

## **Housing Equity Allowance**

Clergy who live in church-owned housing do not have the opportunity to benefit from the build-up of equity in their homes that is available to those who own their own homes. This affects their ability to purchase a home for retirement. For that reason, the diocese mandates that the congregation pay into a tax-deferred account (such as RSVP) an amount equal to at least 2% of the Total Clergy Compensation each year. This is called a Housing Equity Allowance.

It is recommended that this amount start at 2% and grow to 10% of Total Clergy Compensation over time. The amount contributed is included in the pension fund assessment calculation (but not in the pension fund's calculation of the value of housing), and is not subject to SECA tax. It is a deferred compensation payment and, therefore, is not subject to Federal income taxes until withdrawn, usually after retirement. Because these are employer contributions, they are not subject to state taxes until withdrawn.

To calculate the Total Clergy Compensation, please see the appropriate example on the previous web page.