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Don't Like Taxes? Form A Church

No one—except perhaps [Warren Buffett](#)—seems to actually *like* paying taxes. Yet we all must pay them and that's unlikely to change. In our complex tax system, loopholes and special interest provisions sometimes seem to run rampant. Some say that's what prompts the Sage of Omaha to point out that his secretary pays a [higher rate of tax](#) than he does, which just doesn't seem right.



Depending on how religious you are, another thing that may not seem right is the so-called parsonage allowance. Few people on the street probably know what a parsonage allowance is, but it's a tax break provided by [Section 107](#) of the Internal Revenue Code and dates to the 1920s. That was the time of my favorite fictitious minister, [Elmer Gantry](#), a shallow, philandering hypocrite later portrayed by [Burt Lancaster](#).

The parsonage allowance says an ordained member of the clergy can live tax-free in a home owned by his or her religious organization. Alternatively, the clergy member can receive a tax-free annual payment to buy or rent a home. That makes being a minister or other member of the clergy sound pretty good.

Apparently that's what [Phil Driscoll](#) thought. He is an ordained minister and also happens to be Grammy Award-winning trumpet player. What's more, he went to prison for tax evasion. But because of the parsonage allowance, the [Tax Court](#) ruled he didn't owe federal income taxes on \$408,638 provided to him by his ministry.

What's more, this \$408,638 "parsonage" allowance was to buy a **second home** on a lake. Perhaps it could have been a third or fourth home, since the Tax Court extends the parsonage allowance to an **unlimited** number of homes owned by the religious organization or the clergy member.

In a divided 7-6 ruling, a panel of Tax Court judges said the word "home" is equivalent to "homes," just as the word "child" is interpreted to mean "children" for tax purposes. But this case is headed for the Eleventh Circuit Court of Appeals in Atlanta.

And there might be action in Washington too. Feisty [Sen. Charles Grassley](#) (R-IA), has asked "why a clergy member needs a tax-free allowance for more than one home, and whether tax-exempt churches should subsidize millionaire ministers."

Meanwhile, all this may make some people feel much more religious.

For more, see:

[Tax Break for Clergy Questioned](#)

[Divided Tax Court Allows Parsonage Allowance for Minister's Two Homes](#)

[Religion-Based Tax Breaks: Housing to Paychecks to Books](#)

[IRS Topic 417 – Earnings for Clergy](#)

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