

10 Essentials of the Minister's Housing Exclusion

ELIGIBILITY: No matter the job title, it is the actual _____ of the position that determine if an individual qualifies as a minister for tax purposes.

TAX TREATMENT: The minister's housing exclusion is an exemption from _____ tax only—not _____ tax.

CHURCH PROVIDED HOUSING: The _____ value of the church-provided home is eligible for the housing exclusion, within certain limits.

A housing allowance MAY/MAY NOT (circle one) also be provided to a minister living in church-provided housing to cover out-of-pocket, housing-related expenses.

MINISTER-PROVIDED HOUSING: A cash housing allowance that may be excluded for income tax purposes is limited to the lowest of these four factors:

1. _____
2. _____
3. _____
4. _____

ACTION BY THE CHURCH: The housing allowance must be officially designated by the church and should be stated in _____.

CREATION OF THE HOUSING DESIGNATION: Establishing a housing allowance designation is simply dividing the minister income between _____ and _____. This does not cost the church anything additional.

MODIFICATIONS TO THE HOUSING DESIGNATION: The minister can ask the church to _____ increase the designation if there are anticipated changes in housing expenses.

DESIGNATION REPORTING TO THE MINISTERS: The IRS recommends reporting on Form W-2 in Box _____ with the notation, "_____".

Planning ahead is _____ and _____.

Essentials 1-8 are noted in bold above. These, as well as Essential 9, "Special Circumstances", Essential 10, "Accounting Considerations", and step-by-step worksheets are included in the eBook *10 Essentials of the Minister's Housing Exclusion*.

10 Essentials of the Minister's Housing Exclusion

ELIGIBILITY: No matter the job title, it is the actual responsibilities of the position that determine if an individual qualifies as a minister for tax purposes.

TAX TREATMENT: The minister's housing exclusion is an exemption from federal income tax only—not Social Security tax.

CHURCH PROVIDED HOUSING: The fair rental value of the church-provided home is eligible for the housing exclusion, within certain limits.

A housing allowance MAY MAY NOT (circle one) also be provided to a minister living in church-provided housing to cover out-of-pocket, housing-related expenses.

MINISTER-PROVIDED HOUSING: A cash housing allowance that may be excluded for income tax purposes is limited to the lowest of these four factors:

1. Reasonable compensation
2. Actual expenses
3. Amount prospectively designated by the church
4. Fair rental value of the home including utilities and furnishings

ACTION BY THE CHURCH: The housing allowance must be officially designated by the church and should be stated in writing.

CREATION OF THE HOUSING DESIGNATION: Establishing a housing allowance designation is simply dividing the minister income between compensation and housing allowance. This does not cost the church anything additional.

MODIFICATIONS TO THE HOUSING DESIGNATION: The minister can ask the church to prospectively increase the designation if there are anticipated changes in housing expenses.

DESIGNATION REPORTING TO THE MINISTERS: The IRS recommends reporting on Form W-2 in Box 14 with the notation, "Housing Allowance".

Planning ahead is helpful and necessary.

Essentials 1-8 are included in bold above. These, as well as Essential 9, "Special Circumstances", Essential 10, "Accounting Considerations", and step-by-step worksheets are included in the eBook *10 Essentials of the Minister's Housing Exclusion*.