

## **Employee Welfare Benefit and Pension Plans**

Welfare benefits provided by employers may vary widely. Likewise, employers may pay the full cost or share the cost of all or parts of the plan with employees, especially dental and health care benefits. Different eligibility provisions may be declared for exempt versus non-exempt employees. However, whatever decisions are made regarding eligibility, cost share, and what qualifies as full-time or part-time staff, they must be written down in your employee manual and must be adhered to. Non-discrimination rules will require that all employees in the same class be provided the same benefits.

The Pension Boards of the United Church of Christ provides pension plans for clergy and lay employees along with other welfare benefit plans. Summary plan descriptions are available on the Pension Board's website at [www.pbucc.org](http://www.pbucc.org).

## **Housing Allowance**

With respect to housing allowance, churches MUST annually adopt resolutions authorizing the housing allowance in advance of the next tax year. Pastors should absolutely be sure that the designation of a housing allowance be on the agenda of the church consistory/council for one of its final meetings of the current year. A housing allowance cannot be designated retroactively. This designated amount for housing allowance is excluded from gross income for federal income tax purposes and for most local EIT purposes.

The MOST a pastor may claim as housing allowance is the lower of these three:

- 1) The amount of the housing allowance designated by the church.
- 2) The fair rental value of the furnished home, plus utilities. (The fair rental value is defined by the IRS as the amount of rent that an unrelated party would pay for the home, including furnishings and related structures such as garages, plus utility costs.
- 3) The amount actually spent that year to buy, rent, furnish, improve, and maintain the primary residence.

## **Housing Allowance Tax Consequences**

As stated above, housing allowance is non-taxable, if authorized properly, for federal income tax purposes and for most local earned income taxes ONLY. It is taxable for all other payroll related taxes including social security (self-employment tax) and PA income tax.

If the dollar amount received in any given year exceeds the actual amount spent for housing (including all those expenses itemized above), it is the pastor's responsibility to claim the excess as additional taxable income on their tax returns.