

# HOUSING ALLOWANCE RESOLUTION

## WITH PARSONAGE

### FOR INSERT IN MINUTES OF MEETING

The chairperson informed the meeting that under the tax law, a minister of the gospel is: (1) not subject to federal income tax with respect to the housing allowance paid to him or her "as part of his or her compensation to the extent used by him or her to rent or provide a home" and (2) not subject to federal income tax on the rental value of a home supplied to him or her rent-free.

The (a) Church Council \_\_\_\_\_ (b) Charge Conference \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, on a motion duly made and seconded, adopted the following resolution:

#### 1. Designated for Payment of Housing Related Expenses

##### *Current*

- a) Rev. \_\_\_\_\_ shall receive compensation of \$ \_\_\_\_\_ compensation (**found on the line "Total base salary" of the clergy support worksheet**) for the period from 1/1/2017 through 12/31/2017, of which \$ \_\_\_\_\_ (**found on line "Designated for housing related expenses" of the clergy support worksheet**) is hereby designated as a Clergy Housing Allowance and excluded from reportable compensation under Section 107 of the Internal Revenue Code.

##### *All Future Years Unless Otherwise Provided (Optional)*

- b) In addition, \$ \_\_\_\_\_ is hereby designated as a Clergy Housing Allowance for the calendar year 2018 and all future years unless otherwise provided.

Rev. \_\_\_\_\_ shall also have rent-free use of a home, located at \_\_\_\_\_ for the year 2017 and for every year thereafter so long as he/she is minister of the \_\_\_\_\_ United Methodist Church unless otherwise provided. The rent-free use of a home shall be so designated in the official church records.

\_\_\_\_\_  
Church Council/Chairperson

\_\_\_\_\_  
Church Council/Secretary

\_\_\_\_\_  
Date Action Taken

#### **ATTACH COPY OF CLERGY COMPENSATION AND EXPENSE REPORT**

DISTRIBUTE COPIES TO: PASTOR, CHURCH TREASURER(S), STAFF/PASTOR-PARISH RELATIONS COMMITTEE(S), AND DISTRICT SUPERINTENDENT

## Housing Allowance Resolution WITH PARSONAGE

### Instructions for Completing

Under Section 107 of the Internal Revenue Code, a minister of the gospel is allowed to exclude from gross income:

- the rental value of a home furnished to him or her as part of his or her compensation;  
or
- a housing allowance paid to him or her as part of his or her compensation, to the extent used by him or her to rent or provide a home and *to the extent such allowance DOES NOT exceed the fair rental value of the home*, including furnishings and appurtenances such as a garage, plus the cost of utilities.

The clergy should keep accurate records of his/her expenditures to rent or provide a home in order to be able to substantiate any amounts excluded from gross income when filing his federal income tax return. In the event of an audit, clergy receiving a housing allowance will have the responsibility of substantiating the use of such funds. Also, remember that the housing allowance (including the fair rental value of a provided parsonage) must be included as part of the clergy's earnings for self-employment tax purposes.

The housing allowance should be (1) adopted by the church council or charge conference, (2) in writing, and (3) in advance of the calendar year. Under no circumstances can a minister exclude any portion of an allowance retroactively designated by a church.

#### 1) Designated for Payment of Housing Related Expenses

##### *Current Year*

- a) The Clergy's compensation (**found on the line "Total base salary" of the clergy support worksheet**) and the amount of his/her compensation that is designated for payment of housing related expenses and **excluded** from reportable compensation under Section 107 of the Internal Revenue Code (**found on line "Designated for housing related expenses" of the clergy support worksheet**) are reported in this section for the current year.

##### *All Future Years Unless Otherwise Provided (Optional)*

- b) Churches are not limited to 1.a above for the current year. For example, if a church intends to designate \$5,000 of the clergy's salary in 2016 for payment of housing related expenses and excluded from reportable compensation, its designation could state that it is effective for the calendar year 2016 and **all future years unless otherwise provided**. This clause may protect the pastor in the event that the Church Council or Charge Conference neglects to designate an allowance prior to the beginning of a future year. *This is optional.*

*The housing allowance shall be so designated in the official church records.*