



## **Ministers, Retirement Home Fees, and the IRS**

Many ministers move into a retirement home following their retirement from ministry. There often are two costs associated with such living arrangements: (1) a lump sum entrance fee, and (2) monthly or annual "maintenance" fees. The IRS has ruled that a lump sum "entrance fee" paid by a retired minister to gain admission to a retirement community cannot be prorated over several years and claimed as a housing expense in those years. It can only be treated as a housing expense in the year that it is actually paid. IRS Letter Ruling 8348018 (1983).

***What about monthly or annual maintenance fees? Can a retired minister's housing allowance (designated by the Board) be applied to these fees?***

That depends. Section 107 of the tax code allows ministers to exclude from gross income the portion of their compensation designated in advance as a housing allowance, to the extent that the allowance is used to "rent or provide a home." The regulations define this language as follows:

"Circumstances under which a rental allowance will be deemed to have been used to rent or provide a home will include cases in which the allowance is expended (1) for rent of a home, (2) for purchase of a home, and (3) for expenses directly related to providing a home. Expenses for food and servants are not considered for this purpose to be directly related to providing a home."

As a result, a retired minister's housing allowance can be applied to any portion of a monthly "maintenance fee" charged by a retirement home that is "an expense directly related to providing a home." The regulations prohibit housing allowances from being applied to the costs of "food and servants," and therefore a housing allowance could not be applied to any portion of a maintenance fee that goes to food or housekeeping expenses.

**This is strictly our interpretation of the ministerial tax benefit. We are not tax specialists, therefore, please contact an accountant or financial advisor for further guidance.**