

## VII Legislation

### **RS 501 2022 Rental/Housing Allowance For Retired Clergy And/Or Disabled Clergy** (Adopted by CLT 6/5/2021)

The Western Pennsylvania Annual Conference of the United Methodist Church (the “Conference”) adopts the following resolutions relating to rental/housing allowances for active, retired, or disabled clergy persons 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 gross compensation,

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

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

THEREFORE BE IT RESOLVED that an amount equal to 100% of the pension 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 Wespath Benefits and Investments (Wespath“) during the year of 2022, by each active, retired, or disabled Clergyperson who is or was a member of the Conference or its predecessor, be and hereby is designated as a rental/housing allowance for each such Clergyperson,

BE IT FURTHER RESOLVED that the pension or disability payments to which this rental/housing allowance applies will be any pension or disability payments from plans, annuities, or funds authorized under the Discipline, including such payments from Wespath and from a commercial annuity company that provides an annuity arising from benefits accrued under a Wespath 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 or a disabled Clergyperson of this Conference rendered to any local church, annual conference of the Church, general agency of the Church, or 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 active, retired or disabled Clergyperson’s pension or disability 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 income tax purposes is limited under Internal Revenue Code section 107(2) and regulations thereunder to the least of: (1) 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, (2) the amount actually expended by the Clergyperson to rent or provide a home in such year, or (3) the fair rental value of the home, including furnishings and appurtenances (such as a garage), plus the cost of utilities in such year.

Dara Sterling, Chair, Conference Board of Pensions

## Housing Allowance Exclusion Worksheet

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This worksheet is designed to help a retired clergy person determine the amount that he or she may exclude from gross income pursuant to the provisions of Section 107 of the Internal Revenue Code (Code). Those provisions provide that “a minister of the gospel” may exclude a “housing allowance” from his or her gross income. This worksheet assumes that a parsonage is not provided to the clergy person by the salary-paying unit.

The amount that may be excluded by the clergy person is the least of:

- 1) the amount classified as the housing allowance by the salary-paying unit (in most cases for a retired clergy person, the salary-paying unit will be the annual conference from which he or she retires);
- 2) the amount actually expended by the clergy person for housing; or
- 3) the fair rental value of the residential property occupied by the clergy person.

For tax year: \_\_\_\_\_

1. Indicate the amount classified as the housing allowance by the salary-paying unit.
2. Indicate the amount actually expended by the clergy person on housing:
  - a. rent payments or mortgage principal payments made .....
  - b. mortgage interest payments made .....
  - c. real property taxes .....
  - d. maintenance expenses .....
  - e. utilities .....
  - f. furnishings .....
  - g. other applicable expenses related to housing .....
  - h. add lines a, b, c, d, e, f and g and indicate **total** here .....
3. Indicate the fair rental value of the housing plus the cost of utilities:
  - a. fair rental value of the housing (furnished) .....
  - b. fair rental value of appurtenances, such as garage (if not in line a) .....
  - c. cost of utilities .....
  - d. add lines a, b and c, and indicate **total** here .....
4. Indicate the least of the amounts indicated on lines 1, 2h and 3d .....

	<b>1</b>
<b>2a</b>	
<b>2b</b>	
<b>2c</b>	
<b>2d</b>	
<b>2e</b>	
<b>2f</b>	
<b>2g</b>	
	<b>2h</b>
<b>3a</b>	
<b>3b</b>	
<b>3c</b>	
	<b>3d</b>
	<b>4</b>

Assuming there is sufficient documentation, the amount indicated on line 4 is the amount that may be excluded from gross income as a housing allowance pursuant to the provisions of Section 107 of the Code.

(continued)

## Procedural Aspects of the Exclusion

Most local churches or other employing units of The United Methodist Church do not include the amount of housing allowance (e.g., the fair rental value of a parsonage or a cash payment characterized as a housing allowance in lieu of a parsonage) on informational returns such as *Internal Revenue Service Form W-2s, 1099s*, etc. Therefore, most active clergy never need to show the exclusion of the housing allowance when filing their federal income tax returns.

The retired or disabled clergyperson faces a different situation. Because distributions from pension programs must be reported to the Internal Revenue Service, Wespath Benefits and Investments (Wespath) reports the full amount distributed to the retired or disabled clergyperson during the year. The clergyperson has 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 16a "Total Pensions and Annuities" (*IRS Form 1040 for 2009*). The retired or disabled clergyperson should then report on line 16b (*IRS Form 1040 for 2009*) 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 line 16b (*IRS Form 1040 for 2009*), 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.

Please note that the *IRS Form 1040* is revised annually. Accordingly, the references to specific lines may change from year to year.