

Should we sell our Parsonage?

A Step by Step Guide



What we will cover



- An Easy 4 Step Process
- BoD ¶ 2540, 2541, 2542, 2543
- Financial Considerations
- Proceeds of a Sale

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The Good Word

And Jesus said to him, “Foxes have holes, and birds of the air have nests; but the Son of Man has nowhere to lay his head.”

Matthew 8:20

A Step by Step Process



Consult

Pastor
District
Superintendent
District Board of
Building and
Location

Study

Church Council
Trustees

Consent

Pastor
DS
District Board of
Building and
Location

Approve

Majority vote of
called Charge or
Church
Conference

Factors To Be Analyzed when Selling the Parsonage

Thanks to Paul Eichelberger

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The Good Word

For which of you, intending to build a tower, does not first sit down and estimate the cost, to see whether he has enough to complete it?

Luke 14:28

Operating Cost Comparisons

- Current Parsonage Costs vs. Housing Allowance
- Future Parsonage Costs vs. Housing Allowance
(project for 20-30 years)

Include: Debt payments, utilities, capital improvements

Investment Comparisons

- Keep Parsonage – project future home value increases
- Sell Parsonage – project the investment gains from the net proceeds
- Sell Parsonage – if proceeds are applied against other church debt, calculate the debt interest that will be avoided

Considerations if renting the parsonage

If you decide to rent the parsonage the Church will lose the property tax exemption for that portion of the church's property comprised by the parsonage. **EVEN IF:**

- Another pastor rents the parsonage.
- Another church was paying rent to your church on behalf of their pastor.
- The rental rate being charged to the pastor is below market.
- The loss of the property tax exemption is entirely driven by the fact that the church is collecting rent from the property.

Considerations if renting the parsonage

We are aware of case law that supported in some Texas jurisdictions a more lenient ruling that would keep a property tax exemption in place for any ordained minister who lived in a parsonage. In these cases, it was not critical that the ordained minister be assigned to that church. However, most significant in those cases was the aspect that rent was not being collected. I found no case law that supported the property tax exemption remaining in place when rent was involved.

Considerations if renting the parsonage

- If the church does rent the parsonage, you need to notify the tax office and then the tax assessment will indicate what percentage of the church property is now subject to property tax. If you believe the percentage is too high, then there should be instructions on the tax assessment notice for how to file an appeal.
- You can factor the tax burden into the rental price.

Considerations if renting the parsonage

You should also contact a CPA to work through any financial obligations that may exist due to Unrelated Business Income Tax (UBIT) stipulations. The following link is a good resource to better understand UBIT. As you will see, a big factor in this consideration is whether or not the property has a mortgage.

<http://www.gcfa.org/media/1287/unrelatedbusinessincome.pdf>

Restrictions on the Proceeds of Sale

- Cannot be used for current operating expenses including housing allowance.
- Can be used for Capital Improvements only if adequate provisions have been made to meet the housing needs of the Pastor (requires consent of the District Superintendent and the Pastor)

Restrictions on the Proceeds of Sale

- Can be used for aiding in the construction of a new church
- Can be used for Congregational Development if a 3-5 year plan is presented and approved by the Annual Conference.

Investment Plan

- Proceeds should be invested to maximize the return in support of the housing allowance.
- Formalize an Investment Policy.
- Will we manage in-house or have an independent manager?

Investment Plan

The Mid-Atlantic United Methodist Foundation can assist you in developing an Investment Plan and also manage the investment of the proceeds from the sale of your parsonage.

