

WORKSHEET

The pastor's housing allowance worksheet

Designate it in advance. Document it. Plan for it in retirement.

The housing allowance can be a meaningful part of a pastor's pay, and it is often the part with the thinnest paperwork. This worksheet walks through the designation, the limit the IRS applies, and the records worth keeping. Fill it in on screen or print it, then keep it with your tax records.

1 YOUR DESIGNATION

The allowance has to be designated in advance, in writing, by your board or governing body. It can't be applied after the fact, and it can't exceed reasonable pay for your ministerial services.

Tax year	Date the board approved it	Amount designated
		\$
Church or ministry employer		

2 THE LESSER-OF-THREE LIMIT

The amount you can exclude from federal income tax is the smallest of these three numbers. Fill in all three. The lowest one is your excludable housing allowance.

A. Designated. The amount your board put in writing, in advance, for the year.	\$
B. Actual expenses. What you really spent to provide your home. Total from section 3, page 2	\$
C. Fair rental value. What the home would rent for, furnished, plus utilities. Total from section 4, page 2	\$
Your excludable housing allowance: the lowest of A, B, and C	\$

Anything designated above your actual expenses or above fair rental value isn't excludable. It is reported as income. The allowance applies to the year it is paid, and nothing carries over to the next year.

Sources: IRC Section 107; IRS Publication 517 and Topic No. 417 at [irs.gov](https://www.irs.gov).

3 ELIGIBLE HOUSING EXPENSE TRACKER

Feeds line B

Total what you actually spent to provide your home this year. If it isn't a cost of providing a home, leave it off. Groceries, household help, and personal items don't count.

Mortgage payments (principal and interest) or rent	\$
Down payment or closing costs on a home purchase	\$
Real estate and property taxes	\$
Homeowners or renters insurance	\$
Utilities (electric, gas, water, sewer, trash)	\$
Furnishings and appliances (purchase and repair)	\$
Repairs, maintenance, and home improvements	\$
HOA dues, lawn care, pest control	\$
Other expense directly tied to providing the home	\$
Total actual housing expenses. Carry to line B.	\$

4 FAIR RENTAL VALUE

Feeds line C

Fair rental value is what your home would rent for on the open market, furnished, plus utilities. A signed letter from a local real estate professional is good documentation. Keep it with this worksheet.

Estimated monthly rental value, furnished	\$
Annual rental value (monthly figure times 12)	\$
Annual utilities, if not already included above	\$
Fair rental value total. Carry to line C.	\$

WHILE YOU ARE SERVING

The housing allowance you exclude from income tax is still subject to self-employment tax (SECA) while you are actively serving, unless you have an approved exemption. Plan for it.

5 CARRYING IT INTO RETIREMENT

Qualifying church plans

If your retirement savings sit in a qualifying church plan, such as a 403(b)(9) or a denominational pension, the plan may be able to designate part of your distributions as housing allowance. Many denominational plans do. The portion that fits within the same lesser-of-three limit may be excluded from federal income tax. IRS Publication 517 also states that retired ministers generally don't include this amount for self-employment tax purposes.

One honest caution. The IRS has expressly declined to issue rulings on retirement housing allowance treatment. That isn't the same as disallowing it. It means this is an area to plan carefully, document well, and confirm with your plan and a tax professional rather than assume.

- ☐ My retirement savings are in a qualifying church plan, such as a 403(b)(9) or denominational pension.
- ☐ My plan designates part of my distributions as housing allowance, or I have confirmed how to request it.

Plan or pension board name

Amount the plan designated

 \$

A. Amount the plan or pension board designated

 \$

B. Actual housing expenses in retirement

 \$

C. Fair rental value, furnished, plus utilities

 \$

Your retirement housing ceiling: the lowest of A, B, and C

 \$
6 KEEP THESE WITH THIS WORKSHEET

- ☐ **Designation.** The board minutes or resolution, dated before the year began.
- ☐ **Receipts.** Records that support every line in section 3.
- ☐ **Fair rental value.** The letter or comparable listings that support section 4.
- ☐ **In retirement.** Your plan's written designation for the year.

IF YOU WANT A SECOND SET OF EYES

The **Pastor Retirement Checkup** is a one-time review of your retirement picture by a fee-only fiduciary who works with pastors. A written summary and about ninety minutes by video. One engagement, one flat fee, no ongoing commitment. legacypathadvisors.com/pastor-retirement-checkup