

BAYLOR UNIVERSITY

December 6, 2017

MEMO TO: Ordained Baptist Ministers

SUBJECT: Ministers Housing Allowance for 2018

In accordance with Section 107 of the Internal Revenue Code, the gross income for a minister of the gospel does not include (1) the rental value of a home furnished to him or her as part of his or her compensation, or (2) the rental 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 may exclude from gross income the **smallest** of: (1) the amount actually used to provide or rent a home, (2) the amount officially designated as a housing allowance, or (3) the fair rental value of the home, including furnishings, utilities, garage, etc. See IRS Publication 517 for more information.

Since each minister has different priorities and needs relative to individual housing, Baylor allows as an exclusion from gross income a housing allowance based upon the minister's own individual expense, but not to exceed 100% of annual salary. Baylor can in no way assume the validity of the expenses in relation to IRS guidelines. Our involvement is limited to excluding the amount submitted from the minister's gross pay so as not to cause excess of withholding tax at the end of the year.

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. As you are aware, the housing allowance provides no exclusion from wages subject to self-employment tax.

Please indicate in the space provided below the amount of the annual Ministers Housing Allowance that you wish to claim for the calendar year 2018, **sign and return this letter by December 20, 2017**. This is an annual determination to be made each year and to be used for the entire calendar year.

If you have any questions, please contact the Payroll Office at 710-2217.

Becky Cliett, CPP
Senior Payroll Coordinator

I hereby authorize and request an annual amount of \$_____ * to be excluded from my gross income for 2018 and designated as Ministers Housing Allowance. This exclusion will begin with the January 2018 pay period.

Signature

ID #

Date

Please Print Name

* **Divide amount over 10 or 12 months. (circle one)**

Office Use Only: Accepted by _____ Date _____