

Claiming the clergy housing allowance and the RCA Retirement Plan

RCA
Board of Benefits Services

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Disclaimer:

This resource is intended as a possible starting point for the reader's consultation with a professional of their own choosing. Its sole purpose is to briefly summarize how some professionals have chosen to claim the clergy housing allowance on distributions to their clients from the client's account in the RCA Retirement Plan. The information provided is not intended to apply in any way to distributions from an account in the RCA 403(b) Retirement Program. This resource is not intended as, nor should it be considered to be, tax, legal, or financial advice. For such advice, consult with an experienced accounting, tax, legal, or similar professional. This information was written in May of 2023, and IRS policy and forms are subject to change.

Introduction

RCA Ministers of Word and Sacrament may claim the clergy housing allowance tax benefit on up to 100% of all distributions from the RCA Retirement Plan and the RCA 403(b) Program. A number of participants have contacted the Board of Benefits Services (BOBS) requesting resources on how to claim the clergy housing allowance on distributions from the RCA Retirement Plan. The following resource is intended to help Reformed Church in America (RCA) ministers and their tax consultants to understand how others are claiming the clergy housing allowance benefit when filing their taxes. Staff from BOBS spoke to three different tax professionals who work with retired RCA clergy, and each used the same method in claiming the housing allowance in regards to the RCA Retirement Plan.

The Challenge

The RCA Retirement Plan is a grandfathered non-qualified, deferred compensation plan. It is different from many qualified retirement plans, including the RCA 403(b) Program. Because it is a deferred compensation plan, distributions are reported on a W-2, rather than a 1099-R. Fidelity is required to withhold taxes on behalf of the participant at the time of distribution, and so the housing allowance benefit cannot be claimed until filing taxes. The Minister's Tax and Financial Guide published by the Evangelical Council for Financial Accountability (ECFA) doesn't speak to how a housing allowance can be claimed in this scenario because of the uniqueness of the RCA Retirement Plan. An additional challenge is that BOBS does not employ any tax experts, and therefore cannot give advice on filing taxes.

Outline of the Process

1. Distributions from the RCA Retirement Plan are reported on a W-2 form. Distributions are recorded in box 1, and federal income taxes withheld are recorded in box 2.
2. On Form 1040, all W-2 income is reported in box 1a.
3. To claim the housing allowance exclusion, first the [three-prong test](#) must be performed. The housing allowance claimed can be no more than the lesser of:
 - o Actual housing expenses - [Housing allowance worksheet](#)
 - o Fair Rental Value of the Property
 - o Total amount of distributions from either of the RCA retirement plans
4. On Schedule 1 (Form 1040), line 8-z allows for “other income” to be listed. In the space designated, some write “Retired Clergy Housing Deduction” or “Housing Allowance Deduction”. In box 8z, list the amount calculated for the housing allowance as a subtraction (a negative figure).
5. This subtraction (negative figure) will then be recorded on form 1040 line 8.
6. As is the case with any minister claiming the housing allowance, retired clergy should be prepared to substantiate the housing allowance claimed with documentation and receipts.

Claiming the clergy housing allowance and the RCA 403(b) Program:

Claiming the housing allowance from the RCA 403(b) Program is a different process. Ministers may select housing distributions from your 403(b) program funds through [NetBenefits](#) or by calling 1-800-343-0860. The process for claiming the housing allowance from 403(b) distributions on your taxes is clearly outlined in the Minister’s Tax and Financial Guide published by the ECFA.