

# HOUSING ALLOWANCE RESOLUTION

WITHOUT 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 Year*

- a. Rev. \_\_\_\_\_ shall receive compensation of \$ \_\_\_\_\_ **(found on the line "Total base salary" of the clergy support worksheet)** for the period from \_\_\_\_\_ through \_\_\_\_\_, of which \$ \_\_\_\_\_ is hereby 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)**.

*All Future Years Unless Otherwise Provided (optional)*

- b. In addition, \$ \_\_\_\_\_ is hereby designated for payment of housing related expenses and excluded from reportable compensation under Section 107 of the Internal Revenue Code the calendar year \_\_\_\_\_ and all future years unless otherwise provided.

## 2. Payment of an Additional Amount Designated As a "Housing Allowance"

*Current Year*

- a. Rev. \_\_\_\_\_ shall also receive an additional compensation designated as "Housing Allowance" of \$ \_\_\_\_\_ **(found on line "housing allowance paid to pastor in lieu of parsonage" of the clergy support worksheet)** for the period from \_\_\_\_\_ through \_\_\_\_\_.

*All Future Years Unless Otherwise Provided (optional)*

- b. In addition, \$ \_\_\_\_\_ in additional compensation is hereby designated as a "Housing Allowance" for the calendar year \_\_\_\_\_ and all future years unless otherwise provided. This amount is also excluded from reportable compensation under Section 107 of the Internal Revenue Code.

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

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

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

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

# Housing Allowance Resolution

WITHOUT 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.*

### 2) Payment of an Additional Amount Designated As a "Housing Allowance"

#### *Current Year*

- a) This section is completed for those pastors who do not live in a parsonage and receive **additional compensation** designated as "Housing Allowance" (**found on line "housing allowance paid to pastor in lieu of parsonage" of the clergy support worksheet**). The tax codes limit the nontaxable portion of a church-designated housing allowance for clergy who own their home to the fair rental value of the home (furnished, plus utilities).

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

- b) Churches are not limited in 2.a above to the current year. For example, the church could use the following statement to designate all future years unless otherwise provided. The statement below is optional.

*"In addition, \$15,000 in additional compensation is hereby designated as a "Housing Allowance" for the calendar year 2016 and all future years unless otherwise provided."*

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