

Two examples of Vestry Housing Resolutions:

For a minister who lives in a church-owned vicarage/rectory

The following resolution was duly adopted by the vestry of _____ Church at a regularly scheduled meeting held on _____ a quorum being present:

Whereas, Section 107 of the Internal Revenue Code permits a minister of the Gospel to exclude from gross income the rental value of a [vicarage/rectory] furnished to [him/her] as part of [his/her] compensation, and a church designated housing allowance paid to [him/her] as part of [his/her] compensation to the extent used for actual expenses incurred in maintaining the [vicarage/rectory]; and

Whereas, the Rev. _____ is compensated by _____ Church exclusively for services as a minister of the gospel; and

Whereas, _____ Church provides the Rev. _____ with rent-free use of a church-owned [vicarage/rectory] as compensation for services that [he/she] renders to the church in the exercise of [his/her] ministry; and

Whereas, as additional compensation to the Rev. _____ for services that [he/she] renders to the church in the exercise of [his/her] ministry, _____ Church also desires to pay the Rev. _____ for expenses that [he/she] incurs in maintaining the [vicarage/rectory], therefore it is hereby

Resolved, that the annual compensation paid to the Rev. _____ for calendar year ____ shall be \$_____ of which, \$_____ is hereby designated to be a housing allowance pursuant to Section 107 of the Internal Revenue Code, and it is further

Resolved, that the designation of \$_____ as a housing allowance shall apply to calendar year ____ and all future years unless otherwise provided by the vestry; and it is further

Resolved, that as additional compensation to the Rev. _____ for calendar year ____ and for all future years unless otherwise provided for by this vestry, the Rev. _____ shall be permitted to live in the church owned [vicarage/rectory] located at _____, and that no rent or other fee shall be payable by the Rev. _____ for such occupancy and use.

(over)

For a minister who owns his/her home

The following resolution was duly adopted by the vestry of _____ Church at a regularly scheduled meeting held on _____ a quorum being present:

Whereas, Section 107 of the Internal Revenue Code permits a minister of the gospel to exclude from gross income (in computing federal income taxes) a church-designated allowance paid to [him/her] as part of [his/her] compensation to the extent used by [him/her] for actual expenses in owning or renting a home; and

Whereas, the Rev. _____ is compensated by _____ Church exclusively for the services as a minister of the gospel; and

Whereas, _____ Church does not provide the Rev. _____ with a [vicarage/rectory], therefore, it is hereby

Resolved, that the total compensation paid to the Rev. _____ for calendar year ____ shall be \$ _____ of which \$ _____ is hereby designated to be a housing allowance; and it is further

Resolved, that the designation of \$ _____ as a housing allowance shall apply to calendar year ____ and all future years unless otherwise provided.

Key Points to keep in mind

- Churches cannot designate a housing allowance retroactively. They may adjust a housing allowance during the year, but it would only apply from that point in time forward.
- The IRS has announced that retired ministers are eligible for a housing allowance exclusion if the following conditions are satisfied:
 1. a portion of a retired minister's pension income is designated as a housing allowance by the church pension board of a denominational pension fund;
 2. the retired minister has severed his or her relationship with the local church and relies on the fund for a pension;
 3. the pensions paid to retired ministers "compensate them for past services to the local churches of the denomination or to the denomination."

Retired ordained ministers who receive benefits from the Church Pension Fund have all of their benefits designated in advance as a housing allowance, including payments received from the Church Life Insurance Corporation's 403(b) plan. This is a very attractive benefit for retired ministers that is not available with some other kinds of retirement plans.

- Housing Allowances that are paid out on a cash basis *are in addition to* clergy salaries. The Clergy Minimum Salary Schedule must still be observed. For clergy in church owned housing it is acceptable to designate a portion of their salary as housing allowance as this does not reduce total compensation and may even have tax benefits for the cleric.