



# The Pension Boards

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**DATE:** January 2025

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

**FROM:** Member Services, The Pension Boards – United Church of Christ, Inc. (Pension Boards)

**RE:** Reporting Payments on Your 2024 Tax Return

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Grace to you and peace in this New Year.

This letter provides information about the reporting for federal income tax purposes of short-term or long-term disability benefits you received in 2024 (**Disability Benefits**) from The United Church of Christ Life Insurance and Disability Income Benefit Plan (**LIDI Plan**). You will receive your **Form W-2** from Metropolitan Life Insurance Company

## Federal income tax on your Disability Benefits

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 Disability Benefits. We have assumed that you did not contribute to the cost of the premiums for the LIDI Plan. Therefore, the total **Disability Benefits** 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 is 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 2024 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 2024 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 2024 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 Disability Benefits or preparation of their tax returns. This material is purely for informational purposes. Members may consult their legal, accounting, or tax advisor about the taxability of the Disability Benefits and preparation of their tax returns.

Detailed information on federal income tax may also be obtained IRS publications and forms, which may be ordered by calling **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 at **1.800.642.6543**, or **info@pbucc.org**.