

Clergy housing allowance worksheet and resolution templates

A clergy housing allowance worksheet lists what the minister expects to spend on housing for the year, so the church board can set the allowance by official action before any of it is paid. IRS Publication 517 says the church must designate the allowance in advance by official action, for example in board minutes, a budget or an employment contract. Below are a blank worksheet and two board resolution templates.

The rules the worksheet follows

- The church designates the allowance before it pays it, by official action such as minutes, a budget or a contract that states the amount. A conversation does not count ([IRS Publication 517](#)).
- For a minister who owns or rents a home, the tax-free part is the smallest of three amounts: the amount the church set, what was really spent on the home, and the fair rental value of the home with furnishings and utilities.
- It also can't be more than reasonable pay for the minister's work ([IRS Topic 417](#)).
- A minister in a church-owned parsonage excludes its fair rental value. A separate allowance the church sets for costs the minister pays, such as utilities, is tax-free up to the smaller of the amount set and what those costs really were.
- The allowance is free of income tax only. For a working minister, the allowance or the parsonage's rental value still counts for self-employment tax, unless the IRS has approved an exemption on Form 4361.
- Any part above the tax-free amount goes on Form 1040, line 1h (other earned income), with the words "Excess allowance" and the amount written next to it ([IRS Publication 517](#)).

Clergy housing allowance worksheet

Minister: _____

Year: _____

Enter yearly amounts. Fill in the Expected column for the coming year, and leave a line blank if it does not apply. The board uses the total to choose the amount it designates. A minister in a church-owned parsonage fills in the costs they pay themselves, such as utilities and furniture, and the home's rental value. Keep the sheet, and fill in the Actual column from your records when the year ends.

Housing cost	Expected	Actual
Rent, or mortgage principal and interest	\$	\$
Down payment or closing costs on a home bought this year	\$	\$
Property tax	\$	\$
Home insurance	\$	\$
Utilities: power, gas, water, trash	\$	\$
Furniture and appliances	\$	\$
Repairs and upkeep	\$	\$
HOA or condo fees	\$	\$
Total housing costs	\$	\$
Fair rental value for the year, with furnishings, utilities and garage	\$	\$
Amount the board designated (from the resolution)		\$
Housing allowance actually paid during the year		\$

Housing cost	Expected	Actual
Amount excluded from federal income tax: the smallest of the amount designated (or paid, if less), the total housing costs and the rental value, and never more than reasonable pay		\$
Excess allowance: the allowance paid minus the amount excluded (Form 1040, line 1h on the current form)		\$

Living in a church-owned parsonage: for an eligible minister, the home's fair rental value provided as pay for ministerial services is not counted as income for income tax, so it does not go in the excluded amount line. That line is only for your cash allowance: the smallest of the amount designated (or paid, if less) and what you really spent. Still write down the rental value, because it counts for self-employment tax.

Internet, cable and cell phone service are not usually housing costs; ask the church's accountant before counting them.

When the year ends, fill in the Actual column from your records, not these estimates. The [housing allowance calculator](#) works out the tax-free part.

Signed by the minister: _____

Date: _____

Housing allowance resolution template: minister who owns or rents

Resolution of the [governing board] of [church legal name]

Whereas [minister name] is a duly ordained, commissioned or licensed minister serving this church, and

Whereas section 107 of the Internal Revenue Code allows a minister to exclude from gross income a housing allowance designated in advance by the church,

Be it resolved that \$[annual amount] of the total pay of [minister name] for [calendar or fiscal year] is designated as a housing allowance, effective [date, on or after the date of this meeting].

This amount is part of, not in addition to, the total pay approved for [minister name].

Be it further resolved that this designation continues at the same annual amount for later years until the board amends it.

The minister is responsible for working out the amount that can be excluded and for reporting any excess as income.

Adopted at a meeting of the [governing board] on [meeting date].

Signed: _____ [name], Secretary

Date: _____

Parsonage allowance resolution template: church-owned home

Resolution of the [governing board] of [church legal name]

Whereas [minister name] lives in the parsonage the church owns at [address], and

Whereas section 107 of the Internal Revenue Code allows a minister to exclude the rental value of a home the church provides, and an allowance designated in advance for the minister's own housing costs,

Be it resolved that \$[annual amount] of the total pay of [minister name] for [calendar or fiscal year] is designated as an allowance for utilities, furnishings, repairs and other housing costs the minister pays at the parsonage, effective [date, on or after the date of this meeting].

This amount is part of, not in addition to, the total pay approved for [minister name].

Be it further resolved that this designation continues at the same annual amount for later years until the board amends it.

The minister is responsible for working out the amount that can be excluded and for reporting any excess as income.

Adopted at a meeting of the [governing board] on [meeting date].

Signed: _____ [name], Secretary

Date: _____

Retired ministers

A retired minister can exclude the part of a church pension that the church or the pension plan has named as a rental allowance, within the same limits ([IRS Publication 517](#)). The plan usually makes that designation, so ask its office before the year starts. A housing allowance or parsonage given as a retirement benefit for past service is not counted for self-employment tax.

Before the board votes

These templates follow IRS Publication 517, section 107 of the Internal Revenue Code and Treasury Regulation 1.107-1. They are a starting point, not tax or legal advice: ask the church's accountant to read the final wording. Your church may copy and change them freely.