



CLERGY HOUSING ALLOWANCE INFORMATION

According to the Internal Revenue Service (IRS) regulations, clergy are permitted to exclude from their taxable income the costs of maintaining a residence. This housing allowance is not included as taxable income on pastors' W-2 forms. There are rules for determining, documenting, and reporting a housing allowance that need to be followed.

Clergy need to determine the cost of maintaining **one** residence for the upcoming calendar year or for the remainder of the year, if a call commences during a year. The housing allowance amount is the **lesser of:**

- ◆ Amounts actually paid for housing and related expenses.
- ◆ The "fair rental value" of the home.
- ◆ The amount actually paid or declared by the congregation as the housing allowance.

The clergy housing allowance amount must be requested in writing and approved by official action by the employer. In a congregation, the housing allowance is generally approved by the congregation council or the finance committee. A record of the action to approve should be in writing.

The housing allowance is not subject to federal income tax, but it is subject to self-employment tax. On the W-2 form, it is **not** reported in Box 1. It is typically reported as an information item in Box 14.

A housing allowance operates prospectively; in other words, it is declared ahead of when the expenditures are made. It can be modified if significant expenses not anticipated earlier are identified, but the allowance must always be changed ahead of the expenditures.

Clergy need to maintain records of their costs, including receipts, in order to document the housing expenses in the event of an IRS audit.

Clergy should consult with an experienced tax preparer as needed to resolve any questions pertaining to their individual housing allowance.

A Sample Housing Resolution, to be adopted by the church council on an annual basis and be recorded in church council minutes is on the next page.

YEARLY HOUSING ALLOWANCE RESOLUTION

WHEREAS The Reverend pastor's name, is a full-time clergy staff member of the name of congregation, city, Illinois of the Central/Southern Illinois Synod of the Evangelical Lutheran Church in America; and

WHEREAS pastor's name owns *his / her* own home; and

WHEREAS in compliance with Section 107 of the Internal Revenue Code (Revised ruling 71-280), such persons are eligible to have a portion of their compensation designated as rental or housing allowance, now, there be it

RESOLVED that pastor's name shall have a portion of *his / her* compensation for the calendar year _____ designated as housing or rental allowance in the amount of \$_____ and be it further

RESOLVED that the Congregation Council of name of congregation, city, Illinois of the Central/Southern Illinois Synod of the Evangelical Lutheran Church in America take the foregoing action solely to fulfill an IRS requirement and assumes no responsibility for the accuracy of figures submitted by clergy staff members.

(Signed by a Congregational Secretary) Date _____

(Signed by the Submitter, pastor's name) Date _____

NOTE:
In order to comply with the Internal Revenue Service regulations, action on this housing resolution must be taken annually at the December congregation council meeting.