

Church Financial Hot Topic

Ministerial Housing Allowance

- 1) The following rules must be met by the church or church approved committee in order to fulfill the IRS requirement for establishing a ministerial housing allowance:
 - a. The housing allowance can only be provided for a minister who is recognized as a minister by the IRS.
 - b. The housing allowance must be established by the church or church-approved committee before the minister actually incurs the housing expenses.
 - c. A housing allowance can be changed by the church or church approved committee anytime during the church year for *future* housing expenses of a minister.
 - d. The housing allowance cannot exceed the reasonable pay for the services of the minister.
 - e. The housing allowance can be designated up to 100 % of a minister's taxable income from the church.
 - f. The housing allowance can be claimed on a minister's primary residence.
 - g. An estimate of housing expenses should be submitted by the minister to the church or church-approved committee before the housing allowance is established by the church.

Sample Housing Allowance Worksheet to be submitted to the Church

Estimated Housing Costs	Estimated Expense
Financing costs including interest, down payment, principle, mortgage insurance, and points	
Monthly rent	
Homeowner's or renter's insurance	
Utilities including electricity, gas, telephone, cable, satellite, internet, water and garbage collection	
Property taxes and homeowner's association dues	
Home, lawn maintenance, and repairs	
Home furnishings or equipment purchases	
Other expenses related to providing a home	
Total Estimated Housing Expenses	
Signature of the Minister	Date

- 2) The following additional IRS housing allowance requirements must be met by the minister, but not by the church:
 - a. If asked by the IRS, the minister must be able to provide housing expense receipts.
 - b. The housing allowance is subject to applicable Social Security Self-Employment taxes.
 - c. The housing allowance that can be claimed on a minister's income tax return is limited to the lesser of the following: (1) fair market rental value of a furnished home plus utilities; (2) the housing allowance amount officially designated by the church; or (3) the actual amount of expenses used by the minister to provide a home.
 - d. If applicable, the minister must pay the Social Security Self-Employment tax on the fair rental value of a church-provided parsonage.
 - e. If the housing allowance exceeds a minister's housing expenses, then he must include the excess housing allowance as taxable income on his federal and state income tax returns.

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