The Internal Revenue Service (IRS) and the California Franchise Tax Board (CFTB) allow certain personal expenses associated with providing housing to be excluded from the gross income of an ordained minister who qualifies for the allowance. The Biola University Board of Trustees established the present policy and procedures for processing requests from employees wishing to claim housing allowance.

**Tax Code Definitions**

Section 107 of the IRS Tax Code requires that the following work be done by a minister:

> In order to qualify for the exclusion, the home or rental allowance must be provided as remuneration for services which are ordinarily the duties of a minister of the gospel. Examples of specific services the performance of which will be considered duties of a minister for the purpose of Section 107 include the performance of sacerdotal functions and maintenance of religious organizations and their integral agencies…

Serving in a college is permitted, but only as an integral agency of a religious organization as in the case of a denominationally-owned college:

> Ordained ministers of the gospel who teach or have positions involving administrative and overall management duties in parochial schools, colleges, or universities which are integral agencies of religious organizations are in performance of their duties as ministers of the gospel.

> The rental allowance exclusion does not apply in the case of ordained ministers who are employed as teachers or administrators by an organization which is not an integral agency under the authority of a religious body consisting of a church or church denomination…

Because Biola is not owned by a church or a denomination, Biola ministers may not be eligible for ministerial housing allowance through their work at Biola.

While in the technical letter of the tax code schools that are not an “integral agency” under a religious body may not qualify as an institution eligible to grant ministerial housing allowance, in practice many of these schools do feel that there is justification in offering the allowance based on apparent IRS and CFTB interpretation and practice. In practice it appears that there is a broadening of the eligible religious institutions beyond those owned by churches or denominations to include the independent, nondenominational schools.

Although over the years particular housing expenses have been challenged and disallowed under the scrutiny of a tax audit, to our knowledge the housing allowance itself has never been disallowed to faculty assigned to the University’s biblical studies and professional seminary programs. There were instances, however, where CFTB audits did result in the disallowance of the housing allowance for several ordained faculty in other departments.

Since there is no way, however, to predict the outcome of any future tax audits, each ordained minister who claims a ministerial housing allowance should be aware that the employee, alone, bears the risk of the allowance being disallowed and for the payment of any associated penalties should there be any adverse future ruling by the IRS or the CFTB. Any litigation costs to challenge an adverse ruling could be expensive and would be borne solely by the employee claiming the
allowance. Employees should consult their own legal and/or tax counsel prior to claiming the ministerial housing allowance.

To assist employees who are ordained ministers in claiming the ministerial housing allowance, the Board of Trustees will consider passing the appropriate resolution required by the IRS. In keeping with the intent of tax regulations, the Board will only consider resolution for employees in biblical studies or pastoral positions.

For full details and procedures for this allowance, please contact University Services.