**Introduction:**

The purpose of the Fiscal Year End Assessment Calculation Report is to calculate Cathedraticum for each parish annually based off assessable income. The report will be used to compare budgeted Cathedraticum (amount billed monthly) to actual results for each fiscal year. This report will be submitted and reviewed annually in conjunction with the year-end parish financial statements.

**Background:**

**What is Assessable Income and Cathedraticum?**

Cathedraticum is a tax imposed on parish income to support the needs of the Diocese. In accordance with Canon 1263, the Diocesan Bishop may impose a moderate tax in proportion to parish income for such a purpose. Assessable income is the amount of parish income that is subject to Cathedraticum.

Cathedraticum is billed monthly by the Finance Office and is based on the projected annual income as estimated by the pastor in the budget submitted in May of each year. Upon receipt of the annual report (fiscal year-end financial statements due by August 15th of the following year), the Finance Office calculates the difference between what was budgeted and what should have been paid based on actual results. This is referred to as “Special Cathedraticum” and may be an additional bill or a credit to the parish.

The Catholic Virginian fee, which is used to support the operations of the Catholic Virginian, is also based on assessable income. The fee, which is calculated as 1.35% of assessable income, is billed on a monthly basis according to the parish budget. Like Cathedraticum, a true-up of the budgeted amounts paid to actual amounts that should have been paid occurs once annual reports are submitted.

**Which Revenue items are Assessed?**

All parish income is assessable except for certain lines items that are exempt or can be netted to report net income, as described below.

**Exempt Revenue Items:**

**Debt reduction:**

During the year any payments that are made towards debt principal will be deductible from taxable receipts.

Funds already collected for debt that have been exempted previously (ex: LOM proceeds, ADA proceeds, etc) will not receive a second deduction from taxable receipts.
Endowments:

Contributions to an endowment, regardless of the source of funds, i.e. bequest, donor intention or surplus funds, will be deducted from taxable receipts if they are deposited with the Catholic Community Foundation.

Gains or losses, realized or unrealized, and interest and dividends, will be exempt from tax for all endowments in the Catholic Community Foundation until withdrawn.

For parish endowments to qualify for this treatment, the parish must have in place an investment committee with by-laws and an investment policy statement for their endowment. Also, any donor restricted permanent endowments established after September 15, 2015 must be deposited at CCF.

Draws on endowment income for parish programs or other restricted purpose will be subject to tax in the year taken, but the principal that remains invested in the Catholic Community Foundation will not be taxed if not withdrawn.

Capital Campaign Income:

For the proceeds from a capital campaign to be exempt from Cathedraticum tax, projects must be approved in accordance with the Diocesan Construction and Renovation Policy, including review by the Building and Renovation Commission (BARC), when required.

Each parish must receive the approval from the Bishop in advance of the campaign. This approval is separate from project approval; and must be in writing. The approval letter will indicate the fiscal years the exemption is allowable. It typically extends covers fiscal years pledge redemptions are scheduled. The design of any capital campaign in excess of one times annual offertory must be in consultation with the Catholic Community Foundation staff. There is no exemption for in-pew second collections, contributions made without written pledge agreements, and receipts used for other projects or repairs and maintenance.

Other exempt categories:

- Parish Charities- separately collected from Sunday and Holy Day collections, not from separate fundraising events.
- National or Diocesan second collections
- Annual Diocesan Appeal parish share proceeds
- Living Our Mission Campaign parish share proceeds
- Proceeds from insurance claims
- Mass intentions (not stipends) for priests
Revenue Items that are Assessed Net of Expenses:

- Fundraising- Proceeds from fundraising are assessed net of direct event expenses. (i.e., bingo, festivals, etc.). Only direct expenses of fundraising events are netted out. Use of proceeds for specific purposes is not deducted.
- Preschool Operations- Net revenue from preschool/daycare operations following payment of all direct expenses both personnel and non-personnel of the preschool operation. Net losses do not reduce assessable income.
- Fees income- This account reports fees charged by the parish in order to offset the costs of parish programs, i.e., Christian Formation, social events, lectures, senior citizen activities, social events (trips, hall rental, etc.) etc. These amounts are recorded here when the “net” is a profit and not just a parish flow-through activity charging revenue dollars equal to that of the expense dollars.
- Religious Articles for Sale- Net sales revenue (gross sales less direct expenses). Net losses do not reduce assessable income.
- Gift Shop Sales- Net sales revenue (gross sales less direct expenses). Net losses do not reduce assessable income.

What is the Cathedraticum rate?

Cathedraticum is assessed based on the progressive rate schedule below:

<table>
<thead>
<tr>
<th>Taxable Receipts Income Level</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $50,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>$50,001 to $100,000</td>
<td>7.50%</td>
</tr>
<tr>
<td>$100,001 to $250,000</td>
<td>9.50%</td>
</tr>
<tr>
<td>$250,001 to $500,000</td>
<td>9.75%</td>
</tr>
<tr>
<td>$500,001 and over</td>
<td>10.50%</td>
</tr>
</tbody>
</table>

How to Complete the Fiscal Year End Assessment Calculation Report and Assessment Report Supplemental Schedule

The diocesan Finance Office will contact each location to review and approve submitted annual reports.

Each parish will run their FY21 year to review the parish’s Cathedraticum Assessment—Fiscal Year end Assessment Calculation Report and the Assessment Report Supplemental Schedule. These reports are generated automatically through ParishSoft Accounting.
The Fiscal Year End Assessment Calculation Report indicates taxable revenue accounts and will automatically calculate Cathedraticum for the year.

The Assessment Report Supplemental Schedule supports the amounts noted in the Fiscal Year End Calculation Report for certain net revenue items.

**How do I run the Fiscal Year End Assessment Calculation Report?**

To run the report, please complete the following steps:

1. Log into Parish Soft Accounting
2. At top of dashboard, select Ledger Report Writer Tab
4. Under Statements of Activity, select Fiscal Year End Assessment Calculation.
5. Update Fiscal Period Ended boxes to Month Ending: June during fiscal year ending: 06/30/2021.
6. Scroll to the bottom of the screen and select “Preview Report”. The excel version of the report should generate at the bottom of the screen.
7. Open the Report and review for reasonableness.

**How do I run the Assessment Report Supplemental Schedule?**

To run the report, please complete the following steps:

1. Log into Parish Soft Accounting
2. At top of dashboard, select Ledger Report Writer Tab
5. Update Fiscal Period Ended boxes to Month Ending: June during fiscal year ending: 06/30/2021.
6. Scroll to the bottom of the screen and select “Preview Report”. The excel version of the report should generate at the bottom of the screen.
7. Open the Report and review for reasonableness.

**How do I review/complete the reports?**

In the following sections of the Fiscal Year End Assessment Calculation report, please take note of the following:

1. Parish Operations Assessable Income (A):
   - All amounts should be reported as positive numbers. The first section indicates gross taxable income.
   - The second section calculates certain net revenue items as outlined in Called to Stewardship and the Cathedraticum policy. The amounts reported are NET of expenses and is supported by the Assessment Report Supplemental Schedule. See instructions above for running this report. If any amounts in the netted section are reported as negative amounts, please manually adjust to “0” in those fields.

2. Plant Operations Assessable Income (B):
➢ All amounts should be reported as positive numbers.

3. Cemetery Operations Assessable Income (C):
   ➢ All amounts should be reported as positive numbers.

4. Estimated Cathedraticum Computation
   ➢ Total Assessable Income Subject to Cathedraticum Tax (A+B+C): Sum of 1-3 above.
   ➢ Plus: Taxable income from 9000 accounts (Manual): For the rare occasions where parishes utilize 9000 accounts, revenues may be reported here and reviewed by the diocesan Finance Office. To correctly calculate, a negative operation sign will need to be added to this field. For example: if the parish has $1000 of revenue in a 9000-level account that is to be reported, the amount “-1000” should be entered into this field.
   ➢ Plus: Taxable Funds drawn from endowment accounts (Manual): This will need to be manually entered by the parish and reviewed by the diocesan Finance Office. For the occasions where parishes drew funds from previously exempted endowment funds, drawn funds will be reported here. To correctly calculate, a negative operation sign will need to be added to this field. For example: if the parish has $5000 endowment draw during the fiscal year, the amount “-5000” should be entered into this field.
   ➢ Less: Taxable parish funds transferred to endowment (Manual) This will need to be manually entered by the parish and reviewed by the diocesan Finance Office.
   ➢ Less: Taxable parish funds paid on debt principal (Manual) This will need to be manually entered by the parish and reviewed by the diocesan Finance Office.

Once the Cathedraticum assessment on the Fiscal Year End Assessment Report and Supplemental Schedule has been finalized, the parish will be presented with a schedule indicating how much Cathedraticum was billed during the year based on budget compared to what should have been billed. The resulting difference will be issued as a Special Cathedraticum bill or credit on the parish’s next monthly bill from the diocese.

Information finalized above for the taxable receipt base will also be used to calculate the Catholic Virginian true up billing/credit and will be included in the parish’s monthly bill.