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;
 - (3) minimize government intrusion into internal church operations and the relationship between a church and its clergy;
 - (4) accommodate the differing governance structures, practices, traditions, and other characteristics of churches through tax policies that strive to be neutral with respect to such differences;
 - (5) recognize that clergy frequently are required to use their homes for purposes that would otherwise qualify for favorable tax treatment, but which may require more intrusive inquiries by the government into the relationship between clergy and their respective churches with respect to activities that are inherently religious; and

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- 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

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 December 31, 2000, and 7 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 in such amendment. 13 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

in paragraph (1)(B), notwithstanding any prior reg-

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ulation, revenue ruling, or other guidance issued by
the Internal Revenue Service, no person shall be
subject to the limitations added to section 107 of
uch Code by this Act for any taxable year beginning before January 1, 2001.

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