

Pastor's Housing Allowance

If the pastor does not have an open-ended housing allowance resolution in place, a housing allowance must be established prior to December 31, 2009 for the calendar year 2010. There are several points that must be understood about a housing allowance.

The housing is the **lesser** of:

- The fair market rental value of the home, fully furnished, and including utilities; or
- The actual cost of living in the home.

In determining an approximate cost of living in the home, the following items may be included: (from *Church & Clergy Tax Guide 2009* by Richard R. Hammar)

- down payment on a home;
- payments (including prepayments) on a mortgage loan to purchase or improve your home (including both interest and principal);
- real estate taxes;
- property insurance;
- utilities (electricity, gas, water, trash pickup, local telephone charges, Internet access fees);
- furnishings and appliances (purchase and repair);
- structural repairs and remodeling;
- yard maintenance and improvements;
- maintenance items (household cleansers, light bulbs, pest control, etc.); and
- homeowners' association dues.

The governing board can set the housing allowance by passing a resolution similar to the one below. The resolution must be passed at a duly called meeting of the governing board (if the church uses a Board of Trustees to govern all financial matters, they can pass the resolution).

An example of a housing allowance resolution follows: (from *Church & Clergy Tax Guide 2009* by Richard R. Hammar)

The following resolution was duly adopted by the board of directors of First Church at a regularly scheduled meeting held on December 15, 2009, a quorum being present:

Whereas, ministers who own their home do not pay federal income taxes on the amount of their compensation that their employing church designates in advance as a housing allowance, to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the fair rental value of the home (furnished, plus utilities); and

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

Whereas, First Church does not provide Pastor John Smith with a parsonage; therefore, it is hereby

Resolved, that the total compensation paid to Pastor John Smith for calendar year 2010 shall be \$50,000, of which \$15,000 is hereby designated to be a housing allowance; and it is further

Resolved, that the designation of \$15,000 as a housing allowance shall apply to calendar year 2010 and all future years unless otherwise provided.

This type of resolution provides for an open-ended arrangement which is the best type of arrangement.