

Clergy Housing Allowance The Ins and Outs



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≡ Today's Presenters



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≡ Clergy Taxes



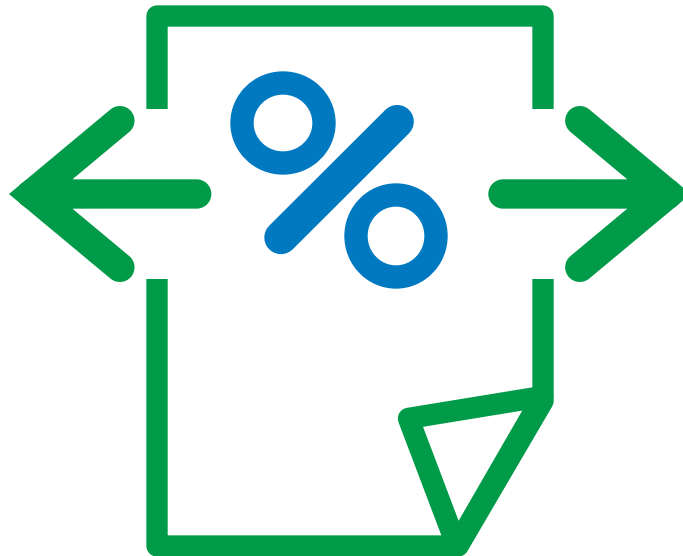
- Dual tax status
 - Employees for federal income tax reporting purposes
 - Self-employed for Social Security and Medicare tax purposes (SECA)
- Receive Form W-2, not Form 1099-Misc
- Exempt from withholding
 - Make quarterly estimated tax payments for anticipated federal income and SECA taxes for the current tax year
- Can voluntarily have tax withheld
 - Include enough to cover estimated federal and SECA tax liability

≡ Clergy Taxes



**Federal
Income Tax**
(Tax rate based
on income level)

- General government services



**Self-Employment
Contribution Act
(SECA) Tax**
(15.3% tax rate)

- Social Security
- Medicare

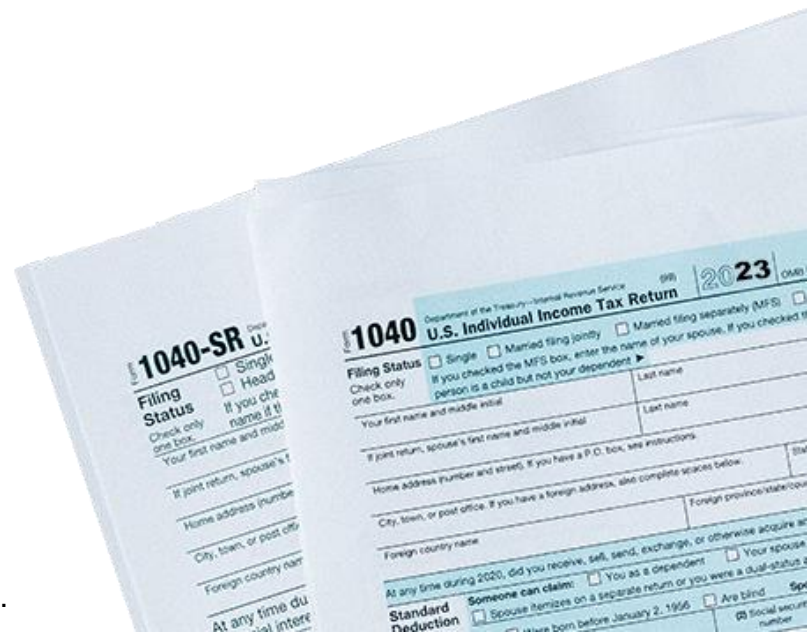
Income While Working*

Taxed as Employee for Federal

- Cash salary
- Benefit values
 - Non-accountable expense allowance
 - Unused portion of your housing allowance
 - Employer-paid group life insurance > \$50,000
 - Group-term life insurance for dependents > \$2,000
 - Personal use of a church-provided car
 - Social Security offset
 - Bonuses/special offerings
 - Forgiveness of debt by employer
- Other (self-employment income)
 - Consulting, counseling, or supply service fees

Taxed As Self-Employed for SECA

- Federal taxable earned income
- Housing allowance exclusion



*There may be other income for each category. Contact your tax professional.



Housing Allowance Exclusion



For federal taxes

- Cash housing allowance (cleric provided home)
 - Lowest amount of: vestry resolution, actual cash spent, or fair market rental value, furnished plus utilities
 - Used to “provide, furnish, and maintain” your primary home
- Church-provided housing
 - Fair market rental value of church-provided housing as furnished, with utilities if paid by the church

*You may be eligible for other exclusions. Contact your tax professional.

Sample Housing Allowance

Resolution #1



... for a church-provided residence

Whereas the Rev. Jane Smith is employed as a minister of the Gospel by St. Anne's Church in Anytown, FL, which although providing a residence for her, does not provide the full cost of maintaining and furnishing such a residence, the vestry resolves that of the total compensation of \$30,000 to be paid to the Rev. Jane Smith during 20xx, that \$3,000 be designated a housing allowance within the meaning of that term as used in Section 107 of the Internal Revenue Code of 1986.

\$\$\$ amounts are less confusing than % amounts, if audited.

Sample Housing Allowance

Resolution #2



... for a cleric-owned or rented residence

Whereas the Rev. Bill Jones is employed as a minister of the Gospel by St. Anne's Church in Anytown, FL, which does not provide a residence for him, the vestry resolves that of the total compensation of \$36,000 to be paid to the Rev. Bill Jones during 20xx, that \$15,000 be designated a housing allowance within the meaning of that term as used in Section 107 of the Internal Revenue Code of 1986.

\$\$\$ amounts are less confusing than % amounts, if audited.

≡ “Safety Net” Language ≡



Add to all housing allowance resolutions, just in case your vestry neglects to pass a timely housing allowance in any given year

... and be it further resolved that \$x of compensation is designated as housing allowance for this and all future years, unless otherwise provided.

\$\$\$ amounts are less confusing than % amounts, if audited.



Housing Allowance for Interim Clergy



- Interim position for an indefinite period or lasts for more than one year (even one day longer) and requires relocation
 - Interim residence considered primary residence for tax purposes from the first day in position



Housing Allowance for Interim Clergy



- Interim position requires relocation and continues for one year or less
 - Original home continues to be primary residence for housing allowance purposes
 - Housing at interim location can be treated as reimbursable business expense

Home Office Deduction?



- Tax Cuts Job Act
 - No home office deductions for W-2 employees
- Deduction requirements
 - Use space exclusively and regularly
 - No other fixed location to conduct business
- Only applicable to self-employment income

Federal Income Tax Exclusions in Retirement

Housing



Lower of actual cash spent, fair rental value furnished plus utilities, or declared housing allowance (pension benefit, Christmas check, RSVP withdrawal)



If church-related income during retirement, obtain a separate housing allowance resolution from employer

Federal Income Tax Exclusions in Retirement

Benefits



Post-Retirement Health Subsidy



\$50,000 CPF Life Insurance
(if you have no other group life insurance from an employer)

Take Advantage of Your Resources



Consult a tax advisor / accountant who understands clergy tax rules

Need a recommendation?

Ask fellow clergy or your
Diocesan Financial Officer

Tax resources by Richard R. Hammar, J.D., LL.M., CPA

2023 Church & Clergy Tax Guide

- Comprehensive, non-denominational guide to U.S. tax law for ministers and churches. May be purchased online at store.churchlawandtax.com

2023 Clergy Tax Return Preparation Guide for 2022 Taxes

- Specially edited by The Church Pension Fund to meet the needs of The Episcopal Church
- Available to active and retired clergy free online at cpg.org/taxpubs

2023 Federal Reporting Requirements for Episcopal Churches, Schools and Institutions

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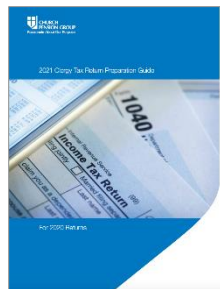
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