **b. Computation of Adjustments**

Adjustments for partial pay for new or terminated employees will be based on the number of credited days of work and accrued vacation for a standard month of 30 days. (Example: Employed on the 18<sup>th</sup> of the month, 13-30=.433% monthly salary; terminated on 18<sup>th</sup> of month 17-30 = .566% monthly salary.)

## **4. Deductions**

### **a. Tax Sheltered Annuities/Lay Pensions**

The amount of salary reduction (the employee contribution to a tax-sheltered annuity and/or defined contribution plan) is subject to social security taxes even though it is excludable from the employee's gross income for purposes of federal income tax. Likewise, it is creditable to the individual's social security account for benefit purposes.

### **b. Medical/Dental Insurance**

Please notify us of the percentage that the parish will contribute for lay/clergy employees for medical and dental insurance.



## **5. Attachments to Central Payroll Authorization Form**

### **Withholding Forms**

1) Federal withholding forms (W-4) 2) state withholding forms (M-4) are required by law and 3) U.S. Department of Justice Form I-9 is required by law for all new employees. These forms are available at any IRS or state tax office or from the Diocesan Payroll Department. They are also available online by logging on to [www.irs.gov](http://www.irs.gov) for Form W-4, [www.dor.state.ma.us/](http://www.dor.state.ma.us/) (see Forms and Publications section) for Form M-4 or [www.bcis.gov](http://www.bcis.gov) for Form I-9 (see Forms section).

## **Direct Deposit**

We offer direct deposit to employees paid through the Central Diocesan Payroll system. Under this program, the employee's net pay is deposited to his/her account automatically each payday. Please invite all persons to call the Financial Services Center for details.

## **6. Social Security Taxes**

### **a. Clergy Payroll**

For purposes of Social Security taxes, clergy are considered to be self-employed and, therefore, subject to a 15.30% rate also based on a maximum of \$106,800 of wages in 2009, the maximum for 2010 is not yet available. If wages exceed \$106,800, the amount in excess of \$106,800 is subject to a 2.9% rate. The maximum amount includes cash stipend plus the actual housing figures. Please refer to the semi-monthly "Church Summary Special Listing" for the amount paid. This amount is listed as Clergy FICA.

### **b. Lay Payroll**

As of January 1, 2010, the total rate for social security tax will be 7.65% for lay employees and 7.65% for their employers on a maximum of \$106,800 of wages in 2009, the maximum for 2010 is not yet available. If wages exceed \$106,800, the amount in excess of \$106,800 is subject to a 2.9% rate. This means that as an employer, each church is responsible for remitting to the Diocese each month 7.65% of the gross monthly salary of each lay employee. Please refer to the semi-monthly "Church Summary Special Listing" for the amount paid.

## **7. Withholding Taxes**

Federal and state withholdings will be calculated on the basis of an individual's withholding status (single, married), number of exemptions listed on the Form W-4 and the salary paid by the church, without regard to other income. Persons requiring additional withholding are advised to revise the W-4 on file through the Diocesan Payroll Department.

Under certain circumstances, a musician, cleaning contractor or other independent contractor might not subject to the withholding requirements. In such instances, the church should obtain a signed statement of such exemption. At the end of the year, a Form 1099 should be issued by the Parish Treasurer to independent contractors (additional instructions regarding the issuance of 1099's is included with this mailing).

If should have any questions, please do not hesitate to call Susan Olbon at (413) 737-4786 or 1-800-332-8513, Ext. 20 or email [solbon@diocesewma.org](mailto:solbon@diocesewma.org)



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