



## DIOCESE OF MANCHESTER

### **The Song Remains the Same: Handling Compensation for Parish Musicians (Part 2 of 2)**

This is the second and final article in our series regarding employment status and pay arrangements for parish musicians. In the first article, we explained how to classify musicians as either exempt or non-exempt employees. We also touched on the basic pay musicians typically receive. In this article, we'll look into the additional ways musicians earn pay beyond their ordinary work.

#### **Canon in D**

In addition to their ordinary work, musicians sometimes receive stipends for additional play, such as for weddings or funerals. There has been some misunderstanding on this important topic, but for income tax and other purposes, the processing of the payments varies according to the situation. Here is an example wedding scenario.

We'll call our couple Joe and Sally. They've decided to get married in your church and are looking to hire an organist to play during Sally's walk down the aisle. Let's say they decide on Susan, the parish's resident organist. She works at liturgies as part of her job, even if/when she gets paid an extra amount for the service. Her job is to play on Sundays and also at weddings, funerals and baptisms. She could receive an inclusive salary, a stipend per service, or X dollars per hour for Sundays plus Y dollars per additional service. Regardless of the structure, because playing Joe and Sally's wedding is **part of her parish employment**, all the money received should be **paid through the parish and reported as income** to the IRS (along with all other income) with **deductions taken**, etc. This is income received for work, and we have to treat it as such.

But suppose Joe and Sally decide not to use Susan and are free to hire an outside musician. They turn to Josh, a fabulous organist, but **not an employee who plays weddings as part of his regular job**. In this instance, Joe and Sally **may pay whatever agreed fee they wish directly to Josh, and the parish does not need to report it as income**. This would be money *not* earned through parish employment. Josh would still have to report and pay taxes on such income, but it would not be through the parish payroll (and it would also not count toward overtime, or accrual of sick leave, or vacation, etc.)

Fees for **"packages"** can also be charged, e.g., where a mortuary will charge Joe and Sally a fee that includes all or part of the ancillary services, such as music, flowers, cards, etc. The parish may still ask for money for the use of the church in that case, plus charge for any non-included services the parish provides, and that **payment can come to the parish from either the mortuary or Joe and Sally**. In regards to any musicians, the parish will pay the musicians as usual, through payroll with deductions, according to their employment status.

Regarding **bonuses** (Christmas, year-end or other), the IRS taxes these payments as income, and thus **we are required to report them and take deductions, etc. We have no legal discretion here**.

#### **Rockin' Royalties**

On some occasions, staff musicians, by virtue of their position at a parish, *think* they possess **"exclusive" rights** over music in the church and ask for a direct fee, "tip" or **"honorarium"** to be paid (by the users or by an outside musician) even if they are not the one playing.



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First, if this is not something done with the prior permission of the pastor, then **musicians have no business charging additional fees** as their “right,” which amounts to nothing more than a **kickback**. And it must certainly not be “under the table.”

Second, if such a fee is legitimately charged (i.e., in the rare case where the pastor has bestowed “exclusive” rights on a musician), that fee would derive from the musician’s position at the parish and **must be run “through the parish books,”** i.e., paid to the parish and “passed through” to the musician as appropriate, **after reporting, deductions, payroll taxes, etc.** The musician must pay tax on that income.

### Facing the Music

Sometimes, pay practices for musicians have been “assumed” for years, or have been handled in certain ways as a matter of long and unquestioned tradition. You may need to review these guidelines with a musician who questions, say, why he or she is suddenly asked to complete time-cards, who is accustomed to receiving “honoraria” from outside musicians or who receives “additional compensation” for their efforts. According to the **New Hampshire Department of Labor**, all employees must be notified at the time of hiring of the **rate of pay** and the **day and place of payment**. Employees **must be notified in writing** of any changes in pay and/or benefit policy at least five days prior to the initiation of the change.

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