

PARSONAGE EXCLUSION GUIDELINES

The parsonage allowance amount which a minister may claim is determined two different ways, depending on whether an individual is a home owner or renter. In either case, the minister must actually spend the amount that is excluded from his income and it is his responsibility to substantiate the amount excluded in case of a tax audit.

THE PARSONAGE ALLOWANCE EXCLUSION INCLUDES

HOME OWNER

1. Payments on principal, closing costs, down payments.
2. Property taxes and interest on the home. These expenses are deductible also as itemized deductions on schedule "A" of form 1040.
3. Insurance on the home.
4. Repairs and upkeep of the home.

NOTE: The total of the above four amounts cannot exceed the fair rental value of the home. An estimate of fair rental value can be calculated by multiplying the appraised value of the home by 1%. If your home is appraised at \$50,000, the fair rental value would be \$500 per month. The annual fair rental value would be \$6,000 (\$500 x 12). The following expenses can be used in addition to the lesser of actual or fair rental value of the above four categories.

5. Furniture purchases, insurance on home contents, repairs of furniture and appliances.
6. Decorations, rugs, pictures, etc.
7. Utilities (heat, electricity, basic telephone, water, sewer charges, garbage removal, water softening, internet access fees, etc.)
8. Miscellaneous (lawn mowing, cleaning supplies, brooms, light bulbs, etc.)

RENTER

1. Rent
2. Furniture purchases, insurance on home contents, repairs of furniture and appliances.
3. Decorations, curtains, rugs, pictures, etc.
4. Utilities (heat, electricity, basic telephone, water, sewer charges, garbage removal, water softening, etc.)
5. Miscellaneous (lawn mowing, cleaning supplies, brooms, light bulbs, etc.)