

What is a Housing Allowance and Housing Exclusion?

<p>Housing Allowance – Line 5 of the Clergy Compensation Report Housing Exclusion – Line 11 of the Clergy Compensation Report</p>

HOUSING ALLOWANCE

This is cash paid directly to a pastor in lieu of providing a parsonage. This increases the dollar amount budgeted by the church for a pastor's compensation. The amount must be approved by the District Superintendent, the Staff Parish Relations Committee, and the Church Council. If you are taking a Housing Allowance, it is advisable to include this dollar amount in calculating the Housing Exclusion section (Line 11) in order to ensure you receive the full tax break.

In addition to designating this on the Clergy Compensation Report, a pastor must also complete a Clergy Housing Exclusion Resolution Form. A housing allowance should always be documented only in Box B of this form.

HOUSING EXCLUSION

This is a dollar amount designated by a clergy person and approved by the local church to provide a tax shelter for housing-related expenses. A housing exclusion is meant to defray costs incurred by clergy which directly relates to providing a home for self and family including, as applicable, any and all of the following: rent, mortgage payments and interest, furnishings, insurance, real estate taxes, utilities, maintenance and upkeep, and any other expenses directly associated with the provision of housing. Allowable expenses do not include personal items such as food, clothing, entertainment, and domestic help.

This dollar amount cannot be higher than the total salary (Line 6). According to IRS regulations, a pastor must be able to provide adequate receipts to document these housing-related expenses.

In addition to designating this on the Clergy Compensation Report, a pastor must also complete a Clergy Housing Exclusion Resolution Form. If a parsonage is provided and the pastor is taking a housing exclusion, please only complete Box A of the resolution form. If no parsonage is provided, please complete only Box B.