

2010 NC Annual Conference Church Parsonage Utility Payment Guidance

Guidance for Utility Payments - Beginning January 1, 2010, all congregations with pastors living in parsonages should begin paying utility costs for the parsonages to the utility companies directly and should not provide cash utility allowances to the pastor to make such payments. This guidance is intended to increase accountability surrounding utility payments for church parsonages and to help ease transition requirements during appointment changes.

Application – full-time or part-time pastors living in parsonages.

Procedure – have utilities as defined below in “Considerations” listed in the name of the church instead of the pastor and have the church pay the bills directly to the utility company *instead of* paying an allowance to the pastor for him/her to make payment to the utility company.

Amount – The policy established by the Commission on Equitable Compensation and approved by Annual Conference recommends a minimum of \$2,400 per year for planning purposes. Full payment for the above-mentioned utilities under direct payment should be provided even if the payments exceed the budgeted amount. Pastors and Staff Parish Relations Committees are advised to carefully consider the costs of providing utilities when preparing budget requests.

Considerations:

- Utilities have been defined in industry guidance to be electricity, heat, water/sewer, trash pick-up, local telephone expenses and internet access.
- Costs that have not been defined as utilities in industry guidance include long distance telephone service, cable or satellite television service, and cellular phone service.
- Cell phone services are currently considered to be listed property by the IRS and are, therefore, expressly excluded from treatment as a utility. These may be included and documented as a business expense through a separate accountable reimbursement plan but should not be considered as part of the utilities at this time.
- Bundled services may include options not generally considered to be utilities. Some bundle costs are lower than the separate items purchased individually.
- Any funds remaining unspent from the utilities budget line under an accountable plan revert to the general fund at the end of the year and are not available to be paid to the pastor as compensation.
- Direct utility payments are not considered plan compensation for pension purposes and will not count in the pension plan calculation. As such, the church's pension contribution for the pastor will reduce by the pension due on the amount of the utilities.
- Utility payments paid directly to the utility company for parsonage utilities may still be reportable by the pastor for self-employment tax purposes. Churches may include the amount paid for parsonage utilities as additional information on the pastor's W-2 or may report that information separately to the pastor for his/her tax filing purposes.

Exclusions:

- Pastors receiving housing allowances living in private residences. Utilities should still be paid through a vouchered system for accountability (i.e., pastors should provide documentation of utility costs to the church treasurer). These allowances should be carefully considered to establish a fair and reasonable amount of allowance.

Additional guidance is available from the GCFA Legal Department on clergy housing and utilities allowances at http://www.gcfa.org/ls_ctp.html.