

NANCY LEE BOLTON, CPA, PC
CLERGY HOUSING ALLOWANCE WORKSHEET - 2020

Name: _____

Current Status of Clergy Housing Allowance

On March 15, 2019, the Court of Appeals for the Seventh Circuit, reversing a district court, held that the exclusion for clergy housing ("parsonage") allowance is constitutional. It determined that the clergy housing allowance does not violate the First Amendment Establishment Clause of the U.S. Constitution.

Clergy Housing Expenses

If you are eligible, your housing allowance is excludable from taxable income to the extent that it is used to rent or provide a home. Property taxes and interest also may be taken as itemized deductions. Housing allowance exceeding the fair rental value of the home (furnished), plus utilities, is taxable income. Strict matching is not required. Any housing expenses incurred after the designation of a housing allowance may be included below.

Please use the following list to aid in gathering the necessary information for your tax return.
Enter total actual amounts for the year.

Are you currently ordained, licensed, or commissioned by your church or denomination? (Y) (N)

Housing/utilities allowance received	\$ _____
Rental value of parsonage, furniture, appliances, and utilities furnished by the employer	_____
Total of allowance and value furnished by employer	(A) <u>_____</u>

Housing expenses (<u>total paid during the year, not budget</u>):	
Rent	_____
Mortgage payments (principal & interest only) (For acquisition and improvements only. Payments on loans used for other purposes are not eligible.)	_____
Insurance (amount paid to insurance co.)	_____
Property taxes (amount paid to tax collector, not mortgage co.)	_____
Utilities (electricity, natural gas, refuse removal, water, sewer, internet, cable, local telephone charges, excluding mobile phone)	_____
Maintenance & repairs	_____
Home improvements	_____
Fixtures	_____
Appliances	_____
Furnishings	_____
Landscaping	_____
Other (describe): _____	_____
Total expenses	(B) <u>_____</u>

NANCY LEE BOLTON, CPA, PC
CLERGY HOUSING ALLOWANCE WORKSHEET - 2020

Fair rental value of home, including furnishings and appurtenances	_____
Utilities	_____
Total of rental value plus utilities	(C) _____
Lesser of total expenses (B) or fair rental value (C)	(D) _____
Excess (if any) of housing allowance and/or parsonage rental value (A) over lesser of total expenses or fair value (D)	_____

Method of determining fair rental value: _____

By signing your engagement letter, you represent that the information presented above is correct and complete.

Federal tax law stipulates that any excess of housing allowance over primary housing expenses is fully taxable for income tax purposes. If you are subject to self-employment (Social Security) tax, the entire housing allowance, less eligible unreimbursed professional expenses (employee business expenses), is considered self-employment income and is taxable for that purpose.

If you contribute to a tax sheltered annuity (403b plan), housing allowance is not part of "includible compensation" for calculating the limitations on the amount of contributions.