

## Notes on the Clergy Residence Deduction

### Eligibility

Eligibility for the clergy residence deduction is determined under both a “status test” and a “function test.” In Quebec, a “usage test” must also be met.

Under United Church polity, all positions accountable to or appointed by presbytery meet the status test as “member of clergy.” Most would also meet the “regular minister” status test. This includes ordained ministers, designated lay ministers, and student ministers.

Under the function test, most folks meet the first function test: “be in charge of or administer to a diocese, parish or congregation.” A number of presbytery, Conference, and General Council positions meet the “full-time administrative service” test.

### Manse Provided or Not

**When the manse is provided:** The housing is a taxable benefit and the value is shown in box 30 on the T4 form as Fair Market Rental (FMR) value of the manse, including any utilities paid for by the employer. This amount needs to be validated periodically by a market survey. This amount is transferred to the T1223 form and the personal tax return. On the individual tax return itself, report the box 30 amount on line 104 and reduce line 101 by this amount. *Note:* The employee still initiates a T1223 form and the employer still certifies eligibility for the CRD, but no calculation is required because the amount is already on the T4 form.

The amount is subject to employer and employee EI contributions but not subject to income tax or Canada Pension Plan (CPP) if the CRD is being claimed. Although it is self-evident, ministry personnel should formally advise the treasurer of their intent to claim the CRD each year, to be eligible for the income tax and CPP exemption. *Note:* A manse is “tax-free” in the sense that the Fair Market Rental value is included both in income and as a deduction.

**When a manse is not provided:** The United Church provides a salary supplement called the “cash housing allowance” that Canada Revenue Agency regards as cash compensation added to income. The CRD must be calculated on the back of the T1223 form based on the actual value of the housing chosen (including utilities) and the calculation rules on the T1223 form. As in the case of a manse, the form must be completed annually. Cash income is reported in box 14 on the T4 slip, and that full amount is transferred to the tax return as income on line 101. The CRD is then claimed on line 231 as a deduction. Again, the amount is subject to employer and employee EI contributions, but different processes apply for CPP and income tax. *Note:* The housing portion of cash income is not “tax-free” in the way a manse is because much depends on the calculation and individual housing choices.