

What is a Housing Allowance and Housing Exclusion?

Housing Allowance – Section III:B Clergy Compensation Form
Housing Exclusion – Section I:D Clergy Compensation Form

HOUSING ALLOWANCE

This is cash paid directly to a pastor in lieu of providing a parsonage. This increases the dollar amount budgeted by the church for a pastor's compensation. The amount must be approved by the District Superintendent, the Staff Parish Relations Committee, and the Church Council. If you are taking a Housing Allowance, it is advisable to include this dollar amount in calculating the Housing Exclusion section in order to ensure you receive the full tax break.

In addition to designating this on the Clergy Compensation Report, a pastor must also complete a Housing Allowance Resolution (for clergy NOT living in church owned parsonage). A housing allowance should always be documented in Amount of Cash Housing Allowance of this form. This form is for your records.

HOUSING EXCLUSION

This is a dollar amount designated by a clergy person and approved by the local church to provide a tax shelter for housing-related expenses. A housing exclusion is meant to defray costs incurred by clergy which directly relates to providing a home for self and family including, as applicable, any and all of the following: rent, mortgage payments and interest, furnishings, insurance, real estate taxes, utilities, maintenance and upkeep, and any other expenses directly associated with the provision of housing. Allowable expenses do not include personal items such as food, clothing, entertainment, and domestic help.

This dollar amount cannot be higher than the total salary (Line 6). According to IRS regulations, a pastor must be able to provide adequate receipts to document these housing-related expenses.

In addition to designating this on the Clergy Compensation Report, a pastor must also complete a Housing Allowance Resolution Form. If a parsonage is provided and the pastor is taking a housing exclusion, please complete the Housing Allowance Resolution (for clergy living in church owned parsonage). If no parsonage is provided, please complete the Housing Allowance Resolution (for clergy NOT living in church owned parsonage). These forms are for your records.