



## Ministerial Housing Allowance Policy

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### **Ministerial Housing Allowance Summary**

Youth For Christ/USA (YFC) employees who qualify may elect a portion of their salary to be taken as a ministerial housing allowance. Submission and approval of a letter of assignment and other documentation from their ordaining, licensing or commissioning body, and completion of a housing allowance computation worksheet is required.

YFC strongly recommends that you consult with a tax advisor for further details regarding the ministerial housing allowance. If you receive a ministerial housing allowance, that portion of your income is exempt from federal income taxes, but you are self-employed for Social Security tax purposes and are responsible for the entire tax portion of Social Security.

Federal income taxes will be taken out of your pay for any income not included in the ministerial housing allowance. Upon request, additional federal income tax can be withheld for application toward self-employment taxes.

### **Legal Requirements**

As laws and regulations continue to change, YFC wants to ensure that we continue to administer housing allowance in accordance with these laws and regulations through improved policies and procedures. Therefore, we have pulled into this policy the below information to aid in understand the eligibility requirements and for continued compliance around ministerial housing allowance.

The Church and Nonprofit Tax & Financial Guide state that the following are required for a proper assignment:

- A written policy by the church describing the specific requirements for the relationship of the church, both to the minister being assigned and to the parachurch organization to which the minister is assigned. This would include the church's theological and policy goals for the assignment.
- A formal review by the church to confirm that the minister and the proposed ministry with a parachurch organization qualify under the church's policy.
- A written assignment from the church coupled with guidelines for supervision of and reporting by the minister and the parachurch organization to the church.

- A periodic (at least annual) formal review of the minister's activities to confirm that the assignment continues to comply with the church's policy.

## **Qualifying Criteria**

YFC has established six criteria, based on legal counsel review, as factors for determining one's eligibility for housing allowance at YFC. These criteria are meant to (i) assist YFC in determining whether an individual, who is a minister of a church and who has been assigned by the church to work as a minister within YFC, qualifies for a ministerial housing allowance and (ii) provide guidance as to what documentation YFC will require before designating a portion of the minister's salary as a ministerial housing allowance.

The qualifying criteria are as follows and should be addressed in each individual's annual assignment letter from their governing church body.

1. Is the YFC employee duly ordained, licensed or commissioned as a minister by a church or denomination? (Include written documentation on ordination, licensing or commissioning)
2. Is the minister serving at YFC at the written request of his/her church and/or denomination? Did the church and/or denomination assign the minister to work at YFC as part of their duties as a minister of that church or denomination? Is that assignment in writing? Does the written assignment state that the church recognizes that the minister (the YFC employee) is serving their church by working at YFC and that the minister is still considered a part of their church? If the answers to these questions are affirmative, please provide the written assignment.
3. Do the ongoing communications between the assigning church and the YFC employee evidence that the church considers the minister's work at YFC as part of the church's mission as expressed by the assignment? Examples include ongoing supervision, denominational affiliation, contributing significant financial support, or being the long-term "home church."
4. How do the duties performed by the minister for YFC relate to the express purposes of the assigning church? The assignment must be "significant" and "directly related" to accomplishing the purposes of the assigning church.
5. Does the assignment discuss the nature and frequency of the oversight that the assigning church expects? That is, how are the assigning church and YFC going to communicate back and forth concerning whether the minister is accomplishing the purpose of the church and the assignment? Think of this as an ongoing performance evaluation that the assigning church must conduct at least annually.

The process for how the assigning church will maintain oversight needs to be documented. The successful annual completion of this evaluation then becomes the basis for the next year's assignment letter. The assignment letter should indicate that the annual review between the assigning church and the minister has been completed.

6. Do the services the minister is performing for YFC substantially (>50%) involve conducting religious worship or performing sacerdotal functions, as determined by YFC?

*\*Note: Numbers 1 through 5 must be documented and updated annually in an assignment letter sent from the assigning church and filed with HR Shared Services. Number 6 must be confirmed and documented by the YFC supervisor and HR Shared Services by reviewing the individual's current job description.\**

### **Housing Allowance Guidelines & Procedures**

If you are a YFC/USA National Service Center employee, domestic missionary, or direct affiliate and would like to receive ministerial housing allowance, the following guidelines and procedures will need to be completed in order to receive a portion of your salary as a ministerial housing allowance. It is strongly recommended that you consult with a tax advisor prior to making any determination regarding receiving a ministerial housing allowance, as receiving a ministerial housing allowance may not be beneficial in all situations.

Your ministerial housing allowance and approval is always "forward looking," that is, it looks into the next 12 months for payment arrangements. The YFC/USA National Board will approve ministerial housing allowance requests for the every calendar year (January to December) during the last board meeting of the previous calendar year.

If you begin employment during the year, paperwork that is submitted prior to the next scheduled board meeting may be approved for the remainder of the calendar year. Until you receive board approval, a housing allowance will not be administered.

Ministerial housing allowances need to be approved on an annual basis by the YFC/USA National Board.

1. Qualification for receiving a ministerial housing allowance rests upon being licensed, commissioned, or ordained, and being granted a letter of assignment from a qualified ordaining, commissioning or licensing body recognized by the YFC/USA leadership. If you meet this qualification, you need to obtain a copy of your ordination, commission, or licensing certificate from your assigning body.

2. Annually you need to meet with your governing assigning church body to obtain an annual assignment letter, which addresses the qualifying criteria, described previously.
3. Please ensure your job description is up-to-date and submit it along with your other documents. This is needed to help certify that you are performing qualified services as defined under the IRS code to include one or more of the following:
  - Sacerdotal functions.
  - Conducting and leading times of worship, prayer, Bible teaching and study, evangelism and other similar ministerial services.
  - Controlling, conducting and maintaining your organization's ministry activities. If it is your job to "direct, manage or promote" your organization's ministry activities the IRS is most likely to consider such services to be qualifying.
  - Developing, researching and writing specific religious materials, books and articles.

Best practices indicate that a minimum threshold for performing ministerial duties is 51% of your job duties.

4. A Housing Allowance Worksheet should be completed to help you calculate the amount to request. A sample Housing Allowance Worksheet is located in the Appendix, Attachment A or B. This Worksheet *does not* need to be provided to YFC, but is provided as a tool to help you determine the amount of ministerial housing allowance you may request. You must complete and submit a written Request for a Ministerial Housing Allowance Designation form each year, see Attachment C in the Appendix.

NOTE: The reasonableness and specific amount of the ministerial housing allowance requested is your personal responsibility.
5. When numbers 1-4 have been submitted to HR Shared Services, the Housing Allowance Committee will review your request and appropriate documentation. If the Housing Allowance Committee agrees that your documentation meets the qualifying criteria; your housing allowance request will be presented at the next YFC/USA National Board Meeting for final approval (Attachment D).
6. You should be notified in writing following the board action. Copies of all documents will be retained within HR Shared Services.
7. After board approval, all housing allowance requests will be implemented into the next appropriate payroll processing cycle.

## **Annual Report to Assigning Body**

You should provide an annual written report on your ministerial activities with YFC to your assigning body. It is suggested that you also submit this with the above four documents during the annual review process to HR Shared Services. Additionally, if your assigning body provides you with an annual review, this should also be provided to HR Shared Services for review.

## **Social Security/FICA Taxes**

Remember, the YFC employee is responsible for paying and filing taxes for all of the Social Security taxes for both components of the employee's pay, the ministerial housing allowance and the salary portion.

YFC desires to provide a straight forward compensation package that benefits all employees. To this end, beginning July 1, 2012, YFC will be providing all general fund NSC employees, who receive a housing allowance, a FICA allowance equal to approximately 7.65% of your normal salary, which doesn't include your housing allowance. This FICA allowance will be visible to you on your paycheck listed as "other salary". It will be separated from your normal salary and housing allowance to provide transparency; however, from an IRS perspective there is no difference between your normal salary and this FICA allowance. Please note that this only applies to general fund NSC employees, this does not apply to Missionary Deployment missionaries or direct affiliates.

## **APPENDIX**

**Attachment A:** Housing Allowance Designation Worksheet - Minister Living in Home Owned by Minister

**Attachment B:** Housing Allowance Designation Worksheet - Minister Living in Home Rented by Minister

**Attachment C:** Request for a Ministerial Housing Allowance Designation Statement

**Attachment D:** Sample Board Resolution for Ministerial Housing Allowance Requests to Board of Trustees

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## **ATTACHMENT - A**

Youth For Christ Ministerial Housing Allowance Designation Worksheet  
Minister Living in Home Owned by Minister

**Minister's Name:** \_\_\_\_\_

**For the Period of:** \_\_\_\_\_ to \_\_\_\_\_

**Date designation approved:** \_\_\_\_\_

<b><u>Allowable Housing Expenses</u></b>	<b><u>Annual Estimated Expenses</u></b>
Down payment on purchase of housing	\$ _____
Housing loan principal and interest payments*	_____
Real estate commission, escrow fees	_____
Personal property tax on contents	_____
Real property taxes	_____
Homeowner's insurance	_____
Personal property insurance on contents	_____
Umbrella liability insurance	_____
Structural maintenance and repair	_____
Landscaping, gardening and pest control	_____
Furnishings ( <i>purchase, repair, replacement</i> )	_____
Decoration and redecoration	_____
Utilities ( <i>gas, electricity, water</i> ) and trash collection	_____
Local telephone expense ( <i>base charge</i> )	_____
Homeowner's association dues/condominium fees	_____
<b>SUBTOTAL</b>	\$ _____
10% allowance for unexpected expenses	_____
<b>TOTAL</b>	\$ _____

The excluded allowance may not exceed the fair rental value of home furnished, including utilities.

\*Loan payments on home equity loans or second mortgages are includible only to the extent the loan proceeds were used for housing expenses.

**ATTACHMENT - B**Youth for Christ Ministerial Housing Allowance Designation Worksheet  
Minister Living in Home Rented by Minister**Minister's Name:** \_\_\_\_\_**For the Period of:** \_\_\_\_\_ to \_\_\_\_\_**Date designation approved:** \_\_\_\_\_

<b><u>Allowable Housing Expenses</u></b>	<b><u>Annual Estimated Expenses</u></b>
(Expenses paid by minister from current income)	
Housing rental payments	\$ _____
Personal property tax on contents	_____
Personal property insurance on minister-owned contents	_____
Umbrella liability insurance	_____
Structural maintenance and repair	_____
Landscaping, gardening and pest control	_____
Furnishings (purchase, repair, replacement)	_____
Decoration and redecoration	_____
Utilities ( <i>gas, electricity, water</i> ) and trash collection	_____
Local telephone expense ( <i>base charge</i> )	_____
Mobile home space rental	_____
<b>SUBTOTAL</b>	\$ _____
10% allowance for unexpected expenses	_____
<b>TOTAL</b>	\$ _____

The excluded allowance may not exceed the fair rental value of home furnished, including utilities.

**ATTACHMENT - C**

## Request for a Ministerial Housing Allowance Designation Statement

I hereby affirm that I have reviewed the policies of YFC and have obtained independent advice concerning the benefits and consequences of taking a ministerial housing allowance. After completing my calculation worksheet, I expect to spend \$\_\_\_\_\_ annually, to provide a home as provided for by Section 107 of the Internal Revenue code for Ministers of the Gospel.

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Employee's Name

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Employee's Signature

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Date

## **ATTACHMENT - D**

Sample Board Resolution for Ministerial Housing Allowance Requests to Board of Trustees

IRS requires that the housing allowances granted by an organization be approved on an annual basis and recorded in the official minutes of said organization.

We ask the Board of Trustees approve the following resolution:

RESOLVED, that housing allowances be established for the following individual for the period of \_\_\_\_\_ to \_\_\_\_\_, and paid according to the portion of the Internal Revenue Code providing for such non-taxable allowances:

### **Review**

Jim Doe, *Job Title*                  \$10,000

Nancy Smith, *Job Title*                  \$15,000

**Change History** The following table tracks the changes that have been made to this document:

<b>Version #</b>	<b>Change Date</b>	<b>Change Description</b>	<b>Changed by</b>
1.1	06/01/2012	Creation	Laura Downey
1.2			
1.3			

### **Approval**

<b>Date</b>	<b>Person</b>	<b>Name</b>	<b>Initial</b>