

Ministerial Housing Allowance Policy

Ministerial Housing Allowance Summary

Youth For Christ USA employees who qualify may elect to have a portion of their salary be taken as a ministerial housing allowance. Submission and approval of a letter of assignment and other documentation from their ordaining, licensing, or commissioning body, and completion of a housing allowance computation worksheet is required.

YFC strongly recommends that you consult with a tax advisor for further details regarding the ministerial housing allowance. Ministers for Tax Purposes have a dual tax status. They are considered employees for income tax purposes and self-employed for Social Security tax purposes. Ministers for tax purposes are:

- Exempt from federal income tax withholding
- Required to pay the full amount of Social Security tax
- Allowed to exclude housing allowance from federal income tax, but not from Social Security tax

Legal Requirements

As laws and regulations continue to change, YFC wants to ensure that we continue to administer housing allowance in accordance with these laws and regulations through improved policies and procedures. Therefore, we have pulled into this policy the below information to aid in understanding the eligibility requirements and for continued compliance around ministerial housing allowance.

According to ECFA (Evangelical Council for Financial Accountability) Church & Nonprofit Tax & Financial Guide, the following elements are required for a proper assignment:

- A written policy by the church describing the specific requirements for the relationship of the church, both to the minister being assigned and to the parachurch organization to which the minister is assigned. This would include the church's theological and policy goals for the assignment.
- A formal review by the church to confirm that the minister and the proposed ministry with a parachurch organization qualify under the church's policy.
- A written assignment from the church coupled with guidelines for supervision of and reporting by the minister and the parachurch organization to the church. A periodic (at least annual) formal review of the minister's activities to confirm that the assignment continues to comply with the church's policy.

Qualifying Criteria

YFC has established six criteria, based on legal counsel review, as factors for determining one's eligibility for housing allowance at YFC. These criteria are meant to (i) assist YFC in determining whether an individual, who is a minister of a church and who has been assigned by the church to work as a minister within YFC, qualifies for a ministerial housing allowance and (ii) provide guidance as to what documentation YFC will require before designating a portion of the minister's salary as a ministerial housing allowance.

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The qualifying criteria are as follows and should be addressed in each individual's annual assignment letter from their governing church body.

1. Is the YFC employee duly ordained, licensed or commissioned as a minister by a church or denomination? (Include written documentation on ordination, licensing, or commissioning)
2. Is the minister serving at YFC USA at the written request of his/her church and/or denomination? Did the church and/or denomination assign the minister to work at YFC as part of their duties as a minister of that church or denomination? Is that assignment in writing? Does the written assignment state that the church recognizes that the minister (the YFC employee) is serving their church by working at YFC and that the minister is still considered a part of their church?
3. Do the ongoing communications between the assigning church and the YFC employee evidence that the church considers the minister's work at YFC as part of the church's mission as expressed by the assignment? Examples include ongoing supervision, denominational affiliation, contributing significant financial support, or being the long-term "home church."
4. How do the duties performed by the minister for YFC relate to the express purposes of the assigning church? The assignment must be "significant" and "directly related" to accomplishing the purposes of the assigning church.
5. Does the assignment discuss the nature and frequency of the oversight that the assigning church expects? That is, how are the assigning church and YFC going to communicate back and forth concerning whether the minister is accomplishing the purpose of the church and the assignment? Think of this as an ongoing performance evaluation that the assigning church must conduct at least annually. The process for how the assigning church will maintain oversight needs to be documented. The successful annual completion of this evaluation then becomes the basis for the next year's assignment letter. The assignment letter should indicate that the annual review between the assigning church and the minister has been completed.
6. Do the services the minister is performing for YFC substantially (>50%) involve conducting religious worship or performing sacerdotal functions, as determined by YFC? Does the YFC employee conduct religious worship services on a regular basis?

Note: Numbers 1 through 5 must be documented and updated annually in an assignment letter sent from the assigning church and filed with People Stewardship. Number 6 must be confirmed and documented by the YFC supervisor and People Stewardship by reviewing the individual's current job description.

YFC Ministerial License

YFC USA is classified as an Association of Churches, as described in sections 509(a)(1) and 170(b)(1)(a)(i).

Every employee in the movement of YFC is recognized as an Associate Minister of the Gospel. Any YFC employee desiring to become a Licensed Minister, may do so upon successful completion of the YFC Ministerial Licensure requirements.

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Licensed, commissioned, or ordained ministers should receive a letter of assignment from a qualified ordaining, commissioning, or licensing body. YFC USA will only provide letter of assignment for employees that have completed the YFC Ministerial License.

Housing Allowance Guidelines & Procedures

If you are a YFC USA employee, and would like to receive ministerial housing allowance, the following guidelines and procedures will need to be completed in order to receive a portion of your salary as a ministerial housing allowance. It is strongly recommended that you consult with a tax advisor prior to making any determination regarding receiving a ministerial housing allowance, as receiving a ministerial housing allowance may not be beneficial in all situations.

Your ministerial housing allowance and approval is always “forward looking,” that is, it looks into the next 12 months for payment arrangements. The YFC/USA National Board will approve ministerial housing allowance requests for the future calendar year (January to December) during the last board meeting of the previous calendar year.

If you begin employment during the year, paperwork that is submitted prior to the next scheduled board meeting may be approved for the remainder of the calendar year. Until you receive board approval, a housing allowance will not be administered.

Ministerial housing allowances need to be approved on an annual basis by the YFC/USA National Board or Chapter Advisory Board.

1. Qualification for receiving a ministerial housing allowance rests upon being licensed, commissioned, or ordained, and being granted a letter of assignment from a qualified ordaining, commissioning, or licensing body recognized by the YFC/USA leadership. If you meet this qualification, you need to obtain a copy of your ordination, commission, or licensing certificate from your assigning body.
2. Annually you need to meet with your governing assigning church body to obtain an annual assignment letter, which addresses the qualifying criteria, described previously.
3. Please ensure your job description is up-to-date and submit it along with your other documents. This is needed to help certify that you are performing qualified services as defined under the IRS code to include one or more of the following:
 - Sacerdotal functions.
 - Conducting and leading times of worship, prayer, Bible teaching and study, evangelism, and other similar ministerial services.
 - Controlling, conducting, and maintaining your organization’s ministry activities. If it is your job to “direct, manage or promote” your organization’s ministry activities the IRS is most likely to consider such services to be qualifying.
 - Developing, researching, and writing specific religious materials, books, and articles.

It is important to note that the IRS does not automatically consider someone a minister for tax purposes simply because the person is ordained, commissioned, or licensed. People Stewardship has designated roles (as presented on the Job Description) as Ministerial Exception. The

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designation of the Ministerial Exception indicates that a minimum threshold for performing ministerial duties exceeds 51% of the overall function of the role.

4. A Housing Allowance Worksheet should be completed to help you calculate the amount to request. A sample Housing Allowance Worksheet is located in the Appendix, Attachment A or B. This Worksheet *does not* need to be provided to YFC but is provided as a tool to help you determine the amount of ministerial housing allowance you may request. You must complete and submit a written Request for a Ministerial Housing Allowance Designation form each year, see Attachment C in the Appendix. NOTE: The reasonableness and specific amount of the ministerial housing allowance requested is your personal responsibility.
5. When numbers 1-4 have been submitted to People Stewardship, the Housing Allowance Committee will review your request and appropriate documentation. If the Housing Allowance Committee agrees that your documentations meet the qualifying criteria; your housing allowance request will be presented at the next YFC/USA National Board Meeting or local Chapter Advisory Board meeting for final approval (Attachment D).
6. You should be notified in writing following the board action. Copies of all documents will be retained by People Stewardship or local Chapter.
7. After board approval, all housing allowance requests will be implemented January 1 or the next appropriate payroll processing cycle.

Annual Report to Assigning Body

You should provide an annual written report on your ministerial activities with YFC to your assigning body. It is suggested that you also submit this with the above four documents during the annual review process to People Stewardship. Additionally, if your assigning body provides you with an annual review, this should also be provided to People Stewardship for review.

Social Security/FICA Taxes

Remember, the YFC employee is responsible for paying and filing taxes for all of the Social Security taxes for both components of the employee's pay, the ministerial housing allowance, and the salary portion.

YFC desires to provide a straightforward compensation package that benefits all employees. To this end, YFC will provide all YFC USA employees who receive a housing allowance, a FICA allowance equal to approximately 7.65% of their normal salary, which does not include housing allowance. This FICA allowance will be visible on the paycheck and listed as "FICA Allowance". It will be separated from your normal salary and housing allowance to provide transparency; however, from an IRS perspective, this FICA allowance is considered taxable salary when reporting income.

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APPENDIX

Attachment A: Housing Allowance Designation Worksheet – Minister Living in Home Owned by Minister

Attachment B: Housing Allowance Designation Worksheet – Minister Living in Home Rented by Minister

Attachment C: Request for a Ministerial Housing Allowance Designation Statement

Attachment D: Sample Board Resolution for Ministerial Housing Allowance Requests to Board of Trustees

This material is provided solely for informational purposes. It is not to be construed as legal advice. For authoritative assistance in this matter, you should contact your attorney, tax counselor, or accountant.

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