

## About Us

# CRA Changes Clergy Residence Deduction Form T1223

**January 17, 2012** (Updated January 19, 2012)

In late December 2011, the Canada Revenue Agency (CRA) made modifications to CRA form T1223 Clergy Residence Deduction (CRD), specifically to certain sections in "Part B - Conditions of qualifying employment (to be completed by the employer)." These are the first substantive changes to Part B of this form since its initial release in 2001.

### Main Change

The main change has occurred in Part B, section 4. The revised wording is:

*Provide this employee's job title and attach a copy of his or her job description describing all of his or her duties. The description should indicate the percentage of time per week that each duty takes.*

The prior wording was: *"Provide this employee's job title and a list of his or her duties (or attach a copy of his or her job description)."*

### CCCC Commentary

Section 4 seeks to verify the information provided in section 3 dealing with how the individual meets the "function test," which is an eligibility requirement in the Income Tax Act (ITA) for making a CRD claim.

The prior version of the T1223 allowed the "list of his or her duties" to be used in completing the T1223. This list enabled individuals to demonstrate their eligibility in a way that most job descriptions are not designed to do.

**The list is no longer allowed and a job description is now mandatory, along with a new CRA requirement for "percentage of time per week that each duty takes."**

This job description now serves as

- an in-house human resource tool;
- an assessment document for tax authorities to determine whether an individual does or does not meet the "function test."

CRA does not require the T1223 to be filed with an individual's tax return; however, it must be retained on file by the individual in case of a CRA review.

### CCCC Suggestions

Employers should carefully prepare job descriptions for individuals eligible to claim the CRD.

The first step in this process is to review the item selected in the T1223's Part B Section 3, which describes the employee's function. The employee would have been described as

- being in charge of a diocese, parish, or congregation;
- ministering to a diocese, parish, or congregation; or
- engaged exclusively in full-time administrative service by appointment of a religious order or religious denomination.

**This choice must be clearly and unequivocally backed up by the employee's job description.**

This may involve revising the current job description. If so, the revisions should be reviewed with the employee and possibly legal counsel. The terms used in section 3 have been defined by the courts and accurately summarized in CRA Interpretation Bulletin IT-141R Consolidated (the "IT"). The links to these words in the IT are listed here:

- "ministering" [http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P107\\_11343](http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P107_11343)
- "congregation" [http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P110\\_12537](http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P110_12537)
- "full-time administrative service" [http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P115\\_14651](http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P115_14651)
- "by appointment of a religious order or religious denomination" [http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P118\\_15924](http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P118_15924)

Additional guidance regarding specialized ministries and the "function test" is here:

[http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P112\\_13302](http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html#P112_13302)

Additional information and commentary by CCCC is contained in Chapter 18 of the CCCC Charities Handbook, available here: [http://www.cccc.org/members\\_ch\\_show/chapter\\_18](http://www.cccc.org/members_ch_show/chapter_18)

The layout of the job description should set out the job functions that speak to the law's requirements in a clear fashion and in priority order, with the percentages now required by CRA. Details that are needed for human resources purposes should be added as an appendix to help avoid clutter and potential confusion. A sample follows here:

Job title: Youth Pastor

Reports to: The Senior Pastor

Primary Duty: To minister to the congregation of \_\_\_\_ Church, with emphasis on providing pastoral services to the youth of the church in the Teen Club, the Young Adults church groups, and youth in the surrounding neighbourhood.

Key Responsibilities:

20% - Lead weekly Teen Club meeting (lead prayer, Bible study, group and individual spiritual counseling; oversee games, sports and other activities).

20% - Engage in weekly Young Adults group meeting (prayer, Bible study, group and individual spiritual counseling and participation in the group's leadership).

20% - Open time for spiritual outreach to youth in the community (specifics to be assigned by the Senior Pastor).

15% - Leading special youth-focused worship services (either as part of Sunday services or special event services).

10% - Dedicated time to personal spiritual development (e.g., theology course or other development approved by the Senior Pastor).

15% - Administrative duties (e.g., attendance at leadership meetings – see attached appendix for details).

CRA has not disclosed the reasons for the percentage requirement. However, it is reasonable to assume they are required to determine if the "function test" elements such as being "engaged exclusively in full-time administrative service" is factually correct or if "ministering" makes up the majority of a job's duties.

### Other Changes

The other changes in Part B of the T1223 appear to be more of a "housekeeping" nature. Below is the revised wording used in each of the affected sections (for comparison, the prior version's wording is provided underneath):

Part B, 1. Was this employee (tick whichever of the following applies):

*a) a member of the clergy? If so, specify his or her title as designated by the denomination or church that formally recognized him or her as well as the name of that denomination or church*

**[Prior wording: "*a) a member of the clergy? If so, specify his or her title.*" ]**

b) a regular minister of a religious denomination?

**[Prior wording: "*b) a regular minister?*" ]**

Part B, 3. Was this employee (tick whichever of the following applies):

*c) engaged exclusively in full-time administrative service by appointment of a religious order or religious denomination?*

**[Prior wording: "*c) engaged exclusively in full-time administrative service?*" ]**

The expansion of the wording in each of these cases appears to have been made so that the T1223's wording more accurately matches terminology used in court decisions and the Income Tax Act.



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