



Housing Allowances

Reporting on tax forms

Pastor Joe is paid a salary of \$35,000 per year, plus a \$15,000 housing allowance. His actual housing expenses total \$17,000 for the year and the fair rental value of the home is \$13,000 per year. In this scenario, the amount that should be tax-exempt (the fair rental value of \$13,000) is lower than the housing allowance (\$15,000). Joe must report the difference of \$2,000 as taxable income. How is this accurately reported?

To complete Pastor Joe's W-2, the church would list his salary (\$35,000) as his taxable wage. For the housing allowance, the church would enter \$15,000 into Box 14 with a note showing that the money is a housing allowance.

Form W-2

1 Wages, tips, other compensation	\$35,000.00
14 Other Parsonage Allowance	\$15,000.00

When Pastor Joe prepares his tax filings, he must enter his corrected taxable wage ($\$35,000 + \$2,000 = \$37,000$) on Line 7 of his Form 1040, with a note indicating that the additional \$2,000 comes from the excess allowance.

Form 1040, Line 7

7 Wages, tips, etc. \$2,000 Excess Parsonage Allowance	7	\$37,000.00
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On his Social Security (self-employment) tax form, Joe would report his total income of \$50,000. This number would go on Line 2 of Long Schedule SE.

Form 1040, Long Schedule SE, Line 2

Net profit or (loss) from Schedule C, line 31; box 14, code A (other than farming); and Ministers and members of religious order this line. See instructions for other...	2	\$50,000.00
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