

ILLUSTRATION 6-3 HOUSING ALLOWANCE EXPENSE FORM FOR MINISTERS WHO OWN THEIR HOME

As a minister who owns a home, you do not pay federal income taxes on the amount of your compensation that the church designates in advance as a housing allowance to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the fair rental value of your home (furnished, plus utilities). To assist the church in designating an appropriate housing allowance, please estimate on this form the housing expenses you expect to pay next year, and then return the form to the secretary of the church board not later than the board's December meeting.

(2) It is my responsibility to notify the church board in the event these estimates prove to be materially inaccurate during the year.

(3) The entire housing allowance designated by the church is not necessarily nontaxable. Rather, it is nontaxable, for income tax purposes, only to the extent that it does not exceed my actual housing expenses or the annual rental value of my home (furnished, including utilities). Stated differently, the nontaxable amount is the *lowest* of three amounts: (1) my actual housing expenses for the year, (2) the church-designated housing allowance, or (3) the annual rental value of my home (furnished, including utilities).

[Note: Include paragraph (4) only if the church uses the "actual exclusion" method for reporting housing allowances, as described above. If the church uses the "estimated exclusion" or "nonaccountable" methods, delete paragraph (4), and renumber paragraph (5) as paragraph (4).]

(4) I will have to account to the church treasurer for my actual 2006 housing expenses not later than January 20, 2007. This means that I will have to present receipts substantiating my actual 2006 housing expenses. The church treasurer will then compute my actual housing allowance exclusion based on the information I have provided and the test described in the previous paragraph. The church treasurer will then reduce the income reported on my W-2 form by the amount of the actual housing allowance exclusion. I understand that if I fail to account for my actual housing expenses by January 20, 2007, the church will include my entire housing allowance as income on my W-2, and that I will be responsible for claiming the exclusion on my income tax return.

(5) My housing allowance exclusion is an exclusion for federal income taxes only. I must add the nontaxable amount of my housing allowance as income in reporting my self-employment taxes on Schedule SE (unless I am exempt from self-employment taxes).

HOUSING EXPENSE	ESTIMATED 2006 AMOUNT
● down payment on home	_____
● mortgage payments on a loan to purchase or improve your home (include both principal and interest)	_____
● real estate taxes	_____
● property insurance	_____
● utilities (electricity, gas, water, trash pickup, local telephone charges)	_____
● furnishings and appliances (purchase and repair)	_____
● structural repairs and remodeling	_____
● yard maintenance and improvements	_____
● maintenance items (household cleansers, light bulbs, pest control, etc.)	_____
● homeowners association dues	_____
● miscellaneous	_____
TOTAL ESTIMATED EXPENSES FOR 2006	_____

_____ legible signature of minister

_____ date

The above listed expenses represent a reasonable estimate of my housing expenses for next year. I understand and agree that:

I attest that I received this form on _____.

(1) The church board will not designate a portion of my compensation as a housing allowance until I complete and return this form. Retroactive designations of housing allowances are not legally effective.

_____ secretary of church board