

## Clergy Housing Allowance Exclusion Items

- ◆ Home:
  - ◆ mortgage or rent payments in full (including principal, interest, escrow, & fees)
  - ◆ home equity loans or lines of credit (to the extent used for housing)
  - ◆ appraisals, closing costs, title insurance, points paid on mortgage or refinance
  - ◆ homeowners or renters insurance, personal umbrella insurance
  - ◆ real estate or property taxes related to housing
  - ◆ homeowners or condo association fees
  - ◆ home assessments or fees
  
- ◆ Maintenance:
  - ◆ brooms, mops, vacuum cleaners, swiffers, steam cleaners, spot cleaners, etc.
  - ◆ cleaning supplies, floor cleaners, surface cleaners, window cleaners, etc.
  - ◆ professional cleaning service — 26 CFR §1.107-1(c)(3) prohibits “expenses for food & servants”
  - ◆ dish & dishwasher detergent, sponges, scrubbers, etc.
  - ◆ paper towels, paper plates, paper napkins, plastic silverware, etc.
  - ◆ laundry supplies, hampers, baskets, detergent, dryer sheets, etc.
  - ◆ plants, seeds, gardening tools, etc.
  - ◆ professional lawn care, landscaping, gutter cleaning, winter snow removal, etc.
  
- ◆ Repairs:
  - ◆ tools, miscellaneous hardware, etc.
  - ◆ batteries, light bulbs, etc.
  - ◆ interior & exterior painting, painting supplies, etc.
  - ◆ replacing flooring, drywall, windows & screens, siding, roof, etc.
  
- ◆ Furnishings & Appliances:
  - ◆ furniture & artwork; appraisal fees
  - ◆ carpets & rugs; appraisal fees
  - ◆ decorative wall & shelf items
  - ◆ electronics (tv, entertainment media & players, computer, printer, supplies, etc.)
  - ◆ appliances, supplies, warranties, repairs (refrigerator, stove, microwave, slow cooker, dishwasher, washer/dryer, portable a/c, portable heaters, etc.)
  - ◆ kitchenware, pots & pans, baking sheets, cooking implements, etc.
  - ◆ dishes, glassware, table settings, silverware, etc.
  - ◆ curtains, window coverings, wall coverings, etc.
  - ◆ linens: for dining room (tablecloths, table runners, place mats, etc.); bathroom (towels, hand towels, washcloths, etc.); bedroom (sheets, blankets, comforters, quilts, etc.)
  - ◆ infant, toddler, children's furniture; appliances; kitchenware; dishware (bottles, sanitizing equipment, nursing equipment); linens (not clothing); toys; etc.
  
- ◆ Utilities:
  - ◆ electric, natural gas, heating oil, propane, kerosene, water, sewer, trash, pest control, firewood (including cost of delivery or hauling), etc.
  - ◆ cable or satellite tv, streaming services, internet, etc.
  - ◆ land-line phone bill, cost of purchasing or leasing land-line telephone equipment . . .
  - ◆ . . . OR personal-use percent of total cost of cell phone bill & equipment—  
but only if there is NO land-line (calculation instructions follow)

- ◆ How to calculate the personal-use amount of your cell phone bill:
  - ◆ If you do not share your plan with anyone else:
    - (1) add up your voice minutes used for personal calls
    - (2) divide into the total minutes used
    - (3) multiply that percentage by the total bill
    - (4) this is the dollar value for your personal use of the cell phone & can be used as a housing allowance exclusion item.
  - ◆ If you share your plan with others:
    - (1) divide the "shared" portion of the plan that is in addition to each individual's usage by the number of people sharing the plan
    - (2) add that dollar amount to the cost attributed to your usage alone
    - (3) then add up your voice minutes used for personal calls
    - (4) divide by the total minutes you used
    - (5) multiply that percentage to the cost attributed to your usage alone PLUS your portion of the shared cost
    - (6) this is the dollar value for your personal use of the cell phone & can be used as a housing allowance exclusion item
    - (7) repeat individually for each person on your plan who resides in your household; be aware that other adults in the household may have business- or work-related calls that do not qualify as personal-use for the purposes of the housing allowance exclusion.
  - ◆ Note: the remaining amount of your cell phone bill that does not relate to personal use might be deductible as business use of your cell phone.

## Calculating the Housing Exclusion

The amount of income that can be excluded from federal income before federal income tax is calculated (but not from federal self-employment income) is the smallest of the following three amounts:

- (1) the amount properly designated in writing as the housing exclusion before payments to clergy begin;
- (2) the amount actually spent to provide the home during the calendar year (see list above); &
- (3) the Fair Rental Value of the home during the calendar year:

- ◆ Fair Rental Value of the Home means something different if it's a Parsonage or owned Home:
  - ◆ If you live in a congregation-owned Parsonage:
    - ◆ The Fair Rental Value of a congregation-owned Parsonage (plus any Congregation-paid Utilities) is/are added to your income for the purposes of Self-Employment Tax, so the lower, the better.
    - ◆ It should be accurate for its location & condition.
    - ◆ A realtor can give an accurate value for the building.
  - ◆ If you live in a home that is not owned by the congregation:
    - ◆ The Fair Rental Value of your own home is the amount it would cost someone else to rent the home you live in, fully furnished, if you walked out the door & left almost everything behind (except food, clothes, toiletries).
    - ◆ This value includes the FRV of the building itself (a realtor can give an accurate number for this), plus the cost of all utilities, & THE FRV OF EACH INDIVIDUAL ITEM INSIDE!
    - ◆ Because the total FRV of your home is impossible to calculate accurately, it should not be the smallest of the three amounts that determine the amount of income that can be excluded from federal income before federal income tax is calculated.