

PARSONAGE OR HOUSING ALLOWANCE

The itinerant system remains today as central to Methodism as it was in the days of the circuit riders. Today, alongside itinerancy, the Church also expects clergy to become residents and active members of the community in which they serve. With the practice of itinerancy and the expectation of residency, United Methodist congregations are expected to provide flexible and appropriate housing for appointed clergy and their families. In order to meet these needs, to care for clergy and their families, and to call men and women to a dedicated ministry, congregations must provide reasonable living conditions either through a parsonage or a housing allowance. It is the privilege and responsibility of the members of the congregation to make every effort to provide the physical setting which will give the pastor and his or her family sufficient comfort and convenience so that the energies of the pastor may be more concentrated on their task and willing service in the Church of God.

Churches continue to express an interest in offering their appointed clergy a housing allowance instead of a parsonage. We recognize that for some congregations and clergy this appears to be an attractive alternative to the traditional parsonage system. In some situations a parsonage may be more appropriate and in others a housing allowance may be best. Because this is a significant decision for congregations and for clergy, the Cabinet provides this information to assist in making the best decision.

Background Information

1. Congregations with a full-time pastor must provide housing for their pastor in addition to salary and benefits. Housing may be in the form of a parsonage with paid utilities or a housing allowance. If a clergy family has an appropriate parsonage available to them and chooses instead to live in a different place, the congregation is not obligated to offer a housing allowance, but may designate a portion of the clergy's salary for housing related expenses.
2. The sale of a parsonage, like the sale of any church real estate, is subject to the procedures outlined in *The Book of Discipline* of The United Methodist Church. Funds received from the sale of a parsonage may not be used to meet routine operational expenses. They may be used to help pay down a mortgage.
3. The congregation must present to the District Committee on Church Location their rationale for selling the parsonage and their plans for handling the proceeds. The District Committee must approve this plan before the congregation's final church vote.
4. Since changing from a parsonage to a housing allowance requires changing the clergy's salary package, the final decision must be made by a Church or Charge Conference with the District Superintendent presiding.
5. When providing either a parsonage or housing allowance there are specific IRS requirements for authorization and reporting which must be followed. Failure to precisely abide by IRS requirements in this matter can have negative consequences for both the church and the clergy person. Proper documentation will be provided during the Charge Conference.
6. Churches should not make loans to clergy.

Conference Standing Rules

Par. 604. District Housing Committee.

1. Establishment. Each district shall have a District Housing Committee that will report to the group appropriately acting as the District Board of Trustees.
2. Membership. The District Housing Committee shall be composed of six to nine members elected annually at the same time and in the same manner as other leadership of the District is elected. All members shall be professing members in local United Methodist Churches of that District. Membership of the committee should reflect the churches of that District with regard to size, race, and ethnic makeup. Recommended membership of the committee should be one-third clergy, one-third laywomen, and one-third laymen.
3. Responsibilities. The responsibilities of the Committee are as follows:
 - a. Work in cooperation with the District Board of Location and Building to ensure that all proposed parsonages fulfill the requirements for parsonages as stated in the Standing Rules and the Discipline;
 - b. Be available, at the invitation of the District Superintendent, to mediate conflicts between churches and pastors regarding parsonages or housing allowances.
 - 1) Local churches (via trustees, parsonage committees, or staff-parish committees) or the clergy family may request mediation.
 - 2) Although it has no binding authority, the Committee would work with the local church, District, and Conference leadership to resolve the issues.
 - c. Approve the housing allowance offered by any church in lieu of a parsonage. In reviewing and approving all housing allowances for clergy in the District, the committee shall insure the allowance complies with the Standing Rules and the Discipline. The Committee must review these allowances at least once every four years to insure they represent the housing market of the time.
 - d. Ensure all clergy housing complies with the Standing Rules. In order to ensure compliance, the Committee shall:
 - 1) assist local churches in developing plans to bring parsonages up to the required standards; and
 - 2) extend deadlines for up to three years if churches are working in good faith to fulfill the standards.
 - e. Inspect each parsonage in the District at least once every four years or more frequently when:
 - 1) requested by the pastor;
 - 2) requested by local church Trustees, Parsonage Committees, or Staff-Parish Committees;
 - 3) needed to insure agreements through mediation are being fulfilled in a timely manner;
 - 4) needed to insure upgrades are being done as agreed upon;
 - 5) there is a change of pastors.
 - f. In consultation with the District Superintendent, make exceptions to the Conference Parsonage Standards and Recommendations and housing allowances when special needs exist.

Par. 701. Parsonage Requirements.

Set forth below are required and recommended parsonage standards. The required standards are the minimum requirements that all existing parsonages must have by June 1, 2007, and that any parsonages purchased after May 30, 2003 must have. The suggested standards give the Bishop and the Cabinet more flexibility when assigning a pastor; parsonages not meeting the suggested standards may limit who can be sent to serve that particular church or circuit.

1. Required Standards. In addition to the requirements set forth in the Discipline for parsonages, the following items are required for all parsonages in the Conference. Parsonages must comply with them unless exempted by Standing Rule Par. 606.
 - a. Electrical wiring that meets code and is sufficient to meet today's needs for electricity.
 - b. Climate control: both heating and air conditioning
 - c. Rooms: living room or great room; dining room or eating area large enough for at least eight people; kitchen; three bedrooms; two baths; indoor laundry area; shelter for two vehicles; secure storage area
 - d. Equipment: good quality dependable appliances (stove, microwave, dishwasher, refrigerator with freezer compartment, washer and dryer, hot water heater of at least forty gallons; wired for basic cable or satellite dish service, maintained smoke alarms; current fire extinguishers for kitchen and other required areas; vacuum cleaner if there are carpets.)
 - e. Lawn Maintenance: If no lawn service is provided and the pastor is expected to maintain the lawn, the following are minimum requirements: gas mower, trimmer, weed eater, rake, shovel, electrical or gas hedge trimmer if needed
 - f. Security System: Monitored security system that insures the security of the entire house.
 - g. Furnishings: Quality window coverings in neutral colors that insure privacy; quality floor coverings in neutral colors that are durable and easy to maintain.
 - h. Maintenance: Regular pest control inspection and treatment; annual termite inspection and treatment; annual inspection and cleaning of ductwork as needed; landscaping and maintenance thereof should be representative of the neighborhood; regular schedule for painting both on the outside and inside of the house as needed; any needed repairs should be done in a timely manner; annual carpet cleaning; regular maintenance and cleaning of chimneys.
 - i. Location of all new or replacement parsonages: Should not be on the main church property but at a distance that insures privacy for the pastor and family; needs to be located in a good school system; should be located in what is perceived as a safe community; location that permits children.
2. Recommended Standards. The following standards are not mandated, but each church is encouraged to meet these standards as fully as possible:
 - a. Rooms: Four bedrooms, family room, study, two-car enclosed garage.
 - b. Equipment: Garbage disposal, freezer.
 - c. Handicapped Accessibility: At least one walk in shower and one tub, physically disabled accessibility throughout the house.
 - a. Safety: Permanent equipped hurricane shutters for all exposed exterior glass areas within ten miles of the coastal shoreline; safe storage area for paints, gasoline, or other flammables.
 - b. Lawn: Irrigation system for the yard.

Par. 702. Housing Allowances.

1. Determining the Amount of the Housing Allowance. The District Trustees or the District Housing Committee (DHC, see Standing Rule Par. 606) shall determine, no less than every four years, the minimum housing allowance for the District, or portions of a District. The minimum housing allowance shall be the amount necessary to rent or own one of a number of single-family residences or condominiums within reasonable commuting distance of the churches within the District, not to exceed twenty miles. The residences used as models for the calculation shall be in compliance with the Conference standards for parsonages. It is recognized that there may be wide differences in costs within a District. The DHC or the District group with the responsibility may, for that reason, determine several costs, depending on the location of the churches in the District. The District Superintendent must approve variances with the approved minimum housing allowance. The District Trustees or DHC shall provide listings of potential residences to churches within the District that offer housing allowances and to pastors new to the District. In addition to the amount of the housing allowance, an equitable utility allowance, set by the church leadership in consultation with the pastor, shall be paid to the pastor by the church. The church may assist the pastor (if renting is desired) in paying a security deposit. If the church makes such a payment and the rental unit is not left in clean condition and a portion of the security deposit is not returned to the church, the pastor will be responsible for reimbursing the church. It is understood that if the pastor selects a rental unit it shall have an annual lease that will commence at the beginning of the appointment year and end at the conclusion of that year.
2. Procedures for Congregations Considering Housing Allowances.
 - a. Any congregation considering a housing allowance shall consult with the District Superintendent to understand all the positive and negative aspects of housing allowances.
 - b. Before implementing a housing allowance, a congregation must obtain the District Superintendent's permission and have the amount of the proposed allowance approved by the DHC or the party fulfilling that role. As a part of the request for permission, the congregation must present a tentative draft budget for the first two years and demonstrate the impact of the change on the overall fiscal health of the congregation.
 - c. If the congregation decides to sell an existing parsonage, the church leadership shall follow the Discipline guidelines for selling the parsonage and using the proceeds of the sale.
3. Allowances below the District Minimum Rate. Churches currently paying housing allowances below the District minimum rate must, in consultation with the District Superintendent, develop a plan that is approved by the DHC or the party fulfilling its duties which would bring the allowance up to District minimum in a reasonable amount of time.

Standing Rule Par. 703 states that each clergyperson shall be responsible for providing the furniture in the parsonage except for the appliances, window and floor coverings, and other items set forth in Standing Rule Par. 701.

Congregational Steps for Consideration of a Housing Allowance

1. The Pastor speaks with the District Superintendent regarding desire for the church to consider a housing allowance.
2. The Administrative Council forms a study team of 5-7 persons including the Lay Leader, and representatives from the Staff Parish Relations Committee, the Board of Trustees, and the Finance Committee.
3. The housing allowance study team should consider the following:
 - a. The pros and cons for their congregation to move from a parsonage to a housing allowance taking into consideration missional and financial issues.
 - b. The monthly cost of renting a home that meets Annual Conference Standards within 20 miles of the church. The team should identify at least three examples of appropriate homes for rent.
 - c. The cost to the budget (annually and over time) if the church adopts a housing allowance instead of owning and maintaining a parsonage.
 - d. The pros and cons of renting versus selling the parsonage, including a discussion on how the funds would be used in keeping with the Discipline.
4. Based on this research, the study team would propose an annual housing allowance.
5. The study team shares the proposal with the Church/Administrative Council for discussion and questions.
6. If the response of the Church/Administrative Council agrees with the proposal to provide the pastor with a housing allowance, the proposed allowance must be approved by the District Committee on Clergy Housing.
7. If the study team recommends selling the parsonage and the Church/Administrative Council agrees, the plan must be approved by the District Committee on Church Location.
8. A copy of the proposal should be available for members of the congregation to review. There should also be a church-wide meeting where the congregation can have a chance to ask questions.
9. The final step is to contact the District Superintendent to set up a Church Conference to vote.

Financial Implications for the Church and Pastor

1. How does providing a parsonage affect apportionments?

The biggest cost of housing is the initial capital investment at the time of the purchase and the long term investment in maintaining the property in good condition. Capital expenses (the cost of purchasing a parsonage) and capital upkeep expenses (replacement of items or improvements to the parsonage) are not included in the calculation of apportionments. However, routine maintenance, utilities, insurance, lawn care, etc. are included in the calculation of apportionments.
2. How does a housing allowance affect apportionments?

A housing allowance is considered part of the pastor's paid compensation and, as such, is included in the calculation of apportionments along with all other staff compensation. Therefore, a housing allowance will increase the apportionments that the church pays to the Conference. Housing allowances also increase the apportionments that the Florida Conference owes to the denomination.

Unfortunately, there is no quick and easy formula to calculate how much difference a housing

allowance will make on a church's apportionments because the impact is cumulative. In any one year the impact is not particularly large. However, churches providing a housing allowance instead of a parsonage will pay higher apportionments year after year. In addition, Conferences which have more churches with housing allowances than parsonages will pay a larger share of denominational apportionments every year.

3. Other than apportionments, is it financially better for the church to provide a parsonage or a housing allowance?

The church will own and maintain a parsonage for 20, 40, or 60 years, or the church will pay a housing allowance to a succession of pastors for a similar period of time. Over the long term, from the church's perspective, it is generally less expensive to provide a parsonage than to pay a succession of pastors to rent or buy their own homes.

It might be helpful to think of this in terms of renting vs. owning a home. In any single year, the difference between renting and owning may be small; but over a lifetime, the cumulative difference is staggering. Continuing with that analogy, there are many times when renting is a wiser decision than owning (length of time a person plans to live in that area, amount of reserves for repairs, etc.) Generally, if the decision is about long term planning (looking out 20, 40 or 60 years) it is financially prudent to be an owner rather than a renter. Long term ownership is simply a better financial investment than renting.

4. Is it better for the pastor to receive a housing allowance or to live in a parsonage provided by the church?

From a financial perspective, it can be better for the pastor to own a home and begin accumulating equity in that home. However, since it usually takes several years for a home to accumulate significant equity, if the pastor moves every 2-4 years and has to buy and resell a home each time, any equity would likely be consumed by the costs associated with buying and selling (real estate commissions, title fees, closing costs, etc.).

It may be financially beneficial to the pastor to receive a housing allowance instead of a parsonage if the pastor: Uses the housing allowance to assist in purchasing a home, retains ownership of that home longer than 2-4 years, makes wise real estate decisions, is not forced to sell the home quickly or in a down market.

There are non-financial benefits to pastors owning and occupying their own home rather than living in a parsonage. For the pastor, these benefits may or may not outweigh any financial loss or gain. Although finances are an important consideration for both pastor and church, whether to provide a parsonage or a housing allowance should be decided on more than just the financial ramifications.

5. Where can we get other information about a housing allowance?

For assistance in calculating a housing allowance or for additional information, please view the [Housing Allowance Q&A's](#) from the General Council on Finance and Administration (GCFA).

Advantages/Disadvantage in Consideration of a Housing Allowance

1. Providing a parsonage ties up a considerable amount of capital for the church.
2. Purchasing a home can consume a considerable amount of savings from the pastor.
3. Locating a home to purchase or rent can be a challenge at the time of moving, particularly in some markets. This might press a pastor into making a temporary decision when moving and then continue to struggle with this decision over time.
4. The time and expense of maintaining a parsonage over time are considerable and can be a disruption to the other missional, ministry, and outreach efforts of the church.
5. The time and expense of repairing and maintaining a home (either owned or rented) can be a distraction for the pastor.
6. While depreciation and repair expenses of real property can create tax advantages in some situations, for a church it does not. Likewise, the interest paid on a mortgage may be tax deductible for an individual or a business, but it is not for a church.
7. Some churches spend significant sums remodeling for each new pastor – expenses that may exceed what a home-owner would spend over a similar time frame.
8. Some churches seldom remodel, or they make changes that are not sensitive to the parsonage family, or they make changes appropriate for one parsonage family but ill-suited for the next.
9. There can be a tendency for congregations to "over manage" parsonages and thus create friction with the parsonage family.
10. The expectations by the parsonage family of prompt repair and appropriate decor can create friction with the congregation.
11. As a parsonage ages, the church will be faced with a significant investment of time and money to repair and remodel the parsonage or to sell an existing parsonage and purchase a better one. These decisions may arise at a difficult time in the life of a congregation.
12. The energy invested by members of the congregation to inspect, maintain and care for a parsonage might be better invested in other ways. And, it may be difficult to find people in the congregation who have the interest, skills, and commitment to do this well.
13. If a church chooses to rent the parsonage instead of selling it (when providing a housing allowance), there will be time, energy and expense needed to tend to the issues of rental property. And it may be difficult to find people in the congregation who have the interest, skills, and commitment to do this well.
14. A housing allowance may encourage pastors to stay in one location longer as the clergy family may think of the home as "their home," rather than thinking of themselves as guests in the church's home.
15. A pastor may not recoup the financial investment in a home that she or he has purchased if pressed to sell in a down market or within a short time frame.
16. A housing allowance makes it possible for a pastor and his or her family to select a home that is appropriate for the size of their family and consistent with other values such as school preferences.
17. A housing allowance can enable clergy to start building equity for the future.
18. Sometimes clergy prefer a housing allowance so that they can purchase a home, but in some markets and in some situations, renting may make more sense.
19. Despite trends that may last for a number of years, buying and selling a house for investment purposes is a risky enterprise that may result in financial loss.