

Parsonage Income

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This section includes information about income received as parsonage income paid by a church or other organization to church professionals.

Policy

Parsonage income is money paid by a church or other organization to church professionals for their expenses incurred while providing a service. Parsonage income is countable and may be considered self-employment or as wages and salaries.

Countable income is used to determine an income budget. (See [Income Budgeting](#) to see how FAA determines the income budget.) FAA needs to know about income that is both countable and not countable to determine whether a budgetary unit's expenses are exceeding their income. (See [Income Eligibility](#) for more information about how FAA uses countable and not countable income.)

Parsonage income is in addition to money paid for services rendered. Church professionals include, and are not limited to **any** of the following:

- Clergy
- Ministers
- Priests

Parsonage income is considered self-employment when **any** of the following are met:

- There is no employer-employee relationship
- The participant is working from one's own recognizable business, trade, or profession
- The participant works for a business or another person on a commission basis, but pays own withholding taxes for state, federal, and FICA

Self-employed participants may be eligible for a 40% expense deduction from income. To be eligible for the 40% Self-Employment Expense Deduction, only one allowable expense must be

verified. When self-employment expenses are not verified using the verification process, eligibility is determined without those expenses.

Parsonage income is considered as wages when the participant is employed by the church.

Procedures

When parsonage income is paid to a third party for the budgetary unit's expenses, see [Vendor Payment Income](#). Have the participant sign the Authority to Release Information (FAA-1765A) form to contact any companies or businesses involved.

Parsonage income may be considered as wages or self-employment. When the participant meets the definition of self-employment and expenses are incurred, see [Allowable Self-Employment Expenses](#) check and [Example 1](#).

Key parsonage income as self-employment when **any** of the following are met:

- There is no employer-employee relationship
- The participant is working from one's own recognizable business, trade, or profession
- The participant works for a business or another person on a commission basis, but pays own withholding taxes for state, federal, and FICA

Consider parsonage income as wages when the participant is employed by the church.

When the participant is present, have them sign the Authority to Release Information (FAA-1765A) form to contact any companies or businesses involved. The FAA-1765A can be faxed or emailed to the participant's employer when it is not possible to use the Application for Benefits (FAA-0001A) or the HEAplus Authority to Release signed statement.

Documentation must support determinations of eligibility and benefit level. Document in sufficient detail to ensure that any reviewer can assess whether the determination is reasonable and accurate. Include specific information regarding the reason the income is determined to be reasonably expected to continue. (See [Budgeting Income Documentation Requirements](#) for additional information.)

Verification

System interface and the [case file\(g\)](#) must be reviewed before verification is requested. No additional verification is needed when AZTECS interface or HEAplus hubs have verified the information.

The participant has the primary responsibility for providing verification. (See [Participant Responsibilities – Providing Verification](#) for additional policy.)

When self-employment expenses are not verified, eligibility is determined without the 40% Self-Employment Expense deduction.

For NA, income is required to be verified for **all** of the following before eligibility is determined:

- When reported on a new application, during the interview of a new application, or changes reported before the eligibility determination of a new application.

- For changes reported after an eligibility determination of a new application (e.g., a renewal application, mid approval contact, etc.) and **any** of the following apply:

The source of the income has changed.

The income is [questionable\(g\)](#) or [unclear\(g\)](#).

The reported income amount has changed by \$51 or more.

The previous verification in the case file is more than 59 [calendar days\(g\)](#) old.

For CA, all income is required to be verified before eligibility is determined.

Examples of verification that can be used for self-employment income and expenses include, and are not limited to, **any** of the following:

- Bookkeeping records
- Business ledgers listing income amounts received and expenses incurred
- Actual receipts
- Contracts for work
- Statements from patrons and companies
- Most recent Internal Revenue Service (IRS) U.S. Individual Income Tax Return (1040) form. Below are common IRS Schedule forms that the participant may provide in addition to the 1040:

Schedule C, Profit or Loss From Business

Schedule E, Supplemental Income and Loss

Schedule F, Profit or Loss from Farming

Schedules B-1, C, D, K, K-1, K-2, K-3, and M-3 of IRS U.S. Return of Partnership Income (1065) form (See [Limited Liability Company \(LLC\) Definition](#) for more information about LLCs.)

NOTE Do not use the most recent IRS 1040 and Schedule forms when the participant indicates it does not accurately reflect the participant's current income.

- Rent or mortgage receipt for business property
- Property tax statements for business property
- Utility costs for business property
- Cleaning cost bills for business property
- Business location and equipment maintenance
- Personal records indicating personnel salaries or costs of outside labor, such as canceled checks and payroll checks

Examples of verification that can be used for Parsonage income when paid as wages to an

employee include, and are not limited to, **any** of the following:

- Arizona State Retirement System (ASRS)
- A copy of a paycheck stub
- Copy of checks when the gross earnings are listed
- A printout from a third party payroll verification source provided by the participant
- Written tips record

NOTE FAA staff use the dollar amount of tips shown on a paycheck stub unless the participant claims a different amount and that amount is verified. Document the case file with the reason the paycheck stub amounts were not used.

- Third Party Payroll Verification Sources when the employer uses the verification source as its legal agent to provide payroll services or respond to inquiries about employee records. (See [Third-Party Payroll Verification Sources](#) for FAA approved sources, additional information, and instructions for requesting other third-party sources.)
- A New Employment Verification (C005) notice that is completed, dated, and signed by the employer or their payroll authority. The statement has to include **all** of the following:

Name, address, and telephone number of the employer

Gross pay for the periods needed

Frequency of pay, and day of the week pay is received

Any expected changes in pay

- For new or current employment verification, a completed Verification of New/Current Employment (FAA-0053A) form that includes a date and the signature of the employer or their payroll authority
- For terminated employment verification, **any** of the following completed items that include a date and the signature of the employer or their payroll authority:

Verification of Terminated Employment (FAA-1701A) form

Verification of Terminated Employment (C019) notice

- A collateral contact with the employer or their payroll authority to clarify documented verification the participant provided.

NOTE Use other means of verification when contacting the employer would jeopardize the participant's employment.

AZTECS Keying Procedures

When the self-employment definition is met, key OT in the INCOME TYPE field on SEEI. When the self-employment definition is not met, key WA in the INCOME TYPE field on EAIC.

Document the [case file\(g\)](#) thoroughly to support keyed codes, amounts, and frequencies. See the [AZTECS Data Entry Guide](#) for instructions on keying the AZTECS income screens.

Examples

- 1) Bob is self-employed and provides his Schedule C Profit or Loss From Business form. Bob reports that his income from gross receipts or sales is 12,000 for last year. Bob also states this amount accurately reflects his current monthly circumstances.

Bob has entered this amount on the Schedule C, Part I Income section, and line 1, gross receipts or sales. Bob reports that his only expense incurred is for gas for his lawnmower. Bob provides receipts for gas for the year.

Because Bob has a verified self-employment expense, he is entitled to the 40% self-employment expense deduction.

Legal Authorities

AAC R6-12-501-503

A.R.S 46-292-P01

7 CFR 273.9(b)(1)(i)

7 CFR 273.9(b)(1)(ii)

7 CFR 273.9(c)(1)

7 CFR 273.9(c)(1)(vii)(B)

7 U.S.C 2014 (d)(1)

7 U.S.C 2014 (d)(9)

[Prior Policy](#)

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