**Offering Parish Property for Lease**

*Episcopal Permission*

Offering parish property worth more than $100,000 for lease, or any lease of parish property lasting a year or more, lies outside the scope of a pastor or parochial administrator’s ordinary administration and requires permission in writing from the bishop, according to canon 1297. The Diocesan Building Commission can assist in obtaining this permission.

*Parish Income Considerations*

UBIT (Unrelated Business Income Tax) – If there is any debt‐financing by the parish (for example, if there is a mortgage on the rectory) UBIT would apply to any rental income by the parish. If the property is owned by the parish and not financed, then the rental income is not subject to UBIT.

*Property Tax Exemption Considerations*

Real Estate Taxes – If the tenant is a church employee or a tax-exempt organization, it is arguable that the rental fits the Church’s tax‐exempt mission, and therefore we would expect the leased property to continue to be exempt from property tax. However, such determinations vary from one county to another. When the rental is simply for residential purposes, and the tenant is not a parish staff member, it is likely that the parish will need to pay property taxes on the leased property.

*Tenant Considerations*

Execution of a Lease – Even if the rent the tenant pays for the rectory or other parish property is for a nominal amount, it is important to recognize the respective legal rights and obligations of landlord and tenant through a lease.

Discounted Rent – If the lease is for below‐market rental rate, the parish should inform the tenant so that he/she recognizes the difference between the actual rental rate and the market rental rate as non-cash taxable income on his/her personal income taxes.

Renter’s Insurance – The tenant should carry insurance for their personal property, but this is not a requirement. However, **renters** **liability coverage is required**. This means that if the tenant damages the parish’s property, their insurance will pay, not the parish’s. Do not let the tenant move in until you have a certificate of insurance showing that this coverage is in place.

Lead Warning – If the structure to be leased was built prior to 1978, the Lead Based Paint Brochure (available at <https://madisondiocese.org/lease>) needs to be included along with the lease.

Safe Environment Protocols – Tenant must complete Safe Environment training to rent any ecclesial property.