

Happy
New
Year

2018

the Informer newsletter

MONTHLY NEWSLETTER OF PCAI FELLOWSHIP
PARAGON CHRISTIAN ALLIANCE INTERNATIONAL &
PCAI CLERGY ASSOCIATION, INC.
JANUARY 2018 – ISSUE 1

**WATCH FOR
CONTRIBUTION
STATEMENT ENCLOSED!**

Since several cases are being brought forward to declare Housing Allowance as unconstitutional, we need to make sure we handle this privilege correctly according to the IRS. There are many misunderstanding among ministers concerning the allowance. Below are things you need to be aware of if you are provided a housing allowance.

Three Things Every Minister Should Know About Housing Allowance

If you did not have Housing Allowance for 2018 approved by your Board in December of 2017, January 2018 is the time to do it as this allowance has to be proactive not retroactive. Below are items released by the IRS to prevent trouble in the future with this benefit provided for ministers.

First what is Housing Allowance? It may surprise you that according to IRS it is salary!!! And is to be considered as such. A better term would be Housing Exclusion. The portion of a minister's salary that is properly designated as a housing allowance may be excluded from gross income and considered tax-free income (further on this later).

To keep things simple, think of the housing allowance in the following manner:

1. Your housing allowance is salary.
2. Your housing allowance is a designated portion of your salary that is excluded from (federal) income tax.

Point ONE: KNOW HOW TO PROPERLY SET UP YOUR HOUSING ALLOWANCE

When setting up your housing allowance and prior to its use, the allowance must be approved by your board of directors and recorded in board meeting minutes.

One reason for doing so is that your housing allowance is only proactive and not

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OFFICE HOURS : 9:00AM to
4:00PM

Update: The Battle Over Religious Liberty

SOURCE: The Legal Alert publication of Christian Law Association

Attorney General Jeff Sessions, per an executive order issued by President Trump, recently released a memorandum of guidance interpreting religious liberty protections in federal law. There are a few note-worthy statements in the memorandum which could result in increased protections for ministries and Christian business-owners.

- **Freedom of religion extends not just to persons, but to organizations—including businesses.**
- **Clarifications about the Johnson Amendment**
- **Reinforcing the guidelines on Religious Expression in the Workplace**
- **Expanding the right of religious organizations to employ only those who believe the same way**

It is especially heartening to see a presidential administration take such a firm stance on recognizing both the importance of religious freedom in our nation and ensuring our religious rights remain protected. This is good news for every church, Christian school, or religious organization wanting to ensure all employees and staff share the ministry's beliefs and views. This reinforces many existing protections, and there are a few noteworthy statements in the memorandum which could result in increased protections for ministries and Christian business-owners. While these guidelines will undoubtedly be challenged, they list religious freedom in a refreshing hardline stance.

This is designed to ensure our religious rights remain protected in the present culture and onward. Please keep the presidential administration and our court system in prayers as these guidelines begin to be followed and tested. Feel free to contact our office for more information or for an official copy of this memorandum.



What Counts as a Charitable Contribution?

Charitable contributions are limited to gifts of cash or property, but almost any kind of property will qualify—including cash, charges to a bank card, real estate, promissory notes, stocks and bonds, automobiles, art objects, books, buildings materials, collections, jewelry, easements, insurance policies, and inventory.

However, no deduction is allowed for contributions of service. Church members who donate labor to their church may not deduct the value of their labor. While personal services are never deductible as a charitable contribution, expenses incurred in performing services on behalf of a church may be.

Church Law & Tax created a bulletin insert to help answer your congregants' common year-end questions about contributions and tax law. You can purchase the *2018 Charitable Contributions Bulletin Inserts* (for 2017) at ChurchLawAndTaxStore.com

Three Things Every Minister... Continued from page 1

retroactive. For example if you wait until June to set up your housing allowance, then you will not be able to include the months of January to May.

Point TWO: UNDERSTAND HOW TO CORRECTLY CALCULATE YOUR HOUSING ALLOWANCE

The IRS Ministers Audit Technique Guide describes the limits placed on a minister's ability to exclude a housing allowance from gross income. A minister may exclude no more than the lowest of the following amounts:

1. The amount used to provide a home;
2. The amount designated as a housing allowance; or
3. The fair rental value of the home, including furnishings, appurtenances (i.e. garage) and the cost of utilities.

It is a pastor's responsibility to calculate each of these amounts. The next obvious question is what expenses can you include when calculating your housing allowance. In essence, your designated housing allowance may include all costs that are directly related to maintaining your home. Some examples of qualified expenses include:

1. Monthly payments: mortgage and rent payments
2. Taxes: real estate taxes, personal property taxes
3. Insurance: homeowners, fire, flood, renters
4. Home improvements: new roof, home additions (i.e. garage, carport) fencing, landscaping, pool deck, etc.

5. Maintenance and repairs: drapes, curtains, blinds, throw rugs, wallpaper, paint, molding, shelving, etc.
6. Utilities: gas, electricity, water and sewer, garbage service, cable/satellite, internet, phone line, home security, etc.;
7. Miscellaneous: home cleaning supplies, brooms, mops, vacuums, light bulbs, home supplies, carpet/rug/drapery cleaning, landscaping services, lawn equipment and supplies, garden hoses, garden tools, etc.

Before we move on, there is a little know tip regarding the amount of money your church designates as housing allowance for you. There is nothing in the tax code that limits the amount that a church can designate as a housing allowance for a minister.

But the housing designation does not determine how much a minister will be able to exclude from gross income. To meet the legal requirement, your housing allowance simply needs to be designated in advance of payment for the services you provide as a minister to the church. **AT THE SAME TIME RECALL** the amount you are able to report is limited to the lowest of the three amounts mentioned above in point 2.

The above information was provided by Start Church. For additional information you can click on their blogs concerning minister compensation.