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**INSTRUCTIONS**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Overview**

The *Housing Allowance Request* form is designed to provide churches, ministries, or other religious entities with a ready-to-customize form to allow pastors and ministers to request and/or designate a portion of their income to be used for the purposes of their housing allowance.

**Section Description**

Use the information below to understand and customize the policy/procedure to your ministry:

1. Instructions – This section explains how to complete the form.
2. Affirmation/Designation – This section contains the official housing allowance designation request by the pastor/minister. This should be completed after the worksheet on the back has been filled out.
3. Approval – This section provides a space for the leadership team of the church to note its approval.
4. Worksheet – This section contains a worksheet to help pastors/ministers determine what may be an appropriate housing allowance request amount.
5. Fair Market Rental Value Computation – this section provides a series of questions to help pastors/ministers determine what may be an appropriate fair market rental value for their home, fully furnished, with utilities.

**Instructions**

1. Open a new Word document.
2. Copy the policy/procedure below.
3. Paste the copied text into the new Word document.
4. Save and name (if applicable) the new Word document.
5. Format the document to match your existing policy manual (if applicable).
6. Use Find and Replace to update the following items:

[LEADERSHIP TEAM] – insert the name of whatever decision-making body is responsible for approving the contents of this form (e.g. Board of Elders, Deacon Board, Trustees, Finance Committee, etc.)
[RESPONSIBLE PARTY] – insert the name or title of the individual or group who will review and approve housing allowance requests (e.g. Corporate Secretary, Treasurer, controller, etc.)

1. Save the Word document.
2. Read through the entire document and edit the document as needed to reflect your entity’s policy decisions.
3. Save the Word document.

**Other Referenced Policies/Procedures and/or Forms**

The following policies/procedures and/or forms are referenced in this policy/procedure and may be purchased individually at www.brokepastor.com:

1. None

Housing Allowance Request

**Instructions**

The pastor requesting the housing allowance must complete the worksheet on the back of this form and all fields below.

The completed form must be submitted to the [LEADERSHIP TEAM] and/or [RESPONSIBLE PARTY] two-weeks prior to the first payroll of the year.

The [LEADERSHIP TEAM] must review, approve, and sign the completed form, and must add it to the official minutes of the [LEADERSHIP TEAM].

**Affirmation/Designation**

Pastor’s Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

I am hereby informed that under Internal Revenue Code Section 107, in the case of a minister of the gospel, gross income does not include the housing allowance paid to the minister as part of the minister’s compensation to the extent it is used to rent or provide a home. The responsibility for determining the appropriate amount of housing allowance that can be excluded is the minister’s. The church has no responsibility beyond determining that the compensation is reasonable. The following is a predetermined estimate by the undersigned as to “out-of-pocket” housing expenses to be excluded from wages reported on the W-2:

For calendar year \_\_\_\_\_\_\_\_\_\_, my requested housing allowance amount is: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Upon approval by the [LEADERSHIP TEAM], the amount indicated above will be considered officially designated as my housing allowance for the year \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Pastor’s Signature Date

**Approval**

Approved by the [LEADERSHIP TEAM]: Yes \_\_\_\_\_\_ No \_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[RESPONSIBLE PARTY]’s Signature Date

**Worksheet**

Complete the following worksheet by inserting annual numbers for each applicable area.

|  |  |  |
| --- | --- | --- |
| Explanation/Description | Provided by Church | Paid by Minister |
| 1. Fair rental value of parsonage | $ |  |
| 2. Fair rental value of parsonage furnishings | $ |
| 3. Parsonage Utilities | $ |
| 4. Rent or payments on purchase of home (includes down payments, mortgage principal payments, interest, taxes, and insurance) |  | $ |
| 5. Utilities (gas, electric, water, heat, garbage, etc.) | $ |
| 6. Repairs and maintenance | $ |
| 7. Improvements | $ |
| 8. Furnishings | $ |
| 9. Small household purchases (cleaning supplies, light bulbs, AC filters, etc.) | $ |
| 10. Other allowable housing expenses (pest control, gardening services, HOA fees, etc.) | $ |
| 11. TOTAL | $ | $ |
| 12. Fair market rental value computation (use guidelines below) |  | $ |
| Amount requested to be officially designated as housing allowance (use the lesser of line 11 or 12, and enter on the appropriate line on Page 1) | $ |

**Fair Market Rental Value Computation**

IRS Publication 517 gives a very clear explanation of how much the housing allowance can be:

“If you are a minister who owns your own home and you receive as part of your pay a housing/rental allowance, you exclude from gross income the lowest of the following amounts: 1) the amount actually used to provide a home; 2) the amount officially designated as a housing allowance; or 3) the fair rental value of the home, including furnishings, utilities, garage, etc. You must include in gross income any housing/rental allowance that is more than the lowest of your reasonable compensation, the fair rental value of the home plus utilities, or the amount actually used to provide a home.”

What is the current fair market rental value of the following components (in annual numbers)?

Home: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Furnishings: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Utilities: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Garage: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Etc. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Total (place on line 12 above): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_