

MEMORANDUM

TO: All Minister Employees of APU
FROM: Mark Dickerson and Stephen Grey
RE: Minister's Housing Allowance
DATE: June 22, 2006

Introduction

Minister employees may only exclude a "housing allowance" from their taxable income if:

- (1) they are bona fide ministers of the gospel;
- (2) they receive the housing allowance as compensation for qualifying ministry services; and
- (3) the housing allowance is designated by APU according to certain procedural requirements.

Ministerial Status

Ministerial status may be demonstrated through ordination, commissioning, or licensing. Our tax counsel has advised that the IRS is likely to question the ministerial status of employees whose status was conferred by a local congregation and not a denominational body. Otherwise, it may appear that such employees are claiming to be ministers primarily for tax reasons.

Qualifying Ministry Services

Qualifying ministry services include typical ministerial services such as the conduct of religious worship and the administration of sacraments. Other teaching or administrative/executive services performed for religious organization may only qualify for the housing allowance if performed pursuant to an assignment from the minister's ordaining church body. An assignment is only valid if it is bona fide and not merely a perfunctory acknowledgement of a minister's current employment position.

An "assignment" will probably not be deemed sufficient if it merely approves continuing employment or if it was obtained after the employment commenced. Further, an assignment may be challenged if the assigning church evidences minimal control over or involvement in the activities of the minister employee.

The key elements of an assignment include:

- (1) The assigning church or denomination shares certain religious purposes or tenets, as well as a common mission, with APU.
- (2) The specific activities which the employee is assigned to perform further the common religious purposes and mission of the assigning church and APU.
- (3) The person being assigned has a bona fide claim to the status of minister (either ordained, licensed, or commissioned).
- (4) The church intends to monitor the activities and/or performance of the assigned minister and has some means for doing so.
- (5) The church has some control over the assignment such that it could be revoked if the purposes and mission of the church were no longer being furthered.

A sample letter of assignment has been attached for use by church bodies and minister employees.

Procedural Requirements

The housing allowance must be formally designated by APU prior to the provision of services for which the allowance serves as compensation. For faculty members, this means that the designation must occur prior to the commencement of the applicable contract year. The actual amount of the MHA is the lesser of: (i) the fair rental value of a home furnished by APU, plus utilities; (ii) the actual housing expense incurred by the minister employee; and (iii) the amount designated as a housing allowance by APU.

Policy:

In order to qualify for a MHA, an employee must meet the following requirements:

- A. Provide APU with a copy of his/her current ordination, commissioning or licensing certificate from his/her denominational headquarters to demonstrate their ministerial status.
- B. Either perform typical ministerial services for APU as a significant part of the employee's job responsibilities, such as presiding at worship services, administering sacraments and providing spiritual discipleship OR be assigned to perform duties at APU by the denomination to fulfill the common religious purposes and mission of the assigning church and APU and have the church monitor the performance of those duties. Such

assignment must be from an ordaining church body (not a local congregation) and contain all of the elements set forth above under "Qualifying Ministry Services."

- C. Submit a completed Ministry Housing Allowance Designation Request form (see attached), including a good faith estimate of his/her housing costs.

Attachments:

Sample Letter of Assignment
Designation Forms