

MEMORANDUM

TO: All Minister Employees of APU

FROM: Bob Johansen and Junine Schoen

RE: Minister's Housing Allowance

DATE: April 20, 2018

Ministerial Housing Allowance Update

As the new contract year approaches, it is also time to apply for a new Ministerial Housing Allowance. In light of the aggressive approach the IRS is taking in regard to the Ministerial Housing Allowance (MHA), APU is doing its due diligence to ensure that we are strictly complying with the regulations. Last year APU formed a Ministerial Housing Committee to review applications and recommend either approval or denial to the Audit Committee.

Please provide the following to the MHA Review Committee in the Business Office:

- 1) Minister's Housing Allowance Declaration and Designation Request Form
- 2) An updated assignment letter from your ordaining church or denomination, if applicable
- 3) If there is no valid church or denomination assignment, a description of how you meet the Tasks test as defined in the policy. (There is no form so please submit as a separate document.)
- 4) Minister Housing Allowance Worksheet. (Be sure to include on your worksheet a good faith estimate of housing costs.)

You may find the forms at <https://www.apu.edu/businessoffice/forms/>. These are due to the MHA Review Committee by June 15, 2018. (The deadline for the committee to complete its work is June 30, 2018)

If you are a contract employee, please use your contract start and end date as the designation period. Administrative employees should use the new fiscal year, 7/1/18 - 6/30/19, as your designation period.

APU does not offer any tax advice to employees interested in applying for Ministerial Housing Allowance. Employees are encouraged to log on to the following IRS link to review IRS

Publication 517 **and contact their tax advisor** to answer any tax questions or determine any taxable benefits.

http://www.irs.gov/publications/p517/ar02.html#en_US_2014_publink100033572

Below is a summary regarding the Special Tax Provisions for Ministers. This information is not intended as a substitute for reviewing IRS Publication 517 and consulting with your tax advisor as noted above.

- Exemption of clergy compensation from mandatory income tax withholding: Minister Employees are considered self-employed for tax purposes. As a result, APU will not withhold federal or state income taxes from compensation. However, the Minister is eligible for a voluntary income tax withholding arrangement and may request that APU withhold income tax to assist in covering self-employment (SECA) tax. The minister may also make estimated payments on IRS Form 1040 ES during the withholding period.
- FICA type social security and Medicare taxes are not withheld from the compensation of a qualified minister. As noted above, Ministers are self-employed for social security purposes and must file IRS Schedule SE to compute self-employment social security tax (SECA), unless they have opted out of social security. (Consult your tax advisor and IRS Publication 517 for this provision)
- APU provides a \$1,000 SECA refund to Ministers which may be used to assist in covering self-employment SECA taxes. The refund is considered taxable income.