

Certification of Parsonage Payments

To the Ordained Employee: Prepare this form and return the original copy to the Human Resources Committee prior to the date established by the Human Resources Committee.

Name of Employee (Please type or Print)

Social Security Number

I certify that the amounts set forth below represent to the best of my knowledge and belief a true estimate of payments to be made by me to rent or provide a home out of the gross compensation paid to me by The Presbytery of Tropical Florida, Inc. in the year _____ (or for the period of _____ to _____ in the year _____).

Rent on leased premises \$ _____ D

or

Payments on purchase of a home \$ _____ C
(including down payment and/or installment payments
[principal, interest, taxes] and insurance

Garage rental, if not included in figure above \$ _____

Utilities \$ _____

Repairs and Maintenance \$ _____

Furnishings \$ _____

TOTAL ANNUAL PAYMENTS \$ _____ A

Fair rental value of similarly furnished premises \$ _____ E

Utilities \$ _____

FAIR RENTAL ANNUAL TOTAL \$ _____ B

In making this certification, I accept full responsibility for maintaining and keeping available for any requirements of the Federal and State Governments, in accordance with the Internal Revenue Code and any applicable state tax laws, all supporting leases, mortgages, tax bills, utility bills, repair and maintenance bills, and any other documentation necessary to support that portion of the above estimate I shall claim as actually expended for parsonage.

Employee Signature (do not print)

Date

NOTE: If you are including payments on purchase of a home (line C), you must also complete the fair rental value of a similarly furnished premises (line E). If you are including rent on leased premises (line D), it is not necessary to complete the fair rental value of similarly furnished premises (line E) nor the Fair Rental Total (line B). **Please further note that the lesser amount given in line A or line B will be used.**

The parsonage allowance for a minister who owns his/her own home can not exceed the fair rental value of the furnished home plus cost of utilities, nor can it exceed the amount designated as housing allowance in advance by official action of the employing agency.

INFORMATION RE: PARSONAGE ALLOWANCE

1. The Law

Below are the Internal Revenue Code sections, pertinent rulings and case law which define the requirements and limitations attached to this exclusion:

- a. "In the case of a minister of the gospel, gross income does not include...the rental allowance paid to him/her as part of his/her compensation, to the extent used by him/her to rent or provide a home."
Sec. 107 1954 code.
- b. Advance designation of amount paid as rental allowance: "Advance designation by official action of amounts paid as rental allowance is required. The official action shall be taken by the employing church or other qualifying organization and may be evidenced in an employment contract, in minutes of or in resolution by the church or other qualifying organization or in its budget, or in any other appropriate instrument evidencing such official action. It is immaterial whether the rental allowance is paid as a separate payment or as part of a payment which also includes other compensation, providing the rental allowance is properly designated."
Ref. Technical Information Ruling No. 51 June 18, 1956 (CCH 1103.02)
- c. Limitations
IRS's firm position based on the ruling which stems from the unique case below is that parsonage allowance for a minister who owns his/her own home can not exceed the fair rental value of the home plus utilities. "An ordained minister who purchased his/her own home and had his/her church designate his/her entire compensation as a rental allowance was entitled to exclude from gross income only an amount equal to the fair rental value of the acquired home plus the cost of utilities."
Rev. Rul. 71-280 1971-2 (CCH 1103.02)

2. Employee's Responsibility

You can exclude from taxable income the amount you have actually spent for your housing provided that your employer has designated such amount as parsonage allowance in advance; the exclusion, however, is limited to the amount of the fair rental value of your home plus utilities. The word "home" as used in the Internal Revenue Code means dwelling place, including furnishing and appurtenances as a garage. Included in the housing would be insurance, repairs, maintenance and other housing expenses which you would set forth.

The ordained employee should keep careful records of housing costs to substantiate the exclusion. If the actual cost proves to be less than the amount designated by the employer, the ordained person must report the excess as taxable salary.

A minister who owns his/her own home does not sacrifice tax deductions allowed to all homeowners. That is, interest on mortgage and real estate taxes can be claimed if he/she itemized deductions.

3. Employer's Responsibility

The employer must take the proper official action in advance each year for ordained employees whenever they join the staff. A retroactive designation will not satisfy Treasury requirements. When an ordained person is added to the staff, before he/she commences his/her services, official action regarding the compensation and parsonage allowance should be taken for the remaining portion of the year, with a proviso for renewal in advance on a calendar year basis.