

# MINISTERS AND HOUSING ALLOWANCES

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## WHO IS A MINISTER?

The IRS defines ministers as, "individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. Ministers have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination." [1]

## WHAT IS MINISTERIAL HOUSING ALLOWANCE?

Generally, ministers may be able to exclude from income tax the rental allowance or fair rental value of a parsonage that is provided to them as pay for their services. The exclusion applies only for income tax purposes and does not apply for self-employment tax purposes. [2]

- A minister who is furnished a parsonage may exclude the fair rental value of the parsonage, including utilities. The amount excluded cannot be more than the reasonable pay for the minister's services;
- A minister who receives a housing allowance may exclude the allowance to the extent it's used to pay expenses in providing a home (generally including rent, mortgage payments, utilities, repairs and other expenses directly relating to providing a home).
- If a minister owns a home, the amount excluded is limited to the least of:
  - Amount actually used to provide a home;
  - The amount officially designated as a housing allowance, or
  - The fair rental value of the home [3]



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## HOW IS MINISTERIAL HOUSING ALLOWANCE DETERMINED?

Under Treasury Regulation § 1.107-1(b), a church or other qualified organization may evidence the allowance "in an employment contract, in minutes of or in a resolution by a church or other qualified organization or in its budget, or in any other appropriate instrument evidencing such official action."

## CAN RETIRED MINISTERS QUALIFY FOR MINISTERIAL HOUSING ALLOWANCE?

Retired ministers can exclude from gross income for income tax purposes "the rental value of a home (plus utilities) furnished to you by your church as a part of your pay for past services, or the part of your pension that was designated as a rental allowance." [4]

### Endnotes

[1] IRS Publication 517 (2023), p. 3.

[2] IRS Publication 517 (2023), p. 9.

[3] IRS Publication 1828 (2015), p. 22.

[4] IRS Publication 517 (2023), p. 9.



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