

Moving Expenses for a Minister

When a minister moves from one church to another, the new church will often pay for moving expenses the minister incurs. Then the question often arises, are those payments taxable to the minister?

To be tax free, the IRS has three tests that must be met:

1. **The move is closely related both in time and place to the start of work in the new location.**
Being closely related in time is generally considered as being within one year from the date one reports for work at the new location. A move generally relates closely in place if the distance from one's new home to the new job location is not more than the distance from their former home to the new job location.
(For exceptions to these requirements, see IRS Publication 521.)
2. **Distance Test (50 Mile Test)** - The new workplace must be at least 50 miles farther from the person's old home than the old job location was from their old home. If one is moving from a location after being unemployed, the new job location must be at least 50 miles from the person's home.
3. **Time Test (39 Week Test)** - The person must work full-time at least 39 weeks during the first 12 months immediately following the arrival in the general area of a new job location. There are exceptions to the time test in case of death, disability and involuntary termination.

Expenses That Can be Paid Tax Free:

- **Moving of household goods and personal effects.** Includes costs of packing, storing and insuring for up to 30 days between the old and new locations.
- **Travel expenses** – Transportation & lodging for the minister and their family but NOT meals. Expenses for only one moving trip can be covered tax free but members of the family do not need to travel together.

To be paid tax free, these expenses must be paid for directly by the church, or reimbursed on an accountable basis. Non-accountable reimbursements are to be treated as taxable income.

If a church does not pay moving expenses, the items listed above that could have been paid for tax-free can be deducted as an adjustment to income when the minister files their tax returns, using Form 3903. This same principle would apply if the church simply gives a set total dollar amount to help with moving expenses. The entire amount would be reported as taxable income and the minister would deduct these qualified expenses as an adjustment to income.

Moving Expenses That Must Be Treated as Taxable Income if Paid by the Church:

- **Pre-move house hunting expenses**
- **Temporary living expenses**
- **Expenses of disposing of a former home and obtaining a new home**
- **Home improvements to help in selling a former home**
- **Loss on the sale of a former home**
- **Mortgage penalties & Real Estate Taxes**
- **Any part of the purchase price of a new home**
- **Meal expenses incurred while moving to the new home**
- **Storage charges (except those incurred in transit)**

For more information, see IRS Publication 521, "Moving Expenses"