



The Pension Boards
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TO: Clergy Recipients of Short- and Long-Term Disability Payments from The United Church of Christ Life Insurance and Disability Income Benefits Plan (LIDI Plan)

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

RE: Reporting Payments on Your 2023 Tax Return

Grace to you and peace in this New Year.

This letter contains information on how your disability payments from the **United Church of Christ Life Insurance and Disability Income Benefits Plan (LIDI Plan)** are taxed by the federal government.

If you received short-term or long-term disability benefits in 2023, you will receive your **Form W-2** directly from **Metropolitan Life Insurance Company**.

Federal income tax on your disability payments from the LIDI Plan

Generally, disability payments received by an individual under a non-contributory plan are fully includable in gross income for federal tax purposes.

We report to the Internal Revenue Service (IRS) the total taxable disability payments you received during 2023 from the LIDI Plan. We have assumed that you did not contribute to the cost of the premiums for the LIDI Plan. Therefore, the total amount of the benefits you received during 2023 is reported in **Box 1** as includable wages.

Please notify the Pension Boards if you contributed to the premiums' cost for the LIDI Plan. Contact information may be found below.

Some or all of your disability payments can be considered a housing allowance.

Under the Internal Revenue Code, some or all of your disability income may be non-taxable because it has been designated as a housing allowance paid to a minister. To report your disability income as a housing allowance, determine your housing allowance using the following principles.

If you **own** your home, your allowable housing expenses are **the lesser of:**

1. The fair rental value of your home (furnished, plus utilities); **or**
2. What you actually paid in 2023 for:
 - Down payment on a home
 - Payments (including prepayments) on a mortgage loan to purchase or improve your 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 you **rent** your home, your allowable housing expenses are the **lesser** of:

- The fair rental value of your home (furnished, plus utilities); **or**
- What you actually paid in 2023 for rent, plus the cost of utilities and furnishings during the year and any items from the above list that you had to pay as a renter.

If you have more than one home, only expenses for your primary residence can be used in computing your allowable housing expenses. If you are receiving another housing allowance from some other source, the total of that housing allowance and the portion of your LIDI Plan payments treated as housing allowance cannot be more than the applicable amounts above.

Preparation of Form 1040

After you compute your allowable housing expenses:

- Enter your allowable housing expenses in **Box 2** of the attached **Supplementary Sheet #2** and complete the rest of that form.
- Insert the payments from **Box 3** of **Supplementary Sheet #2** on line 1 of your Form 1040, followed by the words "**SEE SUPPLEMENTARY SHEET #2.**"

Remember to keep a copy of the Supplementary Sheet for your records, along with the enclosed Certificate of the Pension Boards' Designation of LIDI Plan payments eligible for the 2023 Housing Allowance.

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. 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**.

Contact information

If you have questions, please contact the Pension Boards' Member Services Department toll-free at **1.800.642.6543** or by e-mail at **info@pbucc.org**.