

Instructions for Resolution for Parsonage Or Housing Allowance Exclusion

What is the purpose of this form? The Internal Revenue Code Section 107 has a provision that allows ministers of the Gospel to exclude from their reportable income some costs of living in a parsonage or their own home. The church uses the Parsonage or Housing Allowance Exclusion form.

Does this cost the church anything? No. The pastor's salary is not increased or decreased as a result of the resolution. It merely ***designates*** a portion of the pastor's salary as being excluded from the amount of compensation the church reports to the IRS on the pastor's W-2.

When should this form be filled out? At least annually and whenever there is a change in pastors. It must be done before the pastor incurs the expenses. The exclusion cannot be made retroactive.

How much should the exclusion be? The pastor establishes the amount in consultation with the Pastor/Parish Relations Committee. The exclusion is the lesser of:

- A. the actual housing expenses
- B. the amount designated as the housing allowance exclusion, or
- C. the fair rental value of the property

If a housing allowance is paid to the pastor, the exclusion should include the amount of the allowance as well as other anticipated expenses.

What is included in the exclusion? Any expenses the pastor may incur in living in the parsonage or home (paid from monies received as salary). Samples of items that may be excluded are:

Home owners fire/wind/liability insurance	Lamps
Furniture	Cookware
Draperies	Dishes
Carpets/rugs	Silverware
Television sets	Kitchen equipment
Stereos	Vacuum cleaners
Washers	Lawn mowers
Dryers	Snow blowers
Bedding	Grass seed

Major appliances such as refrigerators and ranges purchased with church funds may not be excluded.

What if I have other questions? Speak with the District Superintendent or the Conference Treasurer's Office.