CHURCH PENSION GROUP
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Clergy Taxes (Active Clergy): Understanding the Clergy Housing Allowance



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Clergy Taxes

Dual tax status for services performed in ministry





Employee Federal income tax

Receive Form W-2

Tax depends on income level

Self-employed Social Security and Medicare

SECA tax

15.3% tax rate

Exempt from withholding

Quarterly estimated tax payments for anticipated federal income and SECA taxes for the current tax year

Can voluntarily have tax withheld

Often used to cover estimated federal and SECA tax liability

Housing Allowance Basics for Taxes



Designate in advance

The vestry or governing body must designate the allowance before the tax year or employment begins.

Amendments apply prospective only.



Income tax

May be excluded from federal income tax

Some states allow the exclusion



SECA taxes

Is included for SECA taxes



Allowance cap

A three-prong test caps the amount



Eligibility

A cleric's surviving spouse is not eligible

Differs from CPG's housing calculation for Church-provided housing

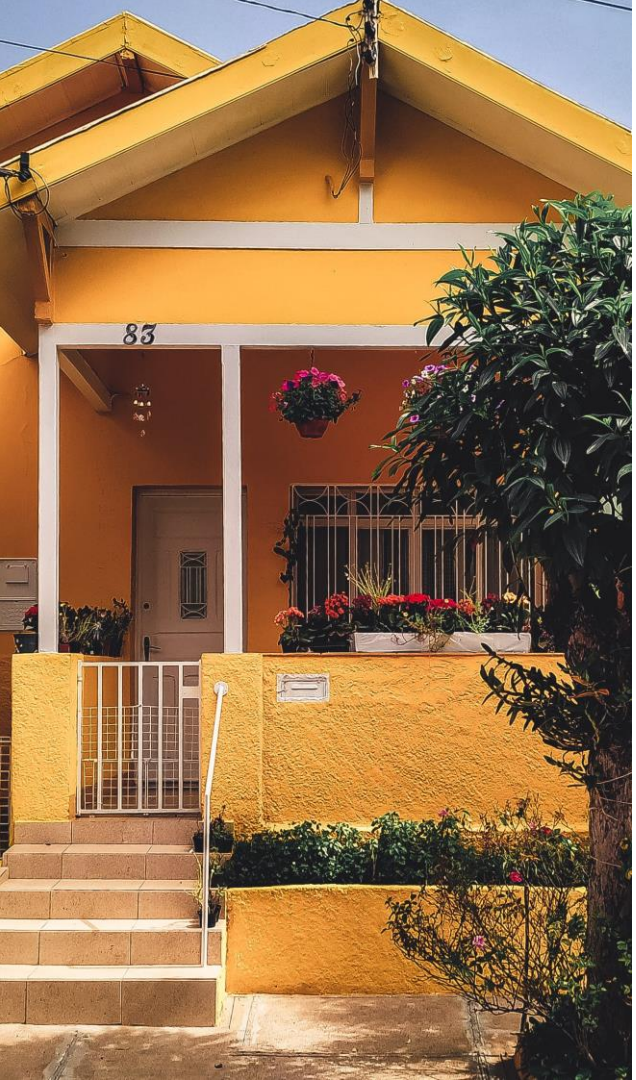


Housing Allowance

For The Church Pension Fund Clergy Pension Plan (the Plan)

Based on the rules of the Plan

- **Used in the calculation** of a clergyperson's Total Assessable Compensation (TAC) and pension Assessments
- **Not defined** the same way as the clergy housing allowance exclusion for federal income taxes, as defined by the IRS



Housing Allowance Exclusion*

For federal income taxes**

Cash housing allowance
(home owned or rented by clergy person)

- Lowest amount of:
  - vestry or governing body resolution, OR
  - actual cash spent, OR
  - fair market rental value, furnished plus utilities
- Used to “provide, furnish, and maintain” your primary home

*You may be eligible for other exclusions. Contact your tax professional.
**Some states also recognize the housing allowance exclusion.



Housing Allowance Exclusion*

For federal income taxes**

Employer-provided housing

- Value of housing not subject to income tax
- Additional housing allowance exemption if you incur costs related to housing***
- Fair market rental value of employer-provided housing as furnished, with utilities if paid by the employer and any additional housing allowance exemption, are subject to SECA tax

*You may be eligible for other exclusions. Contact your tax professional.
**Some states also recognize the housing allowance exclusion.
***Be sure to have a vestry resolution in place before these are incurred.



Housing Allowance for Interim Clergy

Interim position results in 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



Housing Allowance for Interim Clergy (con't)

Interim position results in relocation, continues for an indefinite period, OR lasts for more than one year (even one day longer)

- For tax purposes, interim resident considered primary residence from the first day in position
- Travel to and from original home is not reimbursable as business expense

Housing Allowance Exclusion Example

Clergyperson owns or rents



The Rev. John Smith, an ordained minister, is Vice President of Academic Affairs at Episcopal High School of Virginia.

Fr. Smith owns his home and had $20,000 of his salary designated as housing allowance.

Federal income tax housing allowance exclusion is the **lowest** of the following:

Actual cash spent—mortgage payments, utilities, home maintenance, and furniture*	$21,600
Fair rental value of the home, as furnished, plus utilities**	$21,000
Designated housing allowance	**$20,000**

*This is not an exhaustive list. Be sure to track expenses, keep receipts, and work with a tax professional.
**Work with your tax preparer to calculate this amount.

Housing Allowance Exclusion Example

Clergyperson lives in employer-provided housing



The Rev. John Smith, an ordained minister, is Vice President of Academic Affairs at Episcopal High School of Virginia.

Fr. Smith lives in employer-provided housing and employer pays all costs

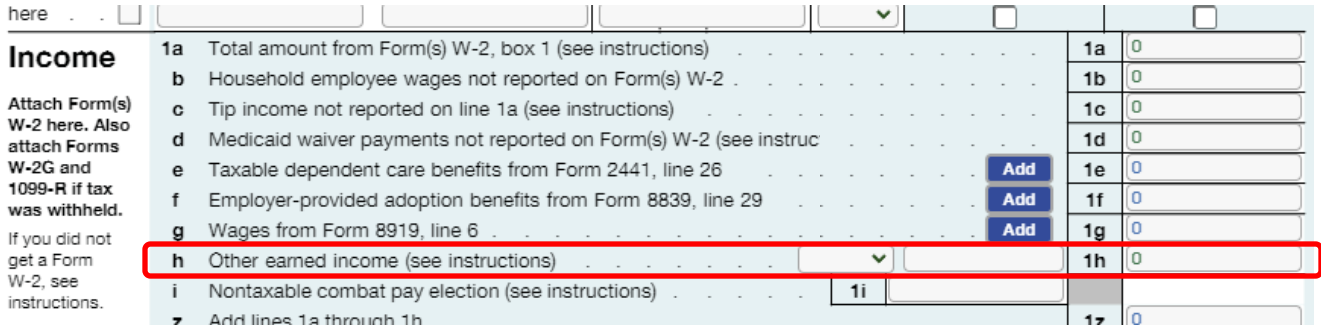
Value of his residence NOT subject to federal income tax.

Will pay SECA tax* on the fair rental value of the home, as furnished, plus utilities.**

Value of his home for pension Assessment purposes is 30% of his other Assessable Compensation components.

*In addition, she will pay SECA tax on all her federal taxable income.
**Work with your tax preparer to calculate this amount.

Filing Your Tax Return



here			
Income			
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.			
If you did not get a Form W-2, see instructions.			
1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	0
b	Household employee wages not reported on Form(s) W-2	1b	0
c	Tip income not reported on line 1a (see instructions)	1c	0
d	Medicaid waiver payments not reported on Form(s) W-2 (see instruc	1d	0
e	Taxable dependent care benefits from Form 2441, line 26 Add	1e	0
f	Employer-provided adoption benefits from Form 8839, line 29 Add	1f	0
g	Wages from Form 8919, line 6 Add	1g	0
h	Other earned income (see instructions)	1h	0
i	Nontaxable combat pay election (see instructions) 1i		
z	Add lines 1a through 1h	1z	0

If you cannot exclude the total amount declared as housing allowance, enter the excess on, **Form 1040, line 1h** and write “excess allowance” on the dotted line

- Use IRS Schedule SE to calculate your SECA tax obligation
- Consult a tax professional!

Review Your Social Security Earnings Record!

Social Security Calculator

Earnings Record

Year	Age	Taxed Earnings		Multiplier		Indexed Earnings	
1978	19	$2,194	x	4.77	=	$10,459	Top 35 Value
1979	20	$2,453	x	4.38	=	$10,753	Top 35 Value
1980	21	$3,073	x	4.02	=	$12,358	Top 35 Value
1981	22	$2,171	x	3.65	=	$7,932	Top 35 Value
1982	23	$0	x	3.46	=	$0	Top 35 Value
1983	24	$7,069	x	3.30	=	$23,343	Top 35 Value
1984	25	$15,810	x	3.12	=	$49,308	Top 35 Value
1985	26	$18,438	x	2.99	=	$55,154	Top 35 Value
1986	27	$17,585	x	2.91	=	$51,086	Top 35 Value
1987	28	$7,395	x	2.73	=	$20,195	Top 35 Value
1988	29	$10,563	x	2.60	=	$27,493	Top 35 Value
1989	30	$23,404	x	2.50	=	$58,595	Top 35 Value
1990	31	$20,422	x	2.39	=	$48,872	Top 35 Value
1991	32	$1,370	x	2.31	=	$3,161	Top 35 Value
1992	33	$0	x	2.19	=	$0	
1993	34	$0	x	2.18	=	$0	

- You pay SECA tax on all compensation, including the value of your housing
- Review your account at *ssa.gov* to see your earnings record and your benefit projection
- If your earnings record does not match your total compensation, your Social Security benefit may be incorrect
- Discuss with your tax advisor

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, JD, LLM, CPA

2026 Church & Clergy Tax Guide
- Comprehensive, non-denominational guide to US tax law for ministers and churches. May be purchased online at store.churchlawandtax.com

2026 Clergy Tax Return Preparation Guide for 2025 Taxes
- Available through MyCPG Accounts

2026 Federal Reporting Requirements for Episcopal Institutions
- Available through MyCPG Accounts

CPG Resources

Clergy Housing Allowance eLearning Course



Online at:
cpg.org/learningcenter

Complimentary Individual Financial Discussions

Our dedicated specialists understand the unique needs of those who serve The Episcopal Church.

Schedule online: cpg.org/letschat

Tax Hotline



Michele Racusin, CPA
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Dolly Rios, CPA
833-363-5751
(Spanish and English)

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