

What do pastors need to know about housing allowances?

The housing allowance is payment to an ordained or licensed minister of the gospel that is excluded from taxable income of the individual. The amount excluded from income is the lesser of the amount designated as housing allowance, the actual housing expenses or the fair rental value of the property (furnished, plus utilities.) The housing allowance must be designated in advance and therefore, submission of the housing allowance request and approval of such requests should be made prior to the beginning of a new tax year. This is true regardless of the Church's fiscal year. If subsequent to the designation of a housing allowance an additional expense is incurred by the minister, the housing allowance may be amended but only prospectively and not retrospectively.

The church should provide to its eligible pastors and ministers a housing allowance worksheet so that the individual may request a certain amount for housing. The housing allowance may only be paid on a single residence and if a couple is in ministry each may receive a housing allowance, but the total allowance paid may not be more than the total expenses or the fair rental value of the property. For your convenience you can find a sample housing allowance worksheet below.

Clergy Housing Allowance Worksheet

For the tax year 20____

Pastor/Minister Name _____

<u>Expense Item</u>	<u>Annual Estimate</u>
Down Payment on primary residence	\$ _____
Mortgage principal and interest payments	\$ _____
Home equity loan repayments	\$ _____
Refinancing costs paid up-front	\$ _____
Real estate commission, escrow fees	\$ _____
Real Property Taxes	\$ _____
Homeowner's Insurance	\$ _____
Furniture	\$ _____
Appliances	\$ _____
Lawn care	\$ _____
Home maintenance	\$ _____
Repairs	\$ _____
Homeowners Association Dues	\$ _____
Utilities	
Electricity	\$ _____
Internet	\$ _____
Gas	\$ _____
Security System	\$ _____
Telephone (base charge)	\$ _____
Trash collection	\$ _____
Water/sewer	\$ _____
Rent Payments	\$ _____
Total	\$ _____