

107TH CONGRESS
2D SESSION

H. R. 4156

To amend the Internal Revenue Code of 1986 to clarify that the parsonage allowance exclusion is limited to the fair rental value of the property.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2002

Mr. RAMSTAD (for himself, Mr. POMEROY, Mr. CRANE, Mr. HERGER, Mr. MCCRERY, Mr. NUSSLE, Mr. SAM JOHNSON of Texas, Mr. HAYWORTH, Mr. FOLEY, Mr. BLUNT, Mr. COX, Mr. MICA, Mr. WAMP, Mr. KENNEDY of Minnesota, and Mr. CHAMBLISS) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to clarify that the parsonage allowance exclusion is limited to the fair rental value of the property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Clergy Housing Allow-
5 ance Clarification Act of 2002”.

1 **SEC. 2. FINDINGS, PURPOSES, AND CONSTRUCTION.**

2 (a) PURPOSES.—Section 107 of the Internal Revenue
3 Code of 1986, and the amendments made by this Act, are
4 intended, among other purposes, to—

5 (1) further the tax policy of encouraging home
6 ownership and providing tax preferences for housing;

7 (2) accommodate clergy in denominations that
8 require as part of their ministry that they locate to
9 specific communities for such periods of time as des-
10 ignated by their denomination, and whose denomina-
11 tions may provide housing or housing allowances;

12 (3) minimize government intrusion into internal
13 church operations and the relationship between a
14 church and its clergy;

15 (4) accommodate the differing governance
16 structures, practices, traditions, and other character-
17 istics of churches through tax policies that strive to
18 be neutral with respect to such differences;

19 (5) recognize that clergy frequently are required
20 to use their homes for purposes that would otherwise
21 qualify for favorable tax treatment, but which may
22 require more intrusive inquiries by the government
23 into the relationship between clergy and their respec-
24 tive churches with respect to activities that are in-
25 herently religious; and

1 (6) minimize controversies between clergy and
2 the Internal Revenue Service by clarifying the extent
3 to which a parsonage or a housing allowance is not
4 considered gross income for Federal income tax pur-
5 poses.

6 (b) CONSTRUCTION.—Nothing in this Act shall be
7 construed to reverse or modify any regulation, revenue rul-
8 ing, or other guidance that was issued by the Internal Rev-
9 enue Service prior to the date of enactment of this Act,
10 except with respect to the effective date of the fair market
11 value limitation added to section 107 of the Internal Rev-
12 enue Code of 1986 by this Act.

13 (c) FINDING.—Congress finds that it would be appro-
14 priate and consistent with the purposes of this Act and
15 the general administration of the Federal tax laws for the
16 Internal Revenue Service to provide additional guidance
17 with respect to fair market valuation determinations in
18 order to minimize disputes regarding valuation under sec-
19 tion 107 of the Internal Revenue Code of 1986.

20 **SEC. 3. CLARIFICATION OF PARSONAGE ALLOWANCE EX-**
21 **CLUSION.**

22 (a) IN GENERAL.—Section 107 of the Internal Rev-
23 enue Code of 1986 is amended by inserting before the pe-
24 riod at the end of paragraph (2) “and to the extent such
25 allowance does not exceed the fair rental value of the

1 home, including furnishings and appurtenances such as a
2 garage, plus the cost of utilities”.

3 (b) EFFECTIVE DATE.—

4 (1) IN GENERAL.—The amendment made by
5 this section shall apply to—

6 (A) taxable years beginning after Decem-
7 ber 31, 2000, and

8 (B) taxable years beginning before Janu-
9 ary 1, 2001, with respect to taxpayers who filed
10 a return before April 10, 2002, for such taxable
11 year limiting the exclusion under section 107 of
12 the Internal Revenue Code of 1986 as provided
13 in such amendment.

14 (2) WAIVER OF INTEREST AND PENALTIES.—In
15 the case of a taxable year beginning after December
16 31, 2000, no penalty, addition to tax, or interest
17 shall be imposed by reason of the amendment made
18 by subsection (a) with respect to any return filed be-
19 fore the date of the enactment of this Act if an
20 amended return is filed within 90 days after such
21 date of enactment that limits the exclusion under
22 section 107 of such Code in accordance with the
23 amendment made by this section.

24 (3) YEARS BEFORE 2001.—Except as provided
25 in paragraph (1)(B), notwithstanding any prior reg-

1 ulation, revenue ruling, or other guidance issued by
2 the Internal Revenue Service, no person shall be
3 subject to the limitations added to section 107 of
4 such Code by this Act for any taxable year begin-
5 ning before January 1, 2001.

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