

Part 5. RETAIN FOR YOUR RECORDS

This letter provides information for retired ministers and ministers receiving disability benefits. Please read and keep this letter with your 2011 tax papers should the IRS select your return for audit and require you to substantiate your exclusion. Do not file this letter with your return.



January 2012

Dear Minister,

If you are retired or disabled, all or part of the Benefits Plan pension, disability, or retirement savings benefits that you received in 2011 may be excludable as housing allowance from your gross income for federal income tax purposes, subject to certain provisions established by federal tax laws. (Surviving spouses and retired lay employees do not qualify for this exclusion.)

If you are eligible for an exclusion, as defined above, and own or rent your home, the tax laws limit the exclusion to the smaller of:

- a) the amount designated in advance by the Board of Pensions as a housing allowance;
- b) the actual amount spent by you for housing-related expenses (housing, utilities, maintenance, repairs); or
- c) the fair rental value of the home, including furnishings and utilities.

If you are eligible for an exclusion and live rent free in a church-owned manse, the IRS limits the exclusion to the smaller of a) or b), above.

You should maintain records to substantiate the exclusion you claim.

The IRS requires that the housing allowance exclusion be designated in advance of the tax reporting year for which it applies. To satisfy this requirement, the Executive Committee of the Board of Directors, acting "ad interim" for The Board of Pensions of the Presbyterian Church (U.S.A.), at its October 1, 2010, meeting designated for calendar year 2011 that 100% of Pension, Disability, and Retirement Savings Plan benefits distributed by the Board of Pensions to eligible ordained ministers and commissioned lay pastor members would constitute a housing allowance, provided that such allowance did not exceed the home's fair rental value, including furnishings and appurtenances, such as a garage, plus the cost of utilities and any other applicable tax law limits.

Refer to this *Tax Guide for Ministers*, published by the Board of Pensions and also available on Pensions.org; talk with your tax adviser; or refer to IRS Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers, for further information.

Sincerely,

A handwritten signature in black ink that reads "Michael F. Fallon, Jr." in a cursive script.

Michael F. Fallon, Jr.,
Vice President, Finance