

Episcopal Residence Information Reporting For Income and Self-Employment Taxes For Bishops Residing in Conference-Owned Residences

Reminder: While the fair market rental value of an episcopal residence (including provided furnishings and utilities) is excludable from federal taxable income, that amount is **not** excludable from federal taxable earnings for computing self-employment tax liability. This document is intended to assist annual conferences and bishops in collecting the necessary information to allow bishops living in episcopal residences to accurately determine their self-employment tax liabilities.

1. What information should be provided to the Bishop by the conference?

By January 31 of the following year, conferences should provide an itemized list of episcopal residence-related utility expenses paid by the conference in the relevant tax year, including but not limited to, gas, electric, water, and sewer, along with the value of provided furnishings (if any). Additionally, the conference should inform the bishop of the amount of any parsonage allowance¹ it paid directly to the bishop, as this amount also must be included in the computation of taxable earnings for computing self-employment tax liability. Conferences may also provide information on other recurring non-maintenance yet routine residence expenses, such as:

- Security systems
- Cable & data services
- Routine lawn care
- Snow removal
- Window cleaning
- Interior cleaning services

2. How should the determination of fair market rental value be handled?

The IRS Ministers Audit Techniques Guide states “[d]etermining the fair rental value is a question of all facts and circumstances based on the local market, but the church and minister have often already agreed on a figure and can provide documentary evidence.” With that in mind, the bishop and/or conference should arrange for an appraisal of the fair market rental value from a local real estate professional or appraiser. Regardless of how the value is calculated, both the results and the method used should be documented and retained with other tax-related records.

3. What should be done with this information?

The bishop should provide all information from the conference to the bishop’s tax preparer. The tax preparer, not the conference, should determine how to treat the information for self-employment and income tax reporting purposes. All supporting documentation in the hands of the bishop or the conference should be retained in the event the information is needed for amending returns or in the unlikely event of an audit.

4. Where can you learn more?

- IRS [Publication 517](#)
- IRS [Minister Audit Technique Guide](#)
- GCFA’s [Clergy Tax Packet](#)
- Chapter 6 of the *Church and Clergy Tax Guide*, by Richard R. Hammar

¹ Some conferences may use the terms “utilities allowance,” “furnishings allowance,” etc.