

## JULY

Hello! We hope our monthly emails are helpful. We would like treasurers or those handling your ministry pension contributions to also receive the WPF emails so please make sure their email addresses are placed in the **TWCHub** system and **wpf@wesleyan.org** is added to contact lists to avoid spam/junk folders. The **TWCHub** lists are downloaded for each mailing sent because of so many address changes. Consequently, unsubscribing is not possible.

*\*We are using "treasurers" to mean all personnel your ministry uses to handle WPF business.*

*\*We are using "the Plan" to mean the retirement income account program maintained and administered by Wesleyan Pension Fund. The term "Plan" does not include any other plans or arrangements WPF, or your employer may sponsor.*

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### **Our topic today: HOUSING ALLOWANCE (for ordained or licensed ministers)**

-If you are an active or retired minister, a portion or all of your annual pension may be designated as available for housing allowance, pursuant to Internal Revenue Service Ruling 75-22. However, the amount excludable as housing allowance cannot exceed the *lowest* of these factors:

- The fair rental value of the furnished home plus the cost of utilities, furnishings and maintenance; or
- The actual expenses of operating a home; or
- The amount designated by WPF as housing allowance, whichever is less.

-Any excess over the lowest of these factors is reportable as additional income for income tax purposes.

-The Board of Pensions has authorized the designation of up to 100% of such retirement and disability benefits as a housing allowance paid as part of a retired minister's compensation for past years of service.

-As a retired minister, pension distributions are NOT subject to SECA tax.

-To report such a designation, WPF recommends you use a self-prepared schedule and keep it for your records. For example:

ADJUSTMENT TO FORM 1099-R FOR ALLOCATION OF MINISTERIAL HOUSING ALLOWANCE	
YOUR NAME:	
YOUR SOCIAL SECURITY NUMBER:	
INCOME REPORTED ON 1099-R .....	\$1,500.00
AMOUNT ALLOCATED AS HOUSING ALLOWANCE .....	\$1,500.00
TAXABLE AMOUNT .....	-0-
If the taxable amount of the self-prepared schedule is zero you need not report any income. If there is a taxable amount, report this amount together with any other fully taxable pension income.	

*If your 1099-R comes to you with an amount in the taxable income field and it should not be there, please report it to our office right away and we can get you a corrected form.*

### **Using the W-4P Form when withdrawing funds:**

Besides the withdrawal form, you will need the current year's W-4P form. The W-4P is used to keep the taxes from being withdrawn. If you request \$5000 and use the W-4P form, you will receive \$5000. Without the form, you will receive \$4000 (20% federal taxes removed). Also, some states have a tax for the removal of funds. You will need to retrieve your resident state's W-4P form to also submit with your withdrawal form. On the W-4P, you will complete the personal information, check the box in number 1 and sign and date at the bottom. This form is kept in your record and is good for five years before you need to fill out a new one. Forms are available on our website, and we update the W-4P as soon as the IRS has it completed after the first of the year.

**1099-R form:**

If you received pension funds during the year, the IRS Tax Form 1099-R is mailed to you after year-end by our third-party administrator, Principal Financial Group (PFG). This form reports the benefits you received from your pension fund. For ministers, there should not be an amount indicated as being taxable. This better serves you to determine what portion, if any, of this amount is taxable in relation to housing expense.

In Box 1 on the form is your gross distribution from WPF. Box 2b has been marked indicating the taxable amount has not been determined. These benefits are taxable unless reduced by housing expense and must be included on your tax return. *(Please refer to the amount excludable as housing allowance that cannot be exceeded above.)*

**The 1099-R mailed from PFG is also available on your personal online account:**

- Look up your online account with computer or mobile app—you can use our website account login if you do not have it bookmarked ([wpf@wesleyan.org](mailto:wpf@wesleyan.org))
- Click *Account Summary* – click OK
- Click Notification *Bell Alert* at top right of screen
- Click *View recent distribution request details*
- Scroll down to *Prior Year Distribution Tax Information*

**Non-stationary homes:**

IRS allows you to claim only one home as your “primary” residence, but the IRS defines the term “home” broadly to include houses, condos, cooperatives, mobile homes, RV’s, house trailers (campers) and boats. The test the IRS uses to determine if the property can be designated as your “primary” residence is that it must have 3 things: sleeping, cooking and toilet capability. If you have these three things, then it qualifies as a primary residence and housing allowance is applicable to it.

**More than one home:**

A minister may only exclude housing expenses of one home, the principal residence. Multiple ownership occurs when a minister buys a new home and has not sold a former home. Based on Tax Court ruling, there is no basis to exclude housing expenses of two homes owned concurrently.

**More information:**

To review the latest housing allowance information, please see the **Minister’s Tax & Financial Guide**, available for download on our website in the **Resources** section.

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**NOTE: If you missed one of our emails or need to refer to one, they are available on our website.** Scroll down to the navy-blue box under the *Online Payment System Login* and *First-Time Users Info*. Click on the **MONTHLY EMAIL** toggle and the light blue month links are documents that can be downloaded to view or print.

We encourage you to peruse our website and especially the *Summary Plan Description (SPD)*. The *SPD* can be found at the top of our webpage under “*Keeping You Informed*” and clicking the “*Summary Plan Description*” tab. It is also under “*Resources*” and the “*Various Resources*” tab at the bottom of the webpage.

**Serving HIM for your benefit,****DEBRA LEVITE****DIRECTOR OF BENEFITS****WESLEYAN PENSION FUND INC****P: 317.774.3954 T: 800.595.4131 F: 317.774.3955****ADDRESS: 13300 Olio Rd, Ste 340, Fishers, Indiana 46037****[wesleyanpensionfund.com](http://wesleyanpensionfund.com) — [wpf@wesleyan.org](mailto:wpf@wesleyan.org)**