

Sample Manse Allowance Forms

Housing Allowance

Notification by Church to Minister

Date _____

Dear _____:

This is to advise you that at a meeting held on _____, your **housing** allowance for the year 20__ was officially designated and fixed in the amount of \$_____. Accordingly, \$_____ of the total payments to you during the year 20__ will constitute **housing** allowance and the balance will constitute compensation. (You will also have rent-free use of the home located at _____ for the year 20__). This designation shall apply to calendar year 20__ and all future years unless otherwise provided. Under § 107 of the Internal Revenue Code, an ordained minister of the gospel is allowed to exclude from gross income the housing allowance paid to him or her as part of his or her compensation to the extent used to rent or provide a home so long as such designation does not exceed the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities. (The minister may also exclude the rent-free use of a home for income tax purposes). Additional information may be obtained by reviewing IRS publication 517, Social Security and other Information for Members of the Clergy and Religious Workers. It is available at <http://www.irs.ustreas.gov/pub/irs-pdf/p517.pdf>.

You should keep an accurate record of your expenditures to rent or provide a home in order to be able to substantiate any amounts excluded from gross income in filing your Federal Income Tax return. Remember that the housing allowance (including the fair rental value of a provided manse) *must be included as part of your income for the self-employment tax*. In the event of an audit, it is the responsibility of the minister receiving a § 107 exclusion to substantiate the use of such funds.

Sincerely yours,

Title