

## CHAPTER FOUR



# Housing Allowance

### *In This Chapter*

- Types of housing arrangements
- Accounting for the housing allowance
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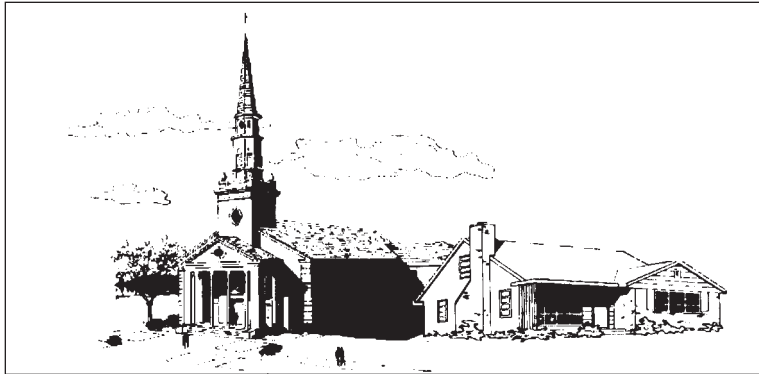
Qualified ministers (see chapter 1 for who is a qualified minister) are eligible to receive lodging from the church free of income tax liability by excluding dollars from gross income (see page 1 for a challenge to the housing allowance that is progressing in the courts). Maximizing housing benefits requires careful planning. Used properly, the housing allowance can truly be the minister's best tax friend.

Every qualified minister should have a portion of salary designated as a housing allowance. For ministers living in church-owned housing, a housing allowance covering expenses such as furnishings, personal property insurance on contents, and utilities could save several hundred dollars of income taxes annually. For ministers living in their own homes or rental housing, a properly designated housing allowance may be worth thousands of dollars of income tax saved.

The designated housing allowance should be subtracted from compensation before the church completes the data on Form W-2. The housing allowance designation is not entered on Form 1040 or related schedules, except Schedule SE, since it is not a deduction for income tax purposes. However, any unused portion of the housing designation must be reported as income on page 1, Form 1040.

If the church properly designates a portion of your cash salary for expenses of a home you provide, the exclusion is commonly referred to as a housing allowance. If the church properly designates a portion of your cash salary for expenses you incur in relation to church-provided housing, the exclusion is often called a parsonage allowance. In either instance, it is an exclusion from income tax, not self-employment tax.

## Employer-Provided Housing



The fair rental value of the housing plus utilities (if paid by employer) is

- Excludable for federal income tax purposes
- Includible for social security (SECA) purposes

A housing allowance may be provided to a minister living in employer-provided housing. It is a designation of the cash salary. The housing allowance may cover certain housing expenses paid by the minister (see the worksheet on page 86).

## Minister-Provided Housing



The excludable portion of a housing allowance is not taxable for federal income tax purposes. The entire housing allowance is taxable for social security tax (SECA) purposes. See the worksheets on pages 87 and 88 for excludable expenses.

The excludable housing allowance is the lowest of these factors:

- Reasonable compensation
- Amount used from current ministerial income to provide the home
- Amount prospectively and officially designated by the employer
- The fair rental value of the home including utilities and furnishings

If a designated housing allowance exceeds these four factors, the excess is reportable as additional income for income tax purposes.

Ministers are eligible to exclude the fair rental value of church-provided housing for income tax purposes without any official action by the church. However, a cash housing allowance related to church-provided or minister-provided housing is only excludable under the following rules:

- The allowance must be officially designated by the church. The designation should be stated in writing, preferably by resolution of the top governing body, in an employment contract or—at a minimum—in the church budget and payroll records. If the only reference to the housing allowance is in the church budget, the budget should be formally approved by the top governing body of the church. See the 2012 edition of *The Zondervan Church and Nonprofit Tax & Financial Guide* for examples of housing allowance resolutions.

Tax law does not specifically say an oral designation of the housing allowance is unacceptable. In certain instances, the IRS has accepted an oral housing designation. Still, the use of a written designation is preferable and highly recommended. The lack of a written designation significantly weakens the defense for the housing exclusion upon audit.

- The housing allowance must be designated prospectively by the church. Cash housing allowance payments made prior to a designation of the housing allowance are fully taxable for income tax purposes. Carefully word the resolution so that it will remain in effect until a subsequent resolution is adopted.
- Only actual expenses can be excluded from income. The source of the funds used to pay for a minister's housing expenses must be compensation earned by the minister in the exercise of ministry in the current year.
- Only an annual comparison by a minister of housing expenses to the housing allowance is required. For example, if the housing allowance designation is stated in terms of a weekly or monthly amount, only a comparison of actual housing expenses to the annualized housing allowance is required.
- The housing allowance exclusion cannot exceed the fair rental value of the housing, including furnishings, plus utilities.



#### Key Issue

Understanding the distinction between a housing allowance designation and the housing exclusion is fundamental. The designation is officially made by the church or other employer. The exclusion is the amount the minister actually excludes for income tax purposes after applying the limitations outlined in this chapter.

## Types of Housing Arrangements

### Minister living in church-provided housing

If you live in a church-owned parsonage or housing rented by the church, the fair rental value of the housing is not reported for income tax purposes. The fair rental value is subject only to self-employment tax.

You may request a housing allowance to cover expenses incurred in maintaining the church-owned or church-rented housing. The cash housing allowance excludable for income tax purposes is the lowest of (1) reasonable compensation, (2) actual housing expenses paid from current ministerial income, (3) the amount prospectively and officially designated, or (4) the fair rental value of the home including utilities and furnishings. Examples of allowable expenses are utilities, repairs, furnishings, and appliances. If the actual expenses exceed the housing allowance declared by the church, the excess amount cannot be excluded from income. The expenses shown on the worksheet on page 86 qualify as part of the housing allowance for a minister living in housing owned or rented by the church.



### Tip

The designation of a housing allowance for a minister living in church-provided housing is often overlooked. While the largest housing allowance benefits go to ministers with mortgage payments on their own homes, a housing allowance of a few thousand dollars is often beneficial to a pastor in a church-provided home.

It is appropriate for the minister's out-of-pocket expenses for the maintenance of a church-owned parsonage to be reimbursed by the church if a full accounting is made. Such reimbursements do not relate to a housing allowance. If such expenses are not reimbursed, they could be excludable from income under a housing allowance.

If the church owns the parsonage, the church may wish to provide an equity allowance to help compensate the minister for equity not accumulated through home ownership. An equity allowance is taxable both for income and social security tax purposes unless directed to a 403(b) tax-sheltered annuity, 401(k) plan, or certain other retirement programs.

## Minister owning or renting own home

If you own or rent your own home, you may exclude, for income tax purposes, a cash housing allowance that is the lowest of (1) reasonable compensation, (2) the amount used to provide a home from current ministerial income, (3) the amount prospectively and officially designated, or (4) the fair rental value of the furnished home, plus utilities.

The expenses shown on the worksheet on page 87 qualify as part of the housing allowance for a minister owning or buying a home. Page 88 shows a similar worksheet for a minister renting a home.

Many ministers make the mistake of automatically excluding from income (for income tax purposes) the total designated housing allowance, even though the fair rental value of the furnished home or actual housing expenses are less than the designation. This practice may cause a significant underpayment of income taxes.

The housing expenses related to a minister-owned house should not be reimbursed by the church. These expenses should be covered by the minister under a cash housing allowance paid by the church.

**Example:** A minister lives in a personally owned home. The church prospectively designates \$18,000 of the salary as housing allowance. The minister spends \$17,000 for housing-related items. The fair rental value of the home is \$19,000.

Since the amount spent is lower than the designated housing allowance or the fair rental value, the excludable housing is \$17,000. Therefore, \$1,000 (\$18,000 less \$17,000) must be added by the minister to taxable income on Form 1040, page 1, line 21. Unless the minister has opted out of social security, the entire \$18,000 is reportable for social security purposes on Schedule SE.

## Establishing and Modifying the Housing Allowance

### Before paying compensation

The employer should take the following steps to designate a housing allowance before paying compensation:

- Verify the qualified status of the minister. Does the minister meet the tests found on pages 22-30?
- Verify the qualified nature of the minister's services; e.g., administering sacraments, conducting religious worship, performing management responsibilities for a church, a denomination, or an integral agency (see pages 26-28) of a church or denomination or the services performed for a parachurch or other organization (see pages 28-29).
- Determine the extent to which payment of housing expenses will be the responsibility of the minister. For example, will the utilities for a church-owned parsonage be paid by the church or the minister?
- Request that the minister estimate the housing-related expenses expected in the coming year which are the minister's responsibility.
- Adopt a written designation based on the minister's estimate. This designation may be included in minutes or resolutions of the top governing body, an employment contract, annual budget, or another appropriate document if official action on the document is recorded.



#### Warning

It is the responsibility of the church or other employer—not the minister—to determine if an individual qualifies as a minister in the eyes of the IRS and, therefore, qualifies for a housing allowance designation. Simply being ordained, licensed, or commissioned is often not enough to qualify for this status.

## During the calendar year

The following actions should be taken during the year (after designating the housing allowance):

- The minister should keep records of allowable housing expenses incurred.
- The minister should make payments to the IRS to cover the self-employment tax (SECA) on the entire housing allowance (and other income subject to SECA) plus federal income tax on any anticipated unexpended portion of the allowance and other taxable income. This may be accomplished by submitting quarterly tax installments with Form 1040-ES, voluntary income tax withholding by the minister's employer, or spousal income tax withholding.
- The minister should identify any significant change in housing expenses and estimate the amount by which the total actual expenses may exceed the amount designated as the housing allowance.
- When housing expenses are running higher than anticipated or are expected to do so, the minister should ask the church to prospectively increase the housing allowance designation. A retroactive housing allowance increase is ineffective.
- The church should prospectively amend the minister's housing allowance as appropriate to reflect the anticipated change in housing expenses.

## After each calendar year

The following steps should be taken after the close of each calendar year with respect to the housing allowance:

- The church should provide the minister with copies of Form W-2. An approved housing allowance paid to the minister may be included on Form W-2 in Box 14 with the explanation: "Housing Allowance." As an option, the church could provide the minister with a separate statement showing the amount of any housing allowance paid to or for the minister and omit the data from Form W-2.
- The minister who provides his or her own housing should compare reasonable compensation, the amount designated for housing, and actual housing expenses. The lowest of these amounts is excluded for income tax purposes.

Ministers living in church-provided housing must compare the amount designated and actual housing expenses, and exclude the lowest of these amounts.

## Designation limits

The IRS does not place a limit on how much of a minister's compensation may be designated as a housing allowance by the employing church. In a few instances, as much as 100% of the compensation may be designated. But practical and reasonable limits usually apply.

A housing allowance must not represent “unreasonable compensation” to the minister. Unfortunately, neither the IRS nor the courts have provided a clear definition of unreasonable compensation. The IRS considers the total compensation package, including the housing allowance and taxable and nontaxable fringe benefits. This amount is often compared with the church’s annual budget and may be compared with other similar-sized churches.

Unless the amount is justified based on anticipated housing expenses within the exclusion limitations discussed on pages 75-76, it is generally unwise for the employing church to exclude 100% of compensation.



### Caution

How high is too high? Can even 100% of a minister’s cash salary be designated as a housing allowance? Yes, but only in a few situations. The fair rental value and actual housing expense limitations usually make the 100% designation inappropriate.

**Example 1:** A minister provides her own housing. The fair rental value furnished plus utilities is \$15,000. She anticipates spending \$18,000 on housing. Should the church designate a housing allowance of \$15,000 or at least \$18,000? A designation of \$15,000 should be made since the minister cannot exclude more than this amount.

**Example 2:** A bi-vocational minister receives a salary of \$10,000 per year and provides his home. Actual housing costs are \$12,000. If the church sets the housing allowance at 100% of compensation, or \$10,000, the minister may exclude \$10,000 for federal income tax purposes. If the church had set the housing allowance at 50% of compensation, or \$5,000, only \$5,000 could be excluded.

**Example 3:** A minister has a voluntary withholding arrangement with the church, and the church sets the housing allowance at 100% of compensation. Form W-2 would show no salary (ignoring other compensation factors) but would reflect federal income tax and possibly state income tax withheld. While Form W-2 would be correctly stated, its appearance would be most unusual.

It is often best to overdesignate your parsonage allowance by a reasonable amount, subject to the fair rental value limitation, to allow for unexpected housing expenses and increases in utility costs. Any excess housing allowance designated should be shown as income on line 21 of Form 1040.

## Amending the housing designation

If a minister’s actual housing expenses are or will be higher than initially estimated and designated, the church may prospectively amend the designation during the year.



**Example:** The church sets the housing allowance at \$1,000 per month on January 1, but housing expenses are averaging \$1,200 per month. On July 1, the church approves an increase in the housing allowance to \$1,600 per month. Therefore, the housing allowance for the year totals \$15,600 (\$6,000 for the first six months and \$9,600 for the last six months). Actual housing costs are \$14,400 (\$1,200 for each month). The minister excludes \$13,200 for federal income tax purposes: \$6,000 for the first six months (limited by the designation) and \$7,200 for the last six months (limited by the actual housing costs).



### Remember

The housing allowance designation may be prospectively amended at any time during the year, regardless of whether the church or other employer uses a calendar or fiscal year. Changing the designation to cover expenses that have already been paid (almost all ministers use the cash basis for tax purposes) is not advantageous.

## Housing allowance as a percentage of salary

Some churches set the housing allowance by applying a percentage to the total cash salary. Housing allowance percentages are often in a range of 40% to 60% of the total cash salary. Setting the housing designation based on an estimate of housing expenses for each minister is highly preferred to the percentage method. By using the percentage approach, the church may unintentionally permit an excessive housing exclusion from income or preclude a legitimate exclusion.

## Housing allowance adopted by denomination

If the local congregation employs and pays you, a resolution by a national or area office of your denomination does not constitute a housing allowance designation for you. The local congregation must officially designate a part of your salary as a housing allowance.

But a resolution of your denomination can designate your housing allowance if you are employed and paid by a national or area office or if you are a retired minister receiving retirement funds from a denominational retirement plan.

## Reporting the Housing Allowance to the Minister

The designated housing allowance may be reflected on Form W-2 in Box 14 with the notation, "Housing Allowance." Though not required, this reporting method is suggested by Publication 517.

Or, a church can report the designated housing allowance to a minister by providing a statement separate from Form W-2. This may be in a memo or letter. The statement should not be attached to your income tax returns.



Your church may erroneously include the housing allowance on your Form W-2, Box 1. If this happens, the church should prepare a corrected form.

There is no requirement for the minister to account to the church for the actual housing expenses. Many ministers consider this as an intrusion into their personal finances. However, if the church requires this reporting, based on administrative discretion, the church would prepare Form W-2 with the adjusted housing allowance excluded. Under this approach, the excluded housing is always equal to or less than the housing designation.



### Tip

The designated housing allowance should always be excluded from Form W-2, Box 1, as compensation. Including the housing allowance in this box could cause unnecessary communication between the IRS and the minister.

## Accounting for the Housing Allowance

### Determining fair rental value

The determination of the fair rental value of church-provided housing for self-employment social security purposes is solely the responsibility of the minister. The church is not responsible to set the value. The fair rental value should be based on comparable rental values of other similar residences in the immediate neighborhood or community, comparably furnished.

One of the best methods to establish the fair rental value of your housing is to request a local realtor to estimate the value in writing. Place the estimate in your tax file and annually adjust the value for inflation and other local real estate valuation factors.

### Housing allowance in excess of actual expenses or fair rental value

Some ministers erroneously believe that they may exclude every dollar of the housing designation adopted by the church without limitation. The housing designation is merely the starting point. If reasonable compensation, actual expenses, or the fair rental value is lower, the lowest amount is eligible for exclusion from income.

**Example:** A minister living in a home owned personally receives cash compensation from the church of \$60,000. The church prospectively designates \$20,000 as a housing allowance. The fair rental value is \$21,000. Actual housing expenses for the year are \$14,000. The amount excludable from income is limited to the actual housing expenses of \$14,000.



### Caution

Even though the fair rental value test is etched into law, there have been no changes in the sketchy guidance provided by the IRS as to how to determine the fair rental value.

## Determining actual expenses

The actual amount expended for housing and furnishings is limited to amounts expended in the current calendar year. Amounts expended in a prior year cannot be carried forward to a following year through depreciation or by carrying forward actual current year expenses that exceeded amounts designated in a prior year. Housing expenses that are not used to justify a housing allowance exclusion simply have no value in future years.

## Home equity loans and second mortgages

Without a home mortgage, a minister has no mortgage principal and interest amounts to exclude under a housing allowance. Also, there is no double deduction of the mortgage interest as an itemized deduction and as housing expense for purposes of the housing allowance exclusion if there is no mortgage.

What is the treatment of principal and interest payments on a second mortgage or a mortgage that has been refinanced to increase the indebtedness? This issue has not been addressed by the IRS or a court. However, it appears that an allocation of the loan payments between excludable housing expenses and nonexcludable personal expenses would be required based on the use of the additional loan proceeds.

Do principal and interest payments on a home equity loan qualify as excludable housing expenses? The IRS and the Tax Court have ruled that the loan or mortgage payments are excludable as housing expenses only if the loan proceeds are used for housing expenses. The exclusion is not available if the loan proceeds are used for personal expenses such as the purchase of an auto or for a child's college education. The interest is only deductible on Schedule A if the note is secured.

**Example:** A home equity loan of \$20,000 was obtained by a minister, secured by the residence. The money was used as follows: \$10,000 for a new car and \$10,000 to add a deck and screened-in porch to the minister's home. The home equity loan payments relating to funds used to purchase the new car are not excludable as housing expenses. Since the other \$10,000 was used for housing, the payments relating to this portion of the loan qualify as housing expenses.



### Warning

Loan payments on home equity loans and second mortgages qualify as housing expenses only in certain instances. The use of the loan proceeds as housing expenses vs. nonhousing expenses determines whether the loan payments may be excluded for income tax purposes.

## Other Housing Allowance Issues

### Payment of the housing allowance to the minister

It is immaterial whether the payment of a properly designated cash housing allowance is a separate payment or is part of a payment that also includes other compensation. A cash housing allowance usually is included with the minister's salary check.

## Cost of the housing allowance to the church

Some churches mistakenly believe that providing a housing allowance to their minister will increase the church budget. This is not true. If a portion of the minister's compensation is designated as a housing allowance, it costs the church nothing.

**Example:** A church pays a minister \$75,000 per year but does not presently designate a housing allowance. The minister provides the home. The minister requests that the church designate a housing allowance of \$20,000 per year. The church adopts a resolution reflecting compensation of \$75,000 per year, of which \$20,000 is a designated housing allowance. Before the designation, Form W-2 for the minister would have shown compensation of \$75,000. After the designation, Form W-2 would reflect compensation of \$55,000. The cash spent by the church is the same before and after the designation.

## Double deduction of interest and taxes

Ministers who own their homes and itemize their deductions are eligible to deduct mortgage interest and property taxes on Schedule A even though these items are excluded from taxable income as part of the housing allowance. This is often referred to as a “double deduction.”

## Housing allowances for retired ministers

Pension payments, retirement allowances, or disability payments paid to a retired minister from an established plan are generally taxable as pension income. However, denominations often designate a housing allowance for retired ministers to compensate them for past services to local churches of the denomination or to the denomination or in denominational administrative positions. The housing allowance designated relates only to payments from the denominationally sponsored retirement program.

Withdrawals from a denominationally sponsored 403(b) plan, also called a tax-sheltered annuity (TSA), or 401(k) plan qualify for designation as a housing allowance. Withdrawals from a 403(b) or 401(k) plan not sponsored by a local church are not eligible for designation as a housing allowance.

Retired ministers may also exclude the rental value of a home furnished by a church or a rental allowance paid by a church as compensation for past services.

Can a local church (as contrasted with a denomination), or a nondenominational local church, designate a housing allowance for a retired minister for the church's contributions to a minister's 403(b) plan? While IRS rulings in this area are not specific, a church has a reasonable and supportable position



### Remember

Payments from denominational retirement plans are generally subject to a housing allowance designation. While a local church may designate a housing allowance for a retired minister, it is unclear if the IRS will honor the designation on the minister's tax return.

to make the designation. However, it is unclear whether the IRS will accept a housing exclusion on the minister's tax return based on such a designation.

If a denomination or church reports the gross amount of pension or TSA payments on Form 1099-R and designates the housing allowance, the recipient may offset the housing expenses and insert the net amount on page 1, Form 1040. A supplementary schedule example should be attached to the tax return as follows:

Pensions and annuity income (Form 1040, line 16a)	\$10,000
Less housing exclusion	<u>8,000</u>
Form 1040, line 16b	<u><u>\$2,000</u></u>

For a retired minister, the amount excluded for income tax purposes is limited to the lowest of (1) the amount used to provide a home, (2) the properly designated housing allowance, or (3) the fair rental value of the furnished home, plus utilities.

A surviving spouse of a retired minister cannot exclude a housing allowance from income. If a minister's surviving spouse receives a rental allowance, it is includible in gross income.

## Housing allowances for evangelists

Traveling evangelists may treat a portion of an honorarium received as an excludable housing allowance to the extent that the paying church designates all or a portion of the honorarium as a housing allowance in advance of payment. Honoraria payments of \$600 or more in a calendar year to an evangelist require the church to issue Form 1099-MISC. The \$600 reporting threshold is after excluding any properly designated housing allowances and net of expense reimbursements based on adequate substantiation.

**Example:** William Dalton, an ordained evangelist, preaches at Westside Church for ten days. Westside Church paid Mr. Dalton \$1,500 consisting of \$300 documented travel expenses, a properly designated housing allowance of \$500, and a \$700 honorarium. Since the honorarium exceeded \$600, the church issued Mr. Dalton a Form 1099-MISC for \$700.

Some itinerant evangelists form nonprofit corporations for their ministries. The nonprofit corporation may designate a housing allowance for the evangelist. This eliminates the need for each church to provide the housing designation.

## Housing allowances for teachers or administrators

If you are a minister employed as a teacher or administrator by a church school, college, or university, you are performing ministerial services for purposes of the housing exclusion. However, if you perform services as a teacher or administrator on the faculty of a nonchurch college, you cannot exclude from your income a housing allowance or the value of a home that is provided to you.



## INTEGRITY *Points*

- **Properly determining who qualifies for a housing allowance.** The designation of a portion of cash compensation as a housing allowance is only available to certain ministers. Ordination, licensure, or commissioning of a minister alone is not enough.

The first integrity step for a church or parachurch organization is to determine whether an individual qualifies for the designation of a housing allowance. The various rules for ministers serving a local church, serving as evangelists or missionaries, members of religious orders, assigned by a church, or in other service positions are discussed in Chapter 1.

- **Applying the limits on the exclusion.** The designation of a housing allowance for a qualified minister is an action required by a church, formally and prospectively. However, it is the minister's responsibility to determine how much of the housing allowance designation qualifies for exclusion from federal, and perhaps state, income taxes. Remarkably, the IRS does not require the reporting of the application of the housing exclusion limits. But the law and integrity require the limits be applied.

For the vast majority of ministers, the most critical test is the fair rental value, including furnishings, plus utilities. The housing allowance designation by the church or parachurch organization (see first IntegrityPoint) is only the starting point.

The fair rental value, including furnishings, plus utilities is admittedly a "soft" number because the guidance provided by the IRS is vague on this topic. But an honest effort to reasonably determine this number is essential.

The excess housing allowance, which is the designated housing allowance less the lowest of the four housing exclusion limitations (see page 74), must be reported on Form 1040, line 21. This results in the excess housing allowance subjected to federal, and perhaps state, income taxes.

## Housing Allowance Worksheet Minister Living in a Parsonage Owned by or Rented by the Church

Minister's name: \_\_\_\_\_

For the period \_\_\_\_\_, 20\_\_ to \_\_\_\_\_, 20\_\_

Date designation approved \_\_\_\_\_, 20\_\_

**Allowable Housing Expenses** (*expenses paid by minister from current income*)

	<u>Estimated Expenses</u>	<u>Actual</u>
Utilities ( <i>gas, electricity, water</i> ) and trash collection	\$ _____	\$ _____
Local telephone expense ( <i>base charge</i> )	_____	_____
Decoration and redecoration	_____	_____
Structural maintenance and repair	_____	_____
Landscaping, gardening, and pest control	_____	_____
Furnishings ( <i>purchase, repair, replacement</i> )	_____	_____
Personal property insurance on minister-owned contents	_____	_____
Personal property taxes on contents	_____	_____
Umbrella liability insurance	_____	_____
<b>Subtotal</b>	_____	
10% allowance for unexpected expenses	_____	
<b>TOTAL</b>	\$ _____	\$ _____ (A)
Properly designated housing allowance		\$ _____ (B)

The amount excludable from income for federal income tax purposes is the lower of A or B.

## Housing Allowance Worksheet

### Minister Living in Home Minister Owns or Is Buying

Minister's name: \_\_\_\_\_

For the period \_\_\_\_\_, 20\_\_ to \_\_\_\_\_, 20\_\_

Date designation approved \_\_\_\_\_, 20\_\_

**Allowable Housing Expenses** (*expenses paid by minister from current income*)

	<u>Estimated Expenses</u>	<u>Actual</u>
Down payment on purchase of housing	\$ _____	\$ _____
Housing loan principal and interest payments	_____	_____
Real estate commission, escrow fees	_____	_____
Real property taxes	_____	_____
Personal property taxes on contents	_____	_____
Homeowner's insurance	_____	_____
Personal property insurance on contents	_____	_____
Umbrella liability insurance	_____	_____
Structural maintenance and repair	_____	_____
Landscaping, gardening, and pest control	_____	_____
Furnishings ( <i>purchase, repair, replacement</i> )	_____	_____
Decoration and redecoration	_____	_____
Utilities ( <i>gas, electricity, water</i> ) and trash collection	_____	_____
Local telephone expense ( <i>base charge</i> )	_____	_____
Homeowner's association dues/condominium fees	_____	_____
<b>Subtotal</b>	_____	
10% allowance for unexpected expenses	_____	
<b>TOTAL</b>	\$ <u>_____</u>	\$ <u>_____</u> (A)
Properly designated housing allowance		\$ <u>_____</u> (B)
Fair rental value of home, including furnishings, plus utilities		\$ <u>_____</u> (C)

The amount excludable from income for federal income tax purposes is the lowest of A, B, or C.



## Housing Allowance Worksheet Minister Living in Home Minister Is Renting

Minister's name: \_\_\_\_\_

For the period \_\_\_\_\_, 20\_\_ to \_\_\_\_\_, 20\_\_

Date designation approved \_\_\_\_\_, 20\_\_

**Allowable Housing Expenses** (*expenses paid by minister from current income*)

	<u>Estimated Expenses</u>	<u>Actual</u>
Housing rental payments	\$ _____	\$ _____
Personal property insurance on minister-owned contents	_____	_____
Personal property taxes on contents	_____	_____
Umbrella liability	_____	_____
Structural maintenance and repair	_____	_____
Landscaping, gardening, and pest control	_____	_____
Furnishings ( <i>purchase, repair, replacement</i> )	_____	_____
Decoration and redecoration	_____	_____
Utilities ( <i>gas, electricity, water</i> ) and trash collection	_____	_____
Local telephone expense ( <i>base charge</i> )	_____	_____
Mobile home space rental	_____	_____
<b>Subtotal</b>	_____	_____
10% allowance for unexpected expenses	_____	_____
<b>TOTAL</b>	\$ <u>_____</u>	\$ <u>_____</u> (A)
Properly designated housing allowance		\$ <u>_____</u> (B)

The amount excludable from income for federal income tax purposes is the lower of A or B.