

NC Annual Conference Church Parsonage Utility Payment Guidance

Guidance for Utility Payments - Beginning January 1, 2014, all congregations with pastors living in parsonages shall pay 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 requirement 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 2013 Annual Conference recommends that each local church/charge of full time appointments would provide for utilities expense for parsonages.

Considerations:

- Utilities have been defined in guidance from the IRS to be electricity, heat, water/sewer, trash pick-up, local telephone expenses, cable and internet expenses.
- Costs that have not been defined as utilities, in guidance from the IRS, include long distance telephone service, satellite television service, and cellular phone service. Cellular telephone service has been determined to be a legitimate business expense when paid under an accountable plan, but is not a housing or utilities expense.
- 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/tax-packet>.

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