

[Print on Church Letterhead]

[Current Date]

[Name of Ordained Minister]

[Address 1]

[Address 2]

Notice of Annual Housing Allowance Statement for Tax Purposes

Dear [Ordained Minister]:

Under Section 107 of the Internal Revenue Code, a minister of the gospel is allowed to exclude from gross income (1) the rental value of a home furnished to him or her as part of his or her compensation; or (2) a housing allowance paid to him or her as part of his or her compensation, to the extent used by him or her to rent or provide a home and to the extent such allowance does not exceed the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities.

You should keep an accurate record of your expenditures to rent or provide a home in order to be able to substantiate any amounts excluded from gross income when filing your federal income tax return. In the event of an audit, ministers receiving a housing allowance will have the responsibility of substantiating the use of such funds. Also, remember that the housing allowance (including the fair rental value of a provided parsonage) must be included as part of your earnings for self-employment tax purposes.

Your total housing allowance paid for the 20__ year was \$_____

This letter is for your information only and should not be sent to the IRS or attached to your personal tax return.

Sincerely,

[Name]

[Title]

Annual Payroll Statement

[Employee's Name]

Compensation <i>Report the cash salary in Box 1 of Form W-2</i>	
Base Salary	\$
Self-Employed Social Security Payment Allowance	\$
Housing <i>Report only the housing/parsonage allowance, not FRV, in box 14 on Form W-2, do not include in Box 1</i>	
Allowance	\$
Professional Accountable Reimbursement Plan (PARP) <i>Do not report any amount from an accountable reimbursement plan on Form W-2 Nonaccountable reimbursement plan must be reported in Box 1 on Form W-2</i>	
Automobile and Travel Allowance	\$
Continuing Education	\$
Professional Expense	\$
Moving	\$
Pension and Other Benefits <i>Do not report any qualified fringe benefits on Form W-2, except the items listed below</i>	
Pension <i>No reporting Requirement</i>	\$
Medical and Dental Insurance	\$
Disability Insurance	\$
Cafeteria Plan <i>Dependent care only / Box 10 of Form W-2</i>	\$
Housing Equity Account	\$
Elective Retirement (403B) <i>Report in Box 12 on Form W-2 / "E" – Contribution Amount</i>	\$