

## Minister's Housing

1. Rules regarding federal income tax exclusion for minister's housing are found in IRS Code Section 107.
2. Three possible elements can be part of the minister's housing:
  - a. Housing Allowance
  - b. Utilities for a church-provided house paid directly by the church
  - c. Fair Rental Value of a church provided house (parsonage)
3. Tax-free housing is limited to the lowest of:
  - a. Fair Rental Value of the house furnished plus utilities
  - b. Amount designated by the church
  - c. Actual amount spent
4. For items generally included in minister's housing, see estimate form.
5. If housing allowance is set too high, the minister reports the "unused housing" as "other income" on Form 1040.
6. Housing tax exclusion applies only to income tax. No similar exclusion exists for self-employment social security.
7. Housing allowance designations can only be made with respect to future income. Amounts may be amended during a year, but apply only to income not yet received.
8. Housing designations should be in writing. This may be done in an itemized printed budget, in written minutes of the church or appropriate committee, or in a formal statement (page 9).
9. Retirement income from a minister's denominational pension plan may also be designated as housing allowance, subject to the same limits listed above. (Rev. Ruling 75-22)
10. Even though a minister's housing is excluded for income tax, mortgage interest and real estate taxes are still deductible on Schedule A.
11. At any given time, only one house may qualify in justifying the minister's allowance.
12. 25.8% of full-time SBC pastors live in a parsonage. (*per 2006 SBC Compensation Study*)

### Example # 1

*Salem Church will pay their pastor \$ 36,500 this year. He will live in a parsonage with a fair rental value of \$ 600 per month. The church estimates they will spend \$ 2,600 for parsonage utilities.*

*The pastor estimates he will spend \$ 3,000 per year for other housing related expenses. The church then designates \$ 3,000 as housing allowance and pays the remaining \$ 33,500 as taxable salary.*

Salary	\$ 33,500
Fair Rental Value of House	7,200
Utilities Paid Directly by Church	2,600
Housing Allowance	3,000
<b>TOTAL COMPENSATION</b>	<b>\$ 46,300</b>

### Example # 2

*Bethel Church will pay \$ 44,200 this year to their Minister of Education who qualifies under IRS rules as a minister. She is buying a home and estimates total housing costs for a year of \$ 11,800.*

Salary	\$ 32,400
Housing Allowance	11,800
<b>TOTAL COMPENSATION</b>	<b>\$ 44,200</b>