



The Pension Boards
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**TO: Clergy Recipients of Short- and Long-Term Disability Payments
from the UCC Life Insurance and Disability Income (LIDI) Benefit Plan**

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

RE: Reporting Payments on Your 2020 Tax Return

Grace to you and peace in this New Year.

This letter contains information on how your disability payments are taxed by the federal government. If you received long-term disability benefits, you will receive your Form W-2 directly from Metropolitan Life Insurance Company. If you received short-term benefits, your W-2 is enclosed with this letter.

**Federal income tax on
your disability payments
from the UCC Life
Insurance and Disability
Income (LIDI) Benefit 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 2020 from the UCC Life Insurance and Disability Income (LIDI) Benefit Plan ("Plan"). We have assumed that you did not contribute to the cost of the Plan and, therefore, the total amount of the benefits you received during 2020 is shown in Box 1 as includable wages.

Please notify the Pension Boards if you did contribute toward the cost of your Plan coverage. Contact information may be found on p. 2.

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

Under the U.S. Internal Revenue Code, some or all of your disability income may be non-taxable because it can be considered to be a housing allowance paid to a minister. To claim your disability income as a housing allowance, determine your housing allowance using the following principles.

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

- The reasonable value of a year's rent for your home, furnished, including utilities; or
- What you actually spent in 2020 for these expense items:
 - Down payment
 - Mortgage payments on a loan to buy or improve your home (principal and interest)
 - Real estate taxes
 - Property insurance

- Utilities (electricity, gas, water, trash pickup, local telephone charges)
- Furniture and appliances (purchase and repair)
- Grounds maintenance and improvements
- Maintenance items (household cleaners, light bulbs, pest control, etc.)
- Homeowners' association dues

Cautions

If you are renting a house or apartment, the amount of your allowable housing expenses can be up to the year's rental, plus the cost of utilities and furnishings during the year and any items from the above list that you actually had to pay. 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 UCC disability payments treated as housing allowance cannot be more than the lesser of the amounts in (1) and (2), above.

After you compute your allowable housing expenses

After you compute your allowable housing expenses, here is how to fill in the tax forms:

- Enter your allowable housing expenses in Box 2 of the attached Supplementary Sheet #2 and complete the rest of that form.
- Insert the new wages 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 Housing Allowance Resolution.

Changes in the tax laws

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

Detailed information on income tax issues may be obtained from your tax advisor, accountant or attorney, or from 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**.