



The Pension Boards

United Church of Christ, Inc.

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TO: Beneficiaries of Deceased Clergy Who Received Annuity Payments from the Pension Boards During 2023

FROM: The Pension Boards-United Church of Christ, Inc. Member Services

RE: Reporting Payments on the 2023 Tax Return of a Deceased Clergy Member

Grace to you and peace in this New Year.

According to our records, you are the beneficiary of a clergy member of the Annuity Plan for the United Church of Christ who died in 2023. This letter contains information on how the federal government taxes the deceased clergy member's distributions. **Form 1099-R**, which reflects annuity income and other distributions, if any, paid to the deceased clergy member by the Pension Boards in 2023, **will be sent directly by our bank, The Northern Trust Company, by January 31, 2024.** For your convenience, a sample copy of **Form 1099-R** is shown below.

VOID		CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. The Northern Trust Company 50 South LaSalle St. C5S Chicago, Illinois 60603-1003 As Paying Agent for: B1600 PBUCCL PBUCCL Ministers			1 Gross distribution \$ 15,000	2023 Form 1099-R		Copy 1 For State, City, or Local Tax Department	
PAYER'S TIN 36-3046063			2a Taxable amount \$				
RECIPIENT'S name William K. Green			3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$		5 Employee contributions/ Designated Roth contributions or insurance premiums \$	
Street address (including apt. no.) 787 Adams Street			6 Net unrealized appreciation in employer's securities \$	7 Distribution code(s)	8 Other \$ %		
City or town, state or province, country, and ZIP or foreign postal code Anytown, NY 10002			9a Your percentage of total distribution %	9b Total employee contributions \$		10 Amount allocable to IRR within 5 years \$	
11 1st year of desig. Roth contrib. <input type="checkbox"/>			12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld \$	15 State/Payer's state no.	16 State distribution \$	
Account number (see instructions) B1600 7000072 1-312-557-9700			13 Date of payment	17 Local tax withheld \$	18 Name of locality	19 Local distribution \$	

1099-R SAMPLE

How distributions are taxed

In general, distributions made to a U.S. taxpayer are subject to federal income tax if contributions were not taxed at the time they were made. Thus, an individual generally pays income tax on any part of their distribution attributable to regular employer contributions, investment earnings and their pre-tax contributions **on which income taxes have not previously been paid.**

Housing allowance

A deceased minister may not be taxed on that portion of the annuity or other distribution, if any, that is designated as eligible for a housing allowance paid to a retired minister. **Under IRS rules, the minister's housing allowance ends at the minister's death. IRS rules do not allow beneficiaries to claim it for the period of the year following the minister's death.**

If no after-tax contributions were made toward the deceased member's annuity

The amount in **Box 5 of Form 1099-R** is recorded as "0" or left blank. If the Pension Boards' records show that after-tax contributions were made to the deceased member's account, you will receive under separate cover a letter indicating the amount of deceased member's after-tax contributions.

Determining allowable housing expenses

Eligible housing expenses for the year may be subtracted from the gross distribution reported in **Box 1 of Form 1099-R.**

If the deceased minister owned their home, the allowable housing expenses are the **lesser of:**

1. The fair rental value of the deceased minister's home (furnished, plus utilities); **or**
2. The amounts the deceased minister actually paid in 2023 for:
 - Down payment on a home
 - Payments (including prepayments) on a mortgage loan to purchase or improve the home (including principal and interest)
 - Real estate taxes
 - Property insurance
 - Utilities (electricity, gas, water, trash pickup, local telephone charges)
 - Furnishings and appliances (purchase and repair)
 - Structural repairs and remodeling
 - Yard maintenance and improvements
 - Appurtenances
 - Maintenance items (household cleaners, light bulbs, pest control, etc.
 - Homeowners' association dues

If the deceased minister **rented** their home, the allowable housing expenses are the **lesser** of:

- The fair rental value of the home (furnished, plus utilities); **or**
- The total amount the deceased minister actually paid in 2023 for rent, plus the cost of utilities and furnishings during the year and any items from the above list paid as a renter.

Cautions

If the deceased minister had more than one home, only expenses from their primary residence may be used in computing allowable housing expenses.

If the deceased minister received a housing allowance from another source, the total of that housing allowance and the portion of their Pension Boards annuity payments designated as housing allowance cannot exceed the lesser of the applicable amounts above.

If they received more than one pension or other distribution, housing costs can only reduce taxes on the benefit payments from the Pension Boards. Please contact the payer of the other pension to determine taxability.

After computing allowable housing expenses

Use the enclosed Taxpayer Prepared Supplementary Sheet #1.

- Insert the gross amount of the deceased minister's Pension Boards annuity from **Box 1 of Form 1099-R in Line 5a (Pensions and annuities) of Form 1040 or Form 1040-SR.**
- Insert the deceased minister's allowable housing expenses in **Line 2 of Supplementary Sheet #1** and complete the remainder of that sheet.
- Transfer the amount in **Line 3 of Supplementary Sheet #1 to Line 5b (Pensions and annuities—Taxable amount) of Form 1040 or Form 1040-SR,** with the words, "**SEE SUPPLEMENTARY SHEET #1.**" This is the portion of the deceased clergy member's annuity or other distribution, if any, that is in excess of the allowable housing expenses and therefore subject to federal income tax.

If you did not receive information from the Pension Boards reporting the deceased's minister's after-tax contributions (or if you wish to disregard them), and their only pension or other distribution was from the Pension Boards, you may use a completed copy of the enclosed **Supplementary Sheet #1** as an attachment to the tax return. Be sure to retain a copy of the completed **Supplementary Sheet #1** for your records.

Any income tax withheld from the Pension Boards annuity or other distribution, if any, is shown in **Box 4 of Form 1099-R.** Attach **Copy B of Form 1099-R** to the tax return to show the amount of tax withheld.

Supplementation and Ministerial Assistance

Ministerial Assistance payments are not taxable. This income is not included in **Form 1099-R** and does not need to be reported.

If the deceased minister was disabled and under age 55

If the deceased minister was receiving disability pension benefits and was under age 55 prior to death in 2023, **Distribution Code 3 appears in Box 7 of Form 1099-R**. These payments should be reported (with other wages, salaries, tips, etc.) on **Line 1 (Wages, salaries, tips, etc.) of Form 1040 or 1040-SR**. Disability benefits should not be reported as pension or annuities prior to when the deceased minister reached age 55, the minimum non-disability retirement age for the Annuity Plan.

For deceased ministers whose annuity commenced in 2023 and who elected a Partial Withdrawal Option

Amounts distributed in 2023 under the Partial Withdrawal Option (as defined in the Annuity Plan) are considered an eligible rollover. If the deceased minister chose to have this distribution made as a direct rollover, no income tax was withheld, and a separate **Form 1099-R** will be issued for that distribution with distribution **Code G** in **Box 7 of Form 1099-R**.

Self-employment (Social Security) tax

No self-employment tax (Social Security/SECA) is required to be paid on any part of a Pension Boards annuity or other distribution, if any.

Electronic filing

If you choose to file the deceased minister's tax return electronically, please confirm that the tax preparation program permits supplementary documentation to be included with the tax return.

The Pension Boards does not provide tax advice

The Pension Boards does not provide any legal, accounting, or tax advice to its members regarding the taxability of any transactions associated with their retirement funds or preparation of their tax returns. This material is purely for informational purposes and members should consult their legal, accounting, or tax professional before making any retirement decisions that could result in a taxable event, engaging in any transactions concerning their retirement funds, or the preparation of their tax returns.

Detailed information on income tax issues may be obtained from your attorney, accountant, tax advisor, or IRS publications and forms, which may be ordered by calling toll-free **1.800.829.3676**, or downloaded online at **www.irs.gov**.