

## Instructions for Clergy Housing Exclusion Resolution

**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.

**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. A salary exclusion is between a pastor and a salary paying unit, therefore, if there is a mid year appointment change there would have to be a new resolution. A resolution does not carry from one church to another or from one pastor to another. You can't go back retroactively to the beginning of the appointment or start of the year. It needs to be in place before the pastor's first pay. If it is after that first pay then the start time begins with the next pay.

**How much should the exclusion be?** The pastor establishes the amount in consultation with the Pastor/Parish Relations Committee. The exclusion cannot exceed the pastor's salary. It 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 (in lieu of a parsonage) is paid to the pastor, the exclusion can still be used. The form allows for one or the other situations. If a pastor is paying for their own home and receiving a housing allowance the amount of the house payments can be included with the 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.