

# FAQ: THE MINISTER'S HOUSING ALLOWANCE

## 1. What is the Minister's Housing Allowance?

The Minister's Housing Allowance is a tax benefit available to qualified ministers under Section 107 of the Internal Revenue Code. The benefit allows "ministers of the gospel" to exclude all or a portion of their 403(b) account withdrawals from their income for federal income tax purposes.

## 2. Who is eligible for the Minister's Housing Allowance?

Only a minister for tax purposes — a licensed, commissioned or ordained minister who performs ministerial services as an employee — may be eligible for the Minister's Housing Allowance. Both active and retired ministers may be eligible for an allowance. Church custodians, secretaries and ministerial staff who are not ministers are not eligible for the Housing Allowance.

## 3. What is the annual limit for the Housing Allowance?

The total amount that a minister may exclude from taxable income is the smallest of the following:

- The housing allowance designated by the OPC's Committee on Ministerial Care
- The actual qualified housing expenses
- The fair rental value of the home

The Committee on Ministerial Care has designated that the Housing Allowance for the Orthodox Presbyterian Church 403(b) Retirement Plan be set at \$3,208.33 per month (or \$38,500 annually) for the calendar year 2026 and beyond. The 2025 Housing Allowance was \$3,100 per month (or \$37,200 annually).

## 4. What expenses qualify for the Minister's Housing Allowance?

Qualified housing expenses that are eligible for the Housing Allowance generally include any expense related to providing or maintaining a home. These expenses include the following: (1) rent, principal payments or down payments plus the cost of buying a home; (2) property taxes and mortgage interest; (3) utilities (heat, electric, telephone, water, etc.); (4) furnishings, appliances, dishes, cookware and decorations; (5) insurance; and (6) miscellaneous expenses including improvements, repairs, and maintenance for the home and its contents. It is important that ministers maintain sufficient documentation to support their qualified housing expenses.

## 5. How do I claim the Housing Allowance when filing my taxes?

Retired ministers who are receiving distributions from their OPC 403(b) Retirement Plan will receive a Form 1099-R, which discloses the total annual withdrawals. The Form 1099-R will list the "Taxable amount" as "Taxable amount not determined."

It is the individual minister's responsibility to determine the amount qualifying as an exclusion from taxes. To the extent that a minister has verifiable housing expenses, he can lower the taxable withdrawals from OPC 403(b) Retirement Plan as determined by Question 3.

## 6. I would like to transfer my 403(b) account to a separately managed IRA or 401(k). Will I still be able to claim the Housing Allowance?

Moving funds outside of a church-sponsored 403(b) plan will result in forfeiture of the Housing Allowance benefit. The Housing Allowance exclusion is a feature specific to church-sponsored 403(b) plans only. Therefore, the only retirement distributions that are eligible to be designated as a Housing Allowance are those paid through a church-sponsored 403(b) plan. As a result, if a minister transfers his OPC 403(b) Retirement Plan to a separate retirement account (IRA, Roth IRA, 401(k), etc.), he will forfeit his eligibility for the Housing Allowance and future distributions from the respective retirement account will be fully taxable.

## 7. I am a widow of a qualified minister — am I eligible to claim the Housing Allowance on 403(b) distributions?

A surviving spouse or beneficiary is not eligible to claim a Housing Allowance based upon the ministerial service record of another individual.

For further reading on the Minister's Housing Allowance, please visit:

<https://www.irs.gov/pub/irs-pdf/p517.pdf>.