

Question	Answer
What housing expenses are eligible to be excluded from income?	Eligible expenses include mortgage payments (principal and interest); rent payments; real estate taxes; property insurance; utilities (gas, electricity, water, sewer, garbage pickup, local telephone service); appliances and furniture (purchase or rental cost and repairs); remodeling expenses; homeowners' dues; and pest control.
What housing expenses are not eligible to be excluded from income?	Cleaning services, food, and domestic help are not eligible to be excluded as income as part of a housing allowance. A housing allowance is available only for a principal residence, not for a second home, vacation home, business property, or a farm. Home equity loan payments can be excluded as part of a housing allowance only if the loan is used to pay for housing expenses such as remodeling. Home equity loan payments used for college tuition or anything other than eligible housing expenses cannot be excluded from income.
How much can ministers who own their homes exclude as a housing allowance from income for federal income tax purposes?	Ministers who own their homes can exclude the lowest of the following three amounts from income for federal income tax purposes when their church employer properly designates a housing allowance for them: <ol style="list-style-type: none"> 1. The housing allowance designated by their church; or 2. Actual housing expenses (including mortgage payments, utilities, property taxes, insurance, furnishings, repairs and improvements); or 3. The fair rental value of the home (furnished, including utilities). <i>Example:</i> Reverend Smith owns his own home, and his church designated 40% (\$16,000) of his \$40,000 salary as an annual housing allowance in advance. His actual housing expenses for the year were \$15,000. The fair rental value of his home (furnished; including utilities) was \$17,000. Reverend Smith can exclude \$15,000 from income because his actual housing expenses were lower than both the amount designated by the church and the fair rental value of his home. Please see IRS: https://www.irs.gov/pub/irs-pdf/p517.pdf for further information
How much can ministers who rent their home exclude from income for federal income tax purposes?	Ministers who rent their homes can exclude the lower of these two amounts: <ol style="list-style-type: none"> 1. The amount designated by their church; or 2. Actual housing expenses (including rent, renter's insurance, utilities, furnishings, repairs, and improvements).
Is a housing allowance counted as income for SECA taxes?	Yes. A housing allowance may be excluded from income for federal income tax purposes but not for SECA tax purposes. <i>Example:</i> Reverend Smith's designated housing allowance is 40% (\$16,000) of his \$40,000 salary. Assuming he can exclude the full amount designated by the church, he will not report the \$16,000 as income for federal income tax purposes. But he will have to count the \$16,000 as income for purposes of SECA taxes.
Note:	Retired ministers often ask what IRS form is needed to report housing allowance. There is no special form for reporting a minister's housing allowance. The process described above is similar to when completing Schedule A- Itemized Deductions. For example, an individual may report total charitable contributions on Schedule A. The IRS does not ask for an accounting of all charitable contributions on Schedule A. The individual tax filer records a total in that category ensuring accurate records are kept in case the IRS questions the amount claimed. <small>Disclaimer: The Navigators Organization, Human Resources and Benefits Team does not give financial, legal, or tax advice. Please seek appropriate counsel. If you do not currently have access to an advisor, please reach out to Fidelity.</small>