

Clergy Housing Allowance The Ins and Outs



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November 5, 2025

≡ 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

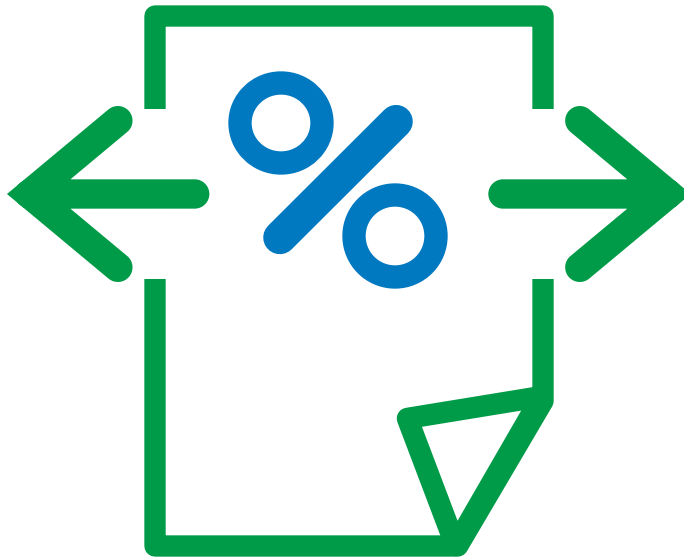
Can voluntarily have tax withheld

Often used to cover estimated federal and SECA tax liability

≡ Clergy Taxes



Federal
Income Tax
(Tax rate based
on income level)



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

- Social Security
- Medicare

Income While Working*

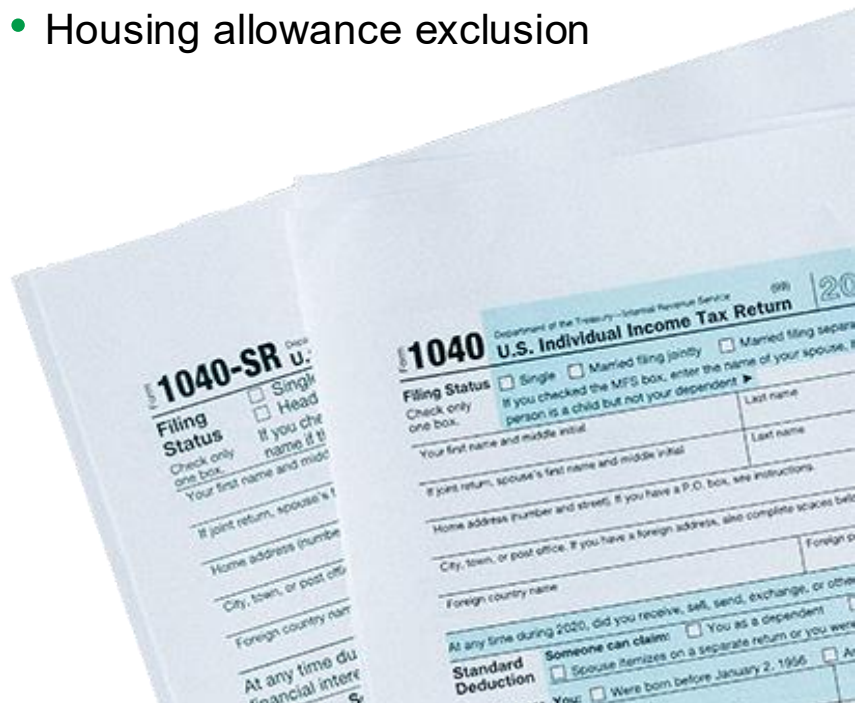
Taxed As Employee for Federal

- Cash salary
- Value of Certain Benefits
- Other (self-employment income)
 - Consulting, counseling, or supply service fees

Bottom line: Consult with a tax preparer who is familiar with clergy taxes.

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

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

Based on the rules of the Plan

- **Used in the calculation** of a clergy person'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 cleric)

- Lowest amount of:
 - vestry resolution, OR
 - 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.

**Some states also recognize the housing allowance exclusion.



Housing Allowance for Interim Clergy



■ Interim position

- for an indefinite period OR lasts for more than one year (even one day longer) AND
- results in relocation

■ Interim residence

- considered primary residence for tax purposes from the first day in position



Housing Allowance for Interim Clergy (cont'd)



- **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

Federal Income Tax Exclusions in Retirement



Lower of actual cash spent, fair rental value furnished plus utilities, or Church Pension Fund (CPF) declared housing allowance (may be applied to CPF retirement benefits, such as pension, including Christmas benefit, and RSVP withdrawal*)



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

Housing Allowance Exclusions Example (Retired)

Clergyperson owns or rents



The Rev. John Smith
is retired.

Income from The Church Pension Fund (CPF)
sponsored retirement plans (100% designated for housing)

CPF pension	\$20,000
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RSVP withdrawal*	\$5,000
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Total designated for housing	\$25,000
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Actual cash spent: mortgage payments, utilities, home maintenance and new furniture**	\$20,600
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Fair rental value of the home, as furnished, plus utilities***	\$21,000
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*Pre-tax contributions and tax-deferred earnings

**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.

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

2025 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

2025 Clergy Tax Return Preparation Guide for 2024 Taxes

- Available to active and retired clergy with login

2025 Federal Reporting Requirements for Episcopal Institutions

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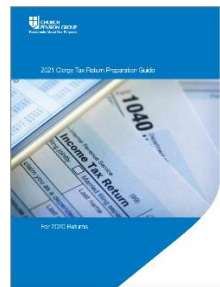
Complimentary Individual Financial Discussions

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

Schedule online: cpg.org/letschat



Tax Hotline



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