

Facts About Housing Allowance for Pastors

Each year your congregation votes on the terms of call for your pastoral staff. One of the pieces of the terms of call is the housing allowance. This allowance is one of the most important tax benefits available to ministers who own or rent their homes. Ministers who own or rent their home are not required to pay federal income taxes on the amount of their compensation their church designates as a housing allowance.

The housing allowance for all pastors is also tax exempt for local taxes within the Commonwealth of Pennsylvania. You should not include the housing allowance portion of the gross payroll amount for calculating the appropriate local tax for your pastoral employees. This rule only applies to the local income tax rates and does not exclude ordained staff from the Local Services Tax, or LST.

What expenses can be included in housing allowance? Housing-related expenses include mortgage payments, rent, utilities, repairs, furnishings, insurance, property taxes, additions, and maintenance.

Other considerations that must be given to calculating the appropriate level of housing allowance are:

1. The allowance must represent compensation for ministerial services
2. It must be used to pay housing expenses
3. The amount must not exceed the fair rental value of the home (furnished, plus utilities)

One of the most overlooked aspects of approving the housing allowance is having your pastoral staff complete and sign an annual [Estimate of Housing Allowance Request](#). It is a simple one-page document stating the pastor is requesting a specific amount of the financial package to be designated as housing allowance. Why do this? The IRS requires the request be made in writing and the ruling body, council or session, approve the request at a regular or called meeting and that the request and approval be entered into the official record or minutes. This process must be done prior to the congregation voting on and approving the terms of call. Under no circumstances may a church designate a housing allowance retroactively.

For convenience, there is a template of the [Estimate of Housing Allowance Request](#) available on the presbytery website under [Forms/Financial Info & Tools](#). Remember you will need to have the form completed by your pastoral employee(s), submitted for approval by your session, and have the request and the approval of the request recorded in the official minutes of the meeting. All of these steps need to be completed before the congregation approves the terms of call each year.

Please call Roy Burford, Business Administrator, at 412-323- 1406 if you have any questions.