



Considerations When Renting a Church Parsonage – Long-Term Lease Option

1. Purpose and Stewardship Alignment

- The parsonage is a ministry asset; any use should align with your church's mission and long-term vitality.
- When renting, the goal should be to responsibly steward the property while maintaining its availability for future pastoral use, if needed.

2. Tax and Legal Considerations

- Property Tax Exemption: Renting the parsonage to non-clergy may trigger loss of property tax exemption. Churches should contact the local assessor's office to determine how property use will affect taxable status.
- Insurance: Notify your insurance provider about the change in use. Landlord coverage may be required.
- Zoning & Permits: Verify compliance with local zoning laws for residential rental.

3. Financial Implications

- Net Income: Long-term rental generally provides predictable monthly income. Be sure to calculate net income after management fees, taxes (if applicable), maintenance, and vacancy risk.
- Reserves: Allocate a portion of income to a maintenance reserve for future parsonage upkeep or capital needs.

4. Lease & Management

- Professional Management: Utilizing a licensed local property management firm minimizes administrative burden and ensures legal compliance.
- Lease Agreement: Use a standard, legally vetted residential lease agreement. Include provisions about maintenance responsibilities, renewal terms, and annual inspections.

5. Pastoral Housing Allowance

- Housing Exclusion: Ensure the pastor receives a properly designated housing exclusion, even if they are not residing in the parsonage, to retain tax benefits.

- Housing Allowance: The parsonage's rental status does not preclude the church from offering a housing allowance to support the pastor's own housing.

6. Annual Conference and District Communication

- Approval: Notify your District Superintendent of the plan and document approval by the Church Council.
- Conference Guidelines: Some conferences require a formal waiver or action from the Conference Board of Trustees or District Board of Church Location and Building (consult your District Superintendent regarding Michigan Conference guidelines).

7. Future Use and Flexibility

- Lease Term: Consider a lease term that preserves flexibility for future pastoral appointments (e.g., 12-month leases with renewal options).
- Property Condition: Keep the property in condition suitable for eventual clergy occupancy, avoiding irreversible modifications.

8. Transparency and Documentation

- Minutes: Document Church Council approval in meeting minutes.
- Congregational Communication: Communicate decisions transparently with the congregation.

Conclusion

Long-term rental of the parsonage is a viable solution that many churches have used to stabilize finances. With careful planning, legal compliance, and mission alignment, local United Methodist Church leaders can proceed confidently.