

## Housing Allowance/Exclusion Details

Distributions from pension programs must be reported to the Internal Revenue Service, and Wespath reports the full amount distributed to the retired or disabled clergyperson during the year. The clergyperson must take the responsibility of actually excluding the housing allowance from his or her reported gross income.

The retired or disabled clergyperson will receive from Wespath an *Internal Revenue Service Form 1099-R*. A copy of the form should be attached to the federal income tax return (and likewise, to any state or local return) filed by the clergyperson. This form reflects the amount of money received from Wespath.

When calculating total (gross) income, the clergyperson must report all pension payments on line *IRS Form 1040* 16a "Total Pensions and Annuities". The retired or disabled clergyperson should then report on *IRS Form 1040* line 16b the taxable amount of his or her retirement income—i.e., the total amount of the retirement income minus the sum of: 1) the portion of the retirement income attributable to the after-tax contributions (if any), and 2) the portion being excluded in accordance with Code section 107.

The retired or disabled clergyperson who is claiming a housing allowance exclusion should also add an explanatory note. Next to *IRS Form 1040* line 16b, the clergyperson should write "See note," and, on a separate sheet of paper, should designate a "Note to line 16b."

The note should include language similar to the following: "I received \$xxx from the UMC Benefit Board, Inc., as reported by the attached *1099-R*. I did not include \$yyy of this amount on line 16b because it has been excluded under the provisions of section 107 of the Internal Revenue Code as a housing allowance exclusion. As a retired United Methodist clergyperson, I am entitled to take this housing allowance exclusion." An explanation of this type should be sufficient in most situations.

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THE UNITED METHODIST CHURCH

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A *New* THING  
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UNITED METHODIST PERSONAL INVESTMENT PLAN (UMPIP) FOR LAY AND CLERGY

The United Methodist Personal Investment Plan (UMPIP) is an Internal Revenue Code section 403(b) defined contribution retirement savings plan for clergy and lay employees of The United Methodist Church and affiliated organizations. Participants may make before tax, Roth and/or after tax contributions through payroll deductions. Participant contributions, various optional plan sponsor contributions and investment earnings comprise the individual's retirement account balance.

OTHER CONFERENCE BENEFIT OBLIGATIONS: DEFINED CONTRIBUTION (DC) TYPE

The Virginia currently offers a supplemental life insurance benefit that supplements the CPP life insurance benefit. The estimated contribution for 2018 is \$230,000.

CONCLUSION

The 2018 Comprehensive Benefit Funding Plan and this summary document incorporates, to the best of our understanding, the Virginia Conference's obligations and funding requirements of the benefits provided to the clergy and laity of the Virginia Conference.

**Recommendation 6: 2018 Housing Allowance/Exclusion****Resolutions Relating to Rental/Housing Allowances for Retired, Disabled,  
or Former Clergypersons of the Virginia Conference**

The Virginia Conference (the "Conference") adopts the following resolutions relating to rental/housing allowances for active, retired, terminated, or disabled clergypersons of the Conference:

WHEREAS, the religious denomination known as The United Methodist Church (the "Church"), of which this Conference is a part, has in the past functioned and continues to function through ministers of the gospel (within the meaning of Internal Revenue Code section 107) who were or are duly ordained, commissioned, or licensed ministers of the Church ("Clergypersons");

WHEREAS, the practice of the Church and of this Conference was and is to provide active Clergypersons with a parsonage or a rental/housing allowance as part of their gross compensation;

WHEREAS, pensions or other amounts paid to active, retired, terminated, and disabled Clergypersons are considered to be deferred compensation and are paid to active, retired, terminated, and disabled Clergypersons in consideration of previous active service; and

WHEREAS, the Internal Revenue Service has recognized the Conference (or its predecessors) as an appropriate organization to designate a rental/housing allowance for Clergypersons who are or were members of this Conference and are eligible to receive such deferred compensation;

NOW, THEREFORE, BE IT RESOLVED:

THAT an amount equal to 100% of the pension, severance, or disability payments received from plans authorized under *The Book of Discipline of The United Methodist Church* (the "*Discipline*"), which includes all such payments from Wespeth Benefits and Investments, during the period January 1, 2018 through December 31, 2018 by each active, retired, terminated, or disabled Clergyperson who is or was a member of the Conference, or its predecessors, be and hereby is designated as a rental/housing allowance for each such Clergyperson; and

THAT the pension, severance, or disability payments to which this rental/housing allowance designation applies will be any pension, severance, or disability payments from plans, annuities, or funds authorized under the *Discipline*, including such payments from Wespeth and from a commercial annuity company that provides an annuity arising from benefits accrued under a Wespeth plan, annuity, or fund authorized under the *Discipline*, that result from any service a Clergyperson rendered to this Conference or that an active, a retired, a terminated, or a disabled Clergyperson of this Conference rendered to any local church, annual conference of the Church, general agency of the Church, other institution of the Church, former denomination that is now a part of the Church, or any other employer that employed the Clergyperson to perform services related to the ministry of the Church, or its predecessors, and that elected to make contributions to, or accrue a benefit under, such a plan, annuity, or fund for such an active, retired, terminated, or disabled Clergyperson's pension, severance, or disability plan benefit as part of his or her gross compensation.

NOTE: The rental/housing allowance that may be excluded from a Clergyperson's gross income in any year for federal (and, in most cases, state) income tax purposes is limited under Internal Revenue Code section 107(2), and regulations thereunder, to the least of: (a) the amount of the rental/housing allowance designated by the Clergyperson's employer or other appropriate body of the Church (such as this Conference in the foregoing resolutions) for such year; (b) the amount actually expended by the Clergyperson to rent or provide a home in such year; or (c) the fair rental value of the home, including furnishings and appurtenances (such as a garage), plus the cost of utilities in such year. Each clergyperson or former clergyperson is urged to consult with his or her own tax advisor to determine what deferred compensation is eligible to be claimed as a housing allowance exclusion.

– Ken Peterson, Chair