

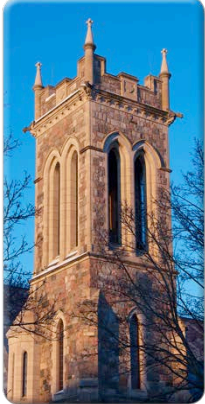


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## Tax Planning Webinar Series: Clergy Housing Allowance Exclusion



**Dolly Rios, CPA  
Larry Dresner, ChFC**

**October 24, 2019**



Education + Wellness

# Your Presenters



Dolly Rios, CPA



Larry Dresner, ChFC

# Clergy Taxes — The Basics

## ■ Dual tax status

Employee for Federal taxes

Form W-2, not Form 1099 MISC

Self-employed for Social Security taxes (SECA)

Schedule SE

- Exempt from income tax withholding
- Make quarterly estimated federal income tax payment or voluntarily have income tax withheld
  - Include enough to cover both estimated federal income and self-employment tax liability

# Federal Income Tax Exclusion\*

## ■ Clergy Housing Allowance Exclusion

### **Cash housing allowance**

- 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.

# Cash Housing Allowance Example

## Actual Housing Allowance Calculation

Utilities	\$ 2,000
Mortgage	\$ 8,000
Property tax	\$ 4,000
Homeowner's Insurance	\$ 1,000
Repairs	\$ 1,200
Furnishings	\$ 800
<b>Total Actual Housing Allowance</b>	<b>\$ 17,000</b>

Housing Allowance Designation	Actual Housing Expenses	Fair Market Rental Value
\$20,000	\$17,000	\$14,000



This example is for illustrative purposes only. Please consult your tax advisor for your individual calculations.

# Sample Housing Allowance Resolution #1

## ... for a church-provided residence

The following resolution was duly adopted by the vestry of Grace Church at a regularly scheduled meeting held on December 18, 2018, a quorum being present:

Whereas, the Reverend John Smith is compensated by Grace Church exclusively for services as a minister of the gospel; and

Whereas, Grace Church provides Fr. Smith with rent-free use of a church-provided rectory as compensation for services that he renders to the church in the exercise of his ministry; and

Whereas, Fr. Smith incurs expenses for living in church-provided housing; therefore it is hereby

Resolved, that the annual compensation paid to Fr. Smith for calendar year 2019 shall be \$50,000, of which \$5,000 is hereby designated to be a housing allowance pursuant to Section 107 of the Internal Revenue Code, and it is further

Resolved, that the designation of \$5,000 as a housing allowance shall apply to calendar year 2019 and all future years unless otherwise provided by the vestry; and it is further

Resolved, that as additional compensation to Fr. Smith for calendar year 2019 and for all future years unless otherwise provided for by this vestry, Fr. Smith shall be permitted to live in the church-provided rectory located at 123 Main Street, and that no rent or other fee shall be payable by Fr. Smith for such occupancy and use.

# Sample Housing Allowance Resolution #2

## ...for a cleric-owned or rented residence

The following resolution was duly adopted by the vestry of Christ Church at a regularly scheduled meeting held on December 18, 2018, a quorum being present:

Whereas, the Reverend Samuel Johnson is compensated by Christ Church exclusively for the services as a minister of the gospel; and

Whereas, Christ Church does not provide Fr. Johnson with a rectory; therefore, it is hereby

Resolved, that the total compensation paid to Fr. Johnson for calendar year 2019 shall be \$50,000, of which \$15,000 is hereby designated to be a housing allowance pursuant to Section 107 of the Internal Revenue Code; and it is further

Resolved, that the designation of \$15,000 as a housing allowance shall apply to calendar year 2019 and all future years unless otherwise provided.

## “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**



# Want to learn more?

eLearning course on the Clergy Housing Allowance at [www.cpg.org/elearning](http://www.cpg.org/elearning)

In the course you will find...

- Who, What, When, Where and How of calculating and reporting
- Example IRS forms with directions for inputting income and housing allowances correctly
- Information on what qualifies, what doesn't qualify, and determining fair rental value
- The Clergy Housing Allowance as it applies to different types of housing


Duration: Approximately 10 minutes

## How?

Let's look at two different scenarios that illustrate how to calculate the housing allowance exclusion...

You Rent or Own Your Home

You Live in a Rectory [Click to explore this scenario](#)



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# Tax Resources

## Tax advisor/accountant who understands clergy taxes

- Ask fellow clergy, parishioner, or trusted friend for recommendations

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

- **2019 Church & Clergy Tax Guide**  
Comprehensive, non-denominational guide to U.S. tax law for ministers and churches. Can purchase online at [www.churchlawtodaystore.com](http://www.churchlawtodaystore.com)
- **2019 Clergy Tax Return Preparation Guide for 2018 Returns & Tax Highlights**  
Available to active and retired clergy free online at [www.cpg.org/taxpubs](http://www.cpg.org/taxpubs)

# CPG Resources



## Church Pension Group

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

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

## Client Services

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

Email: [benefits@cp.org](mailto:benefits@cp.org)



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## Tax Hotline

- The Rev. William Geisler, CPA, (877) 305-1415
- Mrs. Nancy Fritschner, CPA, (877) 305-1414
- Ms. Dolly Rios, CPA\* (833) 363-5751

\*Bilingual – English and Spanish

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# We'll see you on November 19<sup>th</sup> for Session 2!

**Session 2:** Accountable Reimbursable Business Expense Plans

**When:** Tuesday, November 19th, 12:00PM-1:00PM ET

**Who:** For active clergy

**The topics we'll cover include:**

- Tax law changes regarding reimbursable business expenses
- The four requirements of an accountable reimbursable business expense
- Examples of reimbursable business expenses

An illustration of two orange hands holding a dark grey tablet. The tablet screen is white and displays the text 'Feedback Survey' in a blue, sans-serif font. The left hand is on the left side of the tablet, and the right hand is on the right side, with the index finger pointing towards the screen. A solid blue horizontal bar is located at the top of the image.

# Feedback Survey

THANK YOU

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FOR YOUR PARTICIPATION  
AND FEEDBACK!



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