

Chicory Wealth
INTEGRATING MONEY AND MEANING

TAX CONSIDERATIONS

For Clergy Members

Clergy tax rules can be uniquely complex. If you're a faith leader or religious worker, here are some key considerations to keep in mind regarding the special housing, self-employment, and income reporting rules that may affect your taxes.

CLERGY SALARY



Wages (Form W-2, Box 1) are subject to ordinary income tax AND self-employment tax.

Housing Allowance (Form W-2, Box 14) is subject to self-employment tax ONLY.

TAX TIP:
Allocating more of your salary to your housing allowance can reduce taxable income!

CALCULATING YOUR HOUSING ALLOWANCE

Your housing allowance is limited to the **lowest of these three amounts:**

The amount officially designated by your church.

The amount you actually spend to maintain your home.

The fair rental value of your home.

TAX TIP:
Track all expenses used to maintain your home throughout the year. If you're unsure of your home's fair rental value, ask a realtor for an estimate.

ELIGIBLE HOUSING EXPENSES

HOA Fees & Security Systems

Rent or Mortgage Payments
(Principal & Interest)

Utilities
(Electric, Gas, Internet, Phone, etc.)

Homeowners Insurance & Property Taxes

Repairs & Maintenance
(Snow Removal, Painting, Lawn, Pest, Plumbing, Roofing, Etc.)

Furnishings & Equipment
(Appliances, Window Treatments, Furniture, etc.)

A REAL LIFE EXAMPLE

Roya is a pastor in Atlanta, Georgia. Her total salary is $100,000. In 2025:

- Her church designated **$35,000** as a housing allowance.
- She spent **$32,000** on eligible housing expenses.
- The fair rental value of her home is **$38,000** per year.

The lowest of these three amounts is **$32,000**. This is her allowable housing allowance. This portion of her salary is subject to self-employment tax ONLY. The remaining **$68,000** is subject to ordinary income tax AND self-employment tax.

By making use of her clergy housing allowance, Roya saved over **$7,000** ($32,000 x 22%) in federal taxes and **$1,600** ($32,000 x 5.19%) in state taxes.



ESTIMATED TAX PAYMENTS

- Self-employment taxes are **not automatically withheld** on any part of your salary, including wages or housing allowance.
- To avoid a significant balance due with your tax return and to reduce penalties, **pay these taxes through quarterly estimated tax payments** due on April 15, June 15, September 15, and January 15.
- Your tax accountant can help calculate the exact amount based on your **total salary** and how it's allocated between wages and housing allowance.

HOUSING ALLOWANCE FOR RETIREMENT INCOME



Clergy can also receive a housing allowance from **retirement income**, including pension or church-sponsored retirement plan distributions.

TAX TIP:
Be careful when rolling over church-sponsored retirement accounts, as you may lose the ability to designate a housing allowance on those funds. Always discuss with your advisor beforehand to ensure you preserve this tax benefit.

For questions or to discuss your situation, please contact
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