Clergy Housing Allowances

Housing Allowances
- Clergy who own or rent their own homes do not pay federal income tax on the portion of their compensation for ministerial services that has been designated in advance by their church employer as a housing allowance, to the extent that it does not exceed the fair rental value of the home (furnished plus utilities).
- The housing allowance IS subject to self-employment or Social Security taxes.
- In the event that the cleric owns or rents more than one home, the housing allowance may be used for only one residence.

Designating a Housing Allowance
- A church may designate a housing allowance at any time, however we recommend that it be designated at the beginning of employment and annually, prior to the beginning of each calendar year.
- The designation should be an official church action in writing (usually recorded in meeting minutes).
- The housing allowance cannot be retroactive; it is effective prospectively from when it is designated.

Setting the allowance
- A church should designate an annual dollar amount that is close to the cleric’s estimated housing expenses.
- If the housing allowance is set higher than the cleric’s actual housing expenses, the cleric is required to report the difference as income on their individual tax return.

Expenses that may be included in determining the housing allowance designation
- rent or mortgage payments
- down payment on a home
- real estate taxes
- property insurance
- utilities (electricity, gas, water, trash pickup, local telephone charges)
- furnishings and appliances (purchase and repair)
- structural repairs and remodeling
- yard maintenance and improvements
- maintenance items (household cleansers, light bulbs, pest control, etc.)
- homeowners association dues

Amending the allowance
- Churches can amend an allowance at any time,
- The amended allowance will only be effective prospectively.

Church Reporting
- A church may issue ONE check per pay period that combines both salary and the housing allowance.
- The housing allowance should NOT be reported as income on the cleric’s W-2 (in Boxes 1, 3, 5, and 16).
- Although not required, we do recommend the housing allowance be reported on the W-2 in Box 14.

Questions?
- Contact Anne Wagner, Comptroller at awagner@iowaepiscopal.org or 515-277-6165.

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SAMPLE

Housing Allowance Designation for Clergy who own or rent their homes

The following resolution was duly adopted by the vestry/bishop’s committee of (church name) at a meeting held on (date), a quorum being present.

Resolved, that the total compensation paid to The Rev. (name) for calendar year (year) shall be $ (total compensation), of which $ (housing amount) is hereby designated to be a housing allowance; it is further

Resolved, that the designation of $ (amount) as a housing allowance shall apply to calendar year (year) and all future years unless otherwise provided.
ANNUAL HOUSING ALLOWANCE WORKSHEET

As a cleric who owns or rents a home or apartment, you do not pay federal income taxes on the amount of your compensation that the church designates in advance as a housing allowance to the extent that the allowance represents compensation for ministerial services, is used to pay housing or rental expenses, and does not exceed the annual fair rental value of your home (furnished, plus utilities). To assist the church in designating an appropriate housing allowance, please estimate on this form the housing expenses you expect to pay from January 1 through December 31. Retroactive designations of housing allowances are not legally effective, and the housing allowance cannot exceed your salary for the effective period.

The entire housing allowance designated is not necessarily nontaxable. Rather, it is nontaxable for income tax purposes only to the extent that it does not exceed your actual housing expenses or the annual rental value of your home (furnished, including utilities).

Your housing allowance exclusion is for federal income taxes only. You must include your housing allowance as income in reporting your self-employment taxes on Schedule SE.

<table>
<thead>
<tr>
<th>HOUSING EXPENSE</th>
<th>ESTIMATED AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• down payment on purchase of home</td>
<td></td>
</tr>
<tr>
<td>• mortgage payments (principal and interest) OR rental payments</td>
<td></td>
</tr>
<tr>
<td>• real estate taxes</td>
<td></td>
</tr>
<tr>
<td>• property insurance</td>
<td></td>
</tr>
<tr>
<td>• utilities: electricity, gas, water/sewer, trash pickup, local telephone charges</td>
<td></td>
</tr>
<tr>
<td>• cable, internet connection, and security system</td>
<td></td>
</tr>
<tr>
<td>• furnishings and appliances (purchase and repair)</td>
<td></td>
</tr>
<tr>
<td>• structural repairs and improvements</td>
<td></td>
</tr>
<tr>
<td>• yard maintenance and improvements</td>
<td></td>
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<tr>
<td>• maintenance items: cleaning supplies, light bulbs, pest control, etc.</td>
<td></td>
</tr>
<tr>
<td>• homeowners association dues</td>
<td></td>
</tr>
<tr>
<td>TOTAL ESTIMATED EXPENSE</td>
<td></td>
</tr>
</tbody>
</table>

(Please return bottom portion of this form)

ANNUAL HOUSING ALLOWANCE REQUEST

I request that a housing allowance of $________________ be designated by (church)________________________ effective (date)________________________.

_________________________________  __________________________
signature                                date

_________________________________
printed name