

FMCUSA Guidance on Clergy Housing Allowance

IRS Tax [Topic 417 – Earnings for Clergy](#) webpage provides the following guidance related to housing allowance as of the date of this writing:

Housing allowance: A licensed, commissioned, or ordained minister who performs ministerial services as an employee may be able to exclude from gross income the fair rental value of a home provided as part of compensation (a parsonage) or a housing allowance provided as compensation if it is used to rent or otherwise provide a home. A minister who is furnished a parsonage may exclude from gross income the fair rental value of the parsonage, including utilities. However, the amount excluded can't be more than reasonable compensation for the minister's services.

A minister who receives a housing allowance may exclude the allowance from gross income to the extent it's used to pay expenses in providing a home. Generally, those expenses include rent, mortgage interest, utilities, and other expenses directly relating to providing a home. The amount excluded can't be more than reasonable compensation for the minister's services.

If you own your home, you may still claim deductions for mortgage interest and real property taxes. If your housing allowance exceeds the lesser of your reasonable compensation, the fair rental value of the home, or your actual expenses directly relating to providing the home, you must include the amount of the excess in income.

In order to be able to exclude the housing allowance from income, the minister's employing organization must officially designate the housing allowance as such before paying it to the minister.

The fair rental value of a parsonage or the housing allowance is excludable only for income tax purposes. The minister must include the amount of the fair rental value of a parsonage or the housing allowance for social security coverage purposes.

IRS Publication 517 (2025) describes who is treated as a minister and the authority associated with that status:

Ministers defined. Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. Ministers have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination. If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.

In the same publication, the IRS later defines ministerial services as "performing sacerdotal functions; conducting religious worship; and controlling, conducting, and maintaining religious

organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination. You are considered to control, conduct, and maintain a religious organization if you direct, manage, or promote the organization's activities. A religious organization is under the authority of a religious body that is a church or denomination if it's organized for, and dedicated to, carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith."

An FMCUSA employee who is a CMC, licensed pastor, ordained FMC elder, or holds similar credentials in a sister denomination may be considered a minister and could be eligible for a housing allowance depending on the role. For compensation from current services, consider whether:

- The employee must have the authority, recognized by the FMCUSA, to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments.
- The employee must be able to perform substantially all the religious functions of an ordained minister.
- Their job must include performing ministerial services defined as performing sacerdotal functions; conducting religious worship; and controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of the FMCUSA.
- A job is considered controlling, conducting, and maintaining religious organization when an employee job includes directing, managing, or promoting the organization's activities. This conveys a certain freedom of action, oversight of other employees or programs, the writing of books or articles, oversight of ministers, or promotion of the organization's activities.

Retired Elders and Pension Benefits:

IRS Publication 517 separately states that a retired minister may exclude the portion of a pension designated as a rental allowance, subject to the applicable housing allowance limits. This retirement rule concerns compensation for past ministerial service; a retiree need not currently hold an employee position or regularly perform ministerial duties solely to rely on that rule. The minister's status, the source of the pension, and a valid designation still matter.

Located Elders:

For pension administration, FMCUSA has historically treated retired pastors listed as located elders as continuing to be ordained. The title "elder" reflects their retained clergy status. An elder in good standing, including a located elder, retains the authority under FMCUSA polity to conduct worship, perform sacerdotal functions, and administer ordinances or sacraments, even if those functions are not exercised regularly. Accordingly, a retired located elder may qualify to exclude the properly designated portion of a pension attributable to past ministerial service,

within applicable federal tax limits. The title or database entry alone does not establish the amount excludable on an individual tax return.

Returned to Lay Status:

A person formally returned to lay status may no longer have the clergy status and authority described in Publication 517. Their eligibility to claim a housing allowance exclusion on later pension payments therefore requires individual review; the prior designation should not be treated as conclusive. FMCUSA has not routinely removed the ordained-status indicator from the Nyhart pension database for retired ministers, and status changes may not always reach pension administration. A retiree who has designated part of a monthly benefit for housing may continue to have that designation carried forward each year until changed. That administrative continuation does not determine federal tax eligibility.

Conference and Retiree Follow up:

Before acting on a reported status change, the Conference should confirm the person's formal credential status, effective date, and pension record with the appropriate FMCUSA offices. It should coordinate any needed correction with pension administration and denominational counsel, without inadvertently interrupting a benefit or designation for an eligible retired elder. A retiree who has returned to lay status should consult a CPA or tax attorney about whether any exclusion remains available and how to report pension payments. At the start of benefits, retirees are informed that they are responsible for substantiating eligibility and housing expenses if questioned by the IRS; that responsibility continues after a change in status.

Sources

IRS Publication 517 (2025), "Ministers defined," "Designation requirement," and "Retired ministers," <https://www.irs.gov/publications/p517>; *IRS Topic No. 417,* <https://www.irs.gov/taxtopics/tc417>.

FMCUSA descriptions of pension administration and clergy status above reflect the information supplied for this update.