



**Policy Title: Minister Housing Allowance Policy**

**Policy Number:**

**Date Issued: June 1, 2020**

**Responsible Executive: Director of Payroll Tax & Compliance**

**Date Last Revised: June 1, 2020**

**Responsible Office: Payroll Office**

## **Minister Housing Allowance Policy**

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### **Policy Statement**

This policy allows for the provision of a housing allowance to ministers employed by Baylor University (“Baylor” or the “University”).

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### **Reason for the Policy**

In some circumstances, Internal Revenue Service (IRS) regulations allow ministers ordained by a church or church denomination to claim a housing allowance which is exempt from income tax withholding. This policy provides the rules covering which ministers employed by Baylor University are eligible to receive a housing allowance.

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### **Individuals/Entities Affected by this Policy**

- Ministers performing Ministerial Services, which may include directly conducting religious worship as substantial part of employment at the University, or teaching religion and / or administrative duties at the Seminary, Department of Religion, or in the Office of Provost or President
- Ministers not involved conducting religious worship as substantial part of employment at the University or teaching religion and / or administrative duties at the Seminary, Department of Religion, or in the Office of Provost or President

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### **Related Documents**

[IRS Publication 517](#)

[IRS Publication 525](#)

[26 CFR § 1.107-1 Rental value of parsonages](#)

[26 CFR § 1.1402\(c\)-5 Ministers and members of religious orders](#)

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## Forms and Tools

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Ordained Minister Housing Allowance Certification Form (Appendix A.)

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## Definitions

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These definitions apply to terms as they are used in this policy.

<b>Minister</b>	Individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination and as recognized by Baylor University with authority to perform the duties of a minister.
<b>Housing Allowance</b>	Housing Allowance specifically provided as part of the compensation for the services performed as a Minister of the gospel. A specific amount must be designate as a Housing Allowance by Payroll prior to payment. It may include rental value of a home furnished to him/her or Housing Allowance used to purchase a home. It includes utilities, furnishings, etc. as designated by the IRS. A Minister may receive an allowance for only one home.
<b>Ministerial Services</b>	The services a Minister performs in the exercise of ministry, including performing sacerdotal functions; conducting religious worship; and controlling, conducting, and maintaining religious organizations (including integral agencies of such organizations) that are under the authority of a religious body that is a church or church denomination. A Minister is considered to control, conduct, and maintain a religious organization if he/she, directs, manages, or promotes the organizations' activities. It includes religious instruction or administrative duties responsible for religious instruction.

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## Contacts

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<b>Subject</b>	<b>Contact</b>	<b>Telephone</b>	<b>Office email/web site</b>
<b>Policy Questions</b>	Director of Payroll Tax & Compliance	254-710-8564	
	Human Resources	254-710-2000	

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## Responsibilities

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<b>Employee</b>	<p>Employee that is a Minister must provide certificate of ordination, license or commission, job description, and Appendix A to the Payroll Office.</p> <p>The Employee is responsible for calculating his or her own Housing Allowance based on the Internal Revenue Code. The allowance must not exceed the employee's gross income and must be the lesser of</p> <ul style="list-style-type: none"><li>• the amount actually used to provide or rent a home, including furnishings, utilities, garage, etc., or</li><li>• the fair rental value of the home, including furnishings, utilities, garage, etc.</li></ul> <p>Employee should keep an accurate record of expenditures to rent or provide a home in order to be able to substantiate any amounts excluded from gross income when filing employee's 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. Additionally, the Housing Allowance provides no exclusion from wages subject to self-employment tax under the Self-Employment Contributions Act.</p>
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## 2. Minister Housing Allowance Policy

	Refer to IRS Publication 517 for additional details. Refer to IRS Publication 525, Fringe Benefits, Faculty lodging for Ministers who live on campus.
<b>Payroll Office</b>	The Payroll Office will review documentation provided by employee and determine if the minister is eligible for the housing allowance.

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## **Principles**

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Baylor University allows for the provision of a Minister's Housing Allowance to employees that are Ministers ordained by a church or church denomination who are engaged in Ministerial Services. This policy gives important guidance to employees who desire to claim the Minister's Housing Allowance.

Covered Employees:

This policy allows for the provision of a Minister's Housing Allowance to employees that are Ministers engaged in Ministerial Services, which includes teaching, and who elected a Minister's Housing Allowance prior to December 31, 2018.

This policy allows for the provision of a Minister's Housing Allowance to employees that are Ministers engaged in

1. Ministerial Services of conducting religious worship as substantial part of employment, or
2. teaching religion and / or
3. administrative duties at the Seminary, Department of Religion, or in the Office of Provost or President.

Ministers not conducting religious worship as substantial part of employment at the University or teaching religion and / or administrative duties at the Seminary, Department of Religion, or in the Office of Provost or President are not eligible for Minister's Housing Allowance.

### **Examples of Ministers eligible for Housing Allowance**

- A Minister is employed by Baylor as a professor and / or in an administrative function in the Department of Religion.
- A Minister is employed by Baylor in a teaching and / or administrative function at Truett Seminary.
- A Minister is employed by Baylor as an Associate Chaplain.

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## **Procedures**

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### **Employee**

Employees who wish to claim the Minister's Housing Allowance will submit the Ordained Minister Housing Allowance Certification form (Appendix A) along with a copy of his or her ordination certificate or license and job description to the Payroll Office. If the employee is licensed or commissioned, he or she should have the authority to perform substantially all religious functions of an ordained minister.

### **Payroll Office**

1. The Payroll Office will review the documentation to determine if the employee is a Minister engaged in Ministerial Services, in accordance with the Principles delineated above.
2. If the Housing Allowance is denied, a notification of the action with justification will be provided to the employee.
3. If the Housing Allowance is approved, the Payroll Office will officially designate the specific amount of the Housing Allowance in advance of any payment by updating the employee's payroll record to denote the amount of the allowance designated. A subsequent annual renewal form will be provided to the Minister each December to be completed and returned to the Payroll Office.
4. Payroll will request proof each year that he/she will continue to be a Covered Employee.

**Appendix A. Ordained Minister Housing Allowance Certification Form**

Name:

Baylor ID#:

Position Held at Baylor:

Please check all applicable boxes:

- I certify that I am an ordained, commissioned, or licensed minister of a Baptist church or church denomination recognized by Baylor. In addition, I have provided a job description.
- I certify that I will notify the Payroll Office immediately if the above circumstances change.

If approved, I request a monthly housing allowance designation in the amount below. I assume responsibility for validity of the amount in relation to IRS guidelines.

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Signature: \_\_\_\_\_

Date: \_\_\_\_\_

*Review:*

The Payroll Office has reviewed the Ordained Minister's Housing Allowance Certification Form for conformity with the University's *Minister Housing Allowance Policy* and \_\_\_ approves \_\_\_ denies the requested housing allowance.

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Payroll Office