

HOUSING ALLOWANCE IN RETIREMENT

Clergy, are you taking full advantage of this significant savings opportunity?



HOUSING ALLOWANCE is one of the **GREATEST BENEFITS** that clergy can utilize throughout their ministry careers. It allows for savings of hundreds of dollars annually in taxes! A typical pastor with a salary of \$50,000 and an approved housing allowance of \$20,000 will save federal taxes of approximately \$2,400 each year. In states where the housing allowance amount is not taxed, the savings will be even greater!

For Federal income tax purposes, ministers who own their homes may exclude the **LOWEST** of the following three amounts from taxable income:

HOUSING ALLOWANCE
as designated by his/her church
(this **MUST** be completed!)



ACTUAL HOUSING EXPENSES
(including mortgage payments, utilities, property taxes,
insurance, furnishings, repairs and improvements)



FAIR RENTAL VALUE
(furnished, including utilities)



*Ministers who **RENT** a home/apartment (or live in a **PARSONAGE**) may also exclude income from taxes as illustrated above.*

Q: DOES THIS TAX ADVANTAGE STILL WORK FOR ME WHEN I RETIRE?

A: YES!! This may be one of the biggest benefits for clergy. Church retirement plans (such as Servant Solutions) can designate a housing allowance for retired ministers receiving income from their 403b(9) retirement account. As a retired minister, you are eligible for the housing allowance income exclusion in retirement on all...or, at a minimum, a good portion...of your annual retirement distribution amount provided your ministerial credentials are still active during your retirement period.

Q: AS A RETIREE, HOW DO I CLAIM THE HOUSING ALLOWANCE WHEN I FILE MY TAXES?

A: Retired Ministers who are receiving distributions from their Servant Solutions 403b(9) Retirement Plan will receive a Form 1099-R, which discloses the total annual withdrawals. The form 1099-R will reflect the "Taxable amount not determined" box in section 2b as "checked." This serves to notify your tax preparer and the IRS that some, or all, of your box 1 gross distribution amount is eligible to be non-taxable. It is the individual minister's responsibility to determine the amount of housing expenses which qualify to be excluded from taxable income. To the extent that a minister has verifiable housing expenses, he/she can lower the taxable withdrawals from the Servant Solutions 403b(9) Retirement Plan.