Resolution for 2027 Parsonage or Housing Allowance Exclusion

Instructions

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. The church uses the Parsonage or Housing Allowance Exclusion form.

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. The exclusion cannot be made retroactive.

How much should the exclusion be? The pastor establishes the amount in consultation with the Pastor/Parish Relations Committee. For a church-owned parsonage, the amount should not exceed the fair rental value of the parsonage or house. A rule of thumb for the annual "fair rental value" is to take 5% - 8% of the market value of the parsonage or house. If a housing allowance is paid to the pastor, the exclusion should include the amount of the allowance as well as other anticipated expenses.

What is included in the exclusion? Any expenses the pastor may incur in living in the parsonage or home. The following is a partial listing and not meant to be inclusive of all items that may be excluded.

1. Rent or principal payments, cost of buying a home, and down payments, if paid by the pastor.
2. Real estate taxes and mortgage interest for the home, if paid by the pastor.
3. Insurance on a home, if paid by the pastor.
4. Improvements, repairs, and upkeep of the home and/or contents. New roof, room addition, carpet, garage, etc.
5. Furnishings and appliances: dishwasher, vacuum sweeper, TV, VCR, DVD, piano, computer for personal use, washer, dryer, sewing machine, cookware, dishes etc.
6. Decorator items: drapes, throw rugs, pictures, knick-knacks, painting, wallpapering, bedspreads, sheets, towels, etc.
7. Utilities: heat, electricity, cable TV, etc. (ONLY IF PAID BY THE PASTOR)
8. Misc: anything that maintains the home and its contents that you have not included in repairs or decorator items: cleaning supplies for the home, brooms, light bulbs, expense to run the lawnmower, landscaping tools etc.

These may be excluded even if they become the pastor's personal property, as long as they are paid from money received as salary. Major appliances such as refrigerators and ranges purchased with church funds may not be excluded.

DO NOT INCLUDE THE FOLLOWING: Maid (or any labor hired for maintenance such a lawn care), groceries, personal toiletries, CD's etc. ***What if I have other questions?*** Speak with the District Superintendent or the Conference Treasurer's office.

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WHEREAS this church provides a parsonage or housing allowance as part of the compensation of our regularly appointed or assigned minister of the Gospel, and

WHEREAS the cost of providing the parsonage or housing allowance with utilities and/or furnishings may be excluded from gross income the Internal Revenue revised rule 599,359-51-52 and Section 107

THEREFORE, BE IT RESOLVED that _____United Methodist Church will designate $ _____ of the pastor's salary as parsonage/housing allowance. This amount is to be excluded from the reported taxable income.

This resolution is effective during the calendar year 2027.

Approved at the Charge or Church Conference or Administrative Board, Church Council, or Leadership Team meeting on _____ (date).

Required Signatures:

_____ Date: _____

Chair, Administrative Board/Church Council/Leadership Team

Please Print Name _____

I accept full responsibility for maintaining and keeping available for any requirements of the Internal Revenue Service all supporting leases, mortgages, tax bills, utility bills, repair or maintenance bills and any other documentation necessary to document that portion of the above estimate that I shall claim as actually expended for housing or furnishings.

_____ Date: _____

Pastor

Please Print Name _____

Distribution: This signed document is to be kept on file at the local church, a copy provided to the pastor, and either uploaded online or submitted to your district office.