



**Pension Boards
United Church of Christ**

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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: Sheila Chatterjee

RE: Reporting Payments on Your 2009 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 2009 from the UCC Life Insurance and Disability Income Benefit Plan ("Plan"). We have assumed that you had not contributed to the cost of the Plan and, therefore, the total amount of the benefits you received during 2009 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 the next page.

***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:**

1. The reasonable value of a year's rent for your home, furnished, including utilities; *or*
2. What you actually spent in 2009 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 #1 and complete the rest of that form.
- Insert the new wages from Box 3 of Supplementary Sheet #1 on line 7 of your Form 1040 (or line 7 of Form 1040A or line 1 of Form 1040EZ), followed by the words **“SEE SUPPLEMENTARY SHEET #1.”**

Remember to keep a copy of the Supplementary Sheet for your records, along with the enclosed “Housing Allowance Resolution.”

Changes in the tax laws

This memo is a general informational statement based on the Pension Boards' understanding of the Internal Revenue Code and Regulations at the time of this writing. While we provide you with information about your disability payments, you should contact your tax advisor if you have questions on the tax forms, tax law or taxability of other income received. Detailed information on income tax treatment of disability payments may be obtained from your tax advisor or attorney, or from IRS Publication 524, which is available at no charge by calling the IRS toll-free at 800.829.3676 or downloaded directly from the IRS web site: www.irs.gov.

Contact information

If you have questions, please contact Sheila Chatterjee at the Pension Boards toll-free at 800.642.6543, ext. 2858 or by e-mail at schatterjee@pbucc.org.