

Housing Allowance Exclusion in Retirement

Throughout their active ministry, most clergy exclude a housing allowance from their gross income when paying federal income taxes. The good news is that this housing allowance exclusion will not go away after you retire. At that time, though, your annual conference will become the entity that designates the housing allowance exclusion for your retirement payments. (Published in the Journal every year).

You'll be able to exclude from your taxable income all or a portion of the retirement distributions you receive from sources covered by your annual conference's housing allowance resolution. The portion of such distributions you may exclude is equal to the smallest of the following amounts:

- The amount designated as a housing allowance by your Annual Conference for the tax year in question;
- The amount spent for your housing (mortgage principal and interest, utilities, taxes, insurance, furnishings, maintenance, etc.); or
- The current fair rental value of your home, including furnishings, plus the current year cost of your utilities (whether you own or rent your home).

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HOUSING ALLOWANCE EXCLUSION WORKSHEET

This worksheet is designed to help a retired clergyperson determine the amount that he or she may exclude from gross income pursuant to the provisions of section 107 of the Code. Those provisions provide that "a minister of the gospel" may exclude a "housing allowance" from his or her gross income. This worksheet assumes that a parsonage is not provided to the clergyperson.

The amount that may be excluded by the clergyperson is the least of:

1. The amount classified as the housing allowance the Annual Conference from which he or she retires);
2. The amount actually expended by the clergyperson for housing; or
3. The fair rental value of the residential property occupied by the clergyperson.

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For tax year: _____

1. Indicate the amount classified as the housing allowance by the Annual Conference.	
2. Indicate the amount actually expended by the clergyperson on housing:	
a. rent payments or mortgage principal payments made	
b. mortgage interest payments made	
c. real property taxes	
d. maintenance expenses	
e. utilities	
f. furnishings	
g. other applicable expenses related to housing	
h. add lines a, b, c, d, e, f and g and indicate total here	
3. Indicate the fair rental value of the housing plus the cost of utilities:	
a. fair rental value of the housing (furnished).	
b. fair rental value of appurtenances, such as garage (if not in line a)	
c. cost of utilities	
d. add lines a, b, c, and indicate total here	
4. Indicate the least of the amounts indicated on lines 1, 2h and 3d	

Assuming there is sufficient documentation, the amount indicated on line 4 is the amount that may be excluded from gross income as a housing allowance pursuant to the provisions of Section 107 of the Code.

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2019 Journal of the Florida Annual Conference – Part III

Report IV –Housing/Rental Allowance Resolution
Resolutions Relating to Rental/Housing Allowances for Retired or Disabled
Clergypersons of the Florida Conference

The Florida Conference (the “Conference”) adopts the following resolutions relating to rental/housing allowances for active, retired, or disabled clergypersons of the Conference:

WHEREAS, the religious denomination known as The United Methodist Church (the “Church”), of which this Conference is a part, has in the past functioned and continues to function through ministers of the gospel (within the meaning of Internal Revenue Code section 107) who were or are duly ordained, commissioned, or licensed ministers of the Church (“Clergypersons”);

WHEREAS, the practice of the Church and of this Conference was and is to provide active Clergypersons with a parsonage or a rental/housing allowance as part of their gross compensation;

WHEREAS, pensions or other amounts paid to active, retired, and disabled Clergypersons are considered to be deferred compensation and are paid to active, retired, and disabled Clergypersons in consideration of previous active service; and

WHEREAS, the Internal Revenue Service has recognized the Conference (or its predecessors) as the appropriate organization to designate a rental/housing allowance for Clergypersons who are or were members of this Conference and are eligible to receive such deferred compensation;

NOW, THEREFORE, BE IT RESOLVED: THAT an amount equal to 100% of the pension or disability payments received from plans authorized under The Book of Discipline of The United Methodist Church (the “Discipline”), which includes all such payments from Wespath, during the year 2020 by each active, retired, or disabled Clergyperson who is or was a member of the Conference, or its predecessors, be and hereby is designated as a rental/housing allowance for each such Clergyperson; and THAT the pension or disability payments to which this rental/housing allowance applies will be any pension or disability payments from plans, annuities, or funds authorized under the Discipline, including such payments from Wespath and from a commercial annuity company that provides an annuity arising from benefits accrued under a GBOPHB plan, annuity, or fund authorized under the Discipline, that result from any service a Clergyperson rendered to this Conference or that an active, a retired, or a disabled Clergyperson of this Conference rendered to any local church, annual conference of the Church, general agency of the Church, other institution of the Church, former denomination that is now a part of the Church, or any other employer that employed the Clergyperson to perform services related to the ministry of the Church, or its predecessors, and that elected to make contributions to, or accrue a benefit under, such a plan, annuity, or fund for such active, retired, or disabled Clergyperson’s pension or disability as part of his or her gross compensation.

NOTE: The rental/housing allowance that may be excluded from a Clergyperson’s gross income in any year for federal income tax purposes is limited under Internal Revenue Code section 107(2) and regulations thereunder to the least of: (1) the amount of the rental/housing allowance designated by the Clergyperson’s employer or other appropriate body of the Church (such as this Conference in the foregoing resolutions) for such year; (2) the amount actually expended by the Clergyperson to rent or provide a home in such year; or (3) the fair rental value of the home, including furnishings and appurtenances (such as a garage), plus the cost of utilities in such year.

Clare Watson Chance, Chairperson