***Resolution for 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: dish washer, 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, electric, 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.

***Resolution for Parsonage or Housing Allowance Exclusion***

**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 calendar year for 2024**.

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, one copy provided to the pastor, and one copy to the District Office.

***Accountable Reimbursement Policy***

The following resolution was duly adopted by the Administrative Board/Church Council/Leadership Team (or Charge Conference) of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ United Methodist Church at a meeting held on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Under Internal Revenue Code Section 62(a)(2)(A) gross income does not include reimbursed business expenses or adequately accounted business expense allowances for employees. Internal Revenue Service Regulation 1.162-17(b) provides that an employee need not report on his tax return expenses paid or incurred by him solely for the benefit of his employer for which he is required to account and does account to his employer and which are charged directly or indirectly to the employer. Further, I.R.S. Regulation 1.274-5(e)(4) provides that an adequate accounting means the submission to the employer of an account book, diary, statement of expense, or similar record maintained by the employee in which the information (as to each element of expenditure amount, time and place, business purpose, and business relationship) is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner that conforms to all the adequate records requirements as set forth in the regulations.

Therefore, the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_United Methodist Church hereby establishes an accountable reimbursement policy pursuant to I.R.S. Regulations upon the following terms and conditions:

1. Expenses deemed ordinary and necessary shall be made solely for the benefit of the church and shall be paid directly, whenever possible by the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_United Methodist Church, or indirectly and reimbursed to the person or entity who does pay the expense. Ordinary expenses include, but are not limited to: automobiles, office supplies, postage, computer supplies, books, subscriptions, professional dues, vestments, continuing education, lodging and meals while traveling and entertainment related to church business.
2. The church must be given an adequate accounting of the expense, which means that there shall be submitted a statement of expense, account book diary, or other similar record showing the amount, date, place, business purpose, and business relationship involved. Appropriate documents, cash receipts, canceled checks, credit card sales slips, and contemporaneous records for those non-receipt expenses less than $25.00 must be attached to a monthly expense report. Both the minister/staff person and the church shall retain copies of the documentary evidence and expense report. Voucher information need not include data that would violate pastoral confidences.
3. Reimbursements or advances must be paid out of budgeted church funds and not by reducing the compensation of a minister/staff person. Budgeted amounts not spent must **not** be paid as a salary bonus or other personal compensation in any fiscal year. *If such payments are made, the entire amount of the accountable reimbursement policy account will be taxable income to the pastor/staff person.*
4. The church may pay amounts in advance of the minister/staff person’s actual expenditure on either an as needed basis or by standard monthly expense allowance. However, an adequate accounting of the advances by expense report must be made in the month following an expenditure. Any excess advance must be returned to the church before additional needed or allowance amounts are provided to the minister/staff person.
5. It is understood by the various parties that all elements of this resolution must be carefully followed to prevent the church salary-paying unit from being required by regulation to list total payments for the following items on I.R.S. W-2 as includable compensation. The primary responsibility of expense reporting is the minister/staff person to the church payroll person.
6. The Staff/Parish or Pastor/Parish Relations Committee (SP/PPRC) is responsible for approving vouchers submitted by the pastor. The local church treasurer is responsible for paying approved vouchers.
7. By previous or concurrent resolution, duly adopted by the Administrative Board/Church Council/Leadership Team (or Charge Conference) of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_United Methodist Church at a meeting held on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the following ordinary and necessary expenses as suggested for the employment needs of the minister/staff person, are included in this accountable reimbursement policy from \_\_\_\_\_\_\_\_\_\_\_ to December 31, 2024.

**2024 Accountable Reimbursement Total (annualized) $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Attested to this \_\_\_\_day, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the foregoing resolution is hereby accepted.**

**REQUIRED SIGNATURES:**

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

Chair, Administrative Board/Church Council/Leadership Team

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Treasurer, Church or Charge

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Pastor

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