

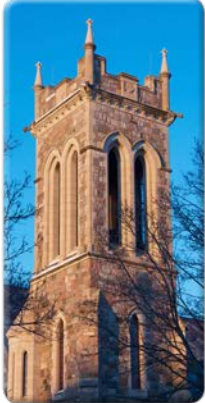


CHURCH  
PENSION GROUP

A Century of Service  
and Benefits for  
the Episcopal Church



# Clergy Housing Allowance – The Ins and Outs



**Larry Dresner, ChFC<sup>®</sup>, RTRP**  
Financial Education Client Specialist

**Dolly Rios, CPA**  
Principal, Rios & McGarrigle, LLC

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# Clergy Taxes

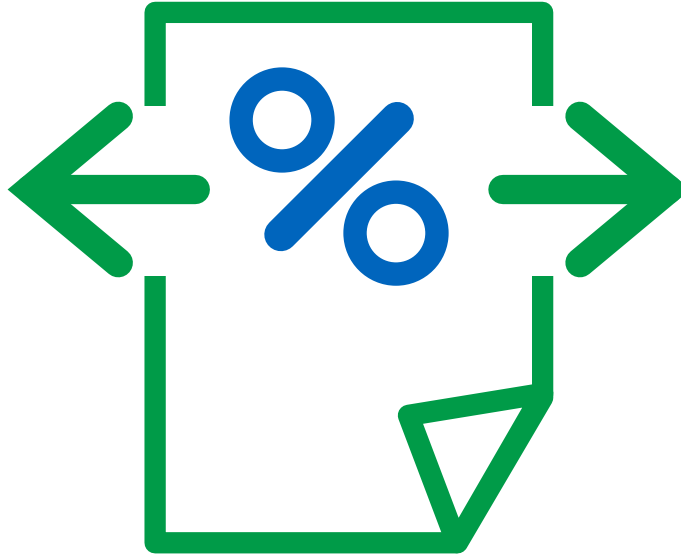
- **Dual tax status**
  - Employees for federal income tax reporting purposes
  - Self-employed for social security purposes
- **Receive form W-2, not form 1099-Misc**
- **Exempt from withholding**
  - Make quarterly estimated tax payment to cover income and SECA taxes anticipated for the current year
- **Can voluntarily have tax withheld**
  - Include enough to cover estimated self-employment tax liability

# Clergy Taxes

## Federal Income Tax

(Tax rate based  
on income)

- General government services



## Self-Employment Contribution Act (SECA) Tax

(15.3% tax rate)

- Social Security
- Medicare

# Income While Working



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

# 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
- **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 expenses





# 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



CPF Medicare Supplement Subsidy



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

### 2020 Church & Clergy Tax Guide

- Comprehensive, non-denominational guide to U.S. tax law for ministers and churches. May be purchased online at [churchlawtodaystore.com](http://churchlawtodaystore.com)

### 2020 Tax Guide for Episcopal Ministers (for 2019 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](http://cpg.org/taxpubs)

### 2020 Federal Reporting Requirements for Episcopal Churches, Schools and Institutions

# CPG Resources

## Church Pension Group

19 East 34th Street,  
NY, NY 10016  
(800) 223-6602

**Website:** [cpg.org](http://cpg.org)

### Client Services

Monday – Friday  
8:30 AM – 8:00 PM ET  
(866) 802-6333

**Email:** [benefits@cpg.org](mailto:benefits@cpg.org)

## Complimentary Individual Financial Discussions

Committed to helping you retire with more financial security. Our dedicated specialists understand the unique needs of those who serve the Episcopal Church.

## Tax Hotline



**Nancy Fritschner, CPA**  
(877) 305-1414

**Mary Ann Hanson, CPA**  
(877) 305-1415

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

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