

Moving Costs - Clergy Income Tax AND Conference Reporting Requirements

Revised: 01-12-2023

Z:/Finance Files/Website/2023/v01-12-2023 - Memo and Forms for Moving expenses

To: All Clergy and Churches

I. Introduction:

The Conference Council on Finance and Administrative Ministries (CFA) recommends each local church budget an annual amount of \$2,000 for three years for a total of \$6,000 to accumulate in a reserve fund to be used for reimbursing a clergy's moving costs at such time as a church receives a newly appointed clergy. The amount of \$6,000 is intended as a guideline to both churches and clergy, although actual costs incurred may be more or less than \$6,000. The clergy are encouraged to stay under \$6,000 to exhibit good stewardship in minimizing moving expenses to be reimbursed.

Effective January 1, 2018, reimbursement of qualified moving expenses by an employer is treated as a taxable fringe benefit to the employee receiving the benefit (as outlined in the IRS Sections 217 and 132(g) and Publication 571). The Federal Tax Cuts and Jobs Act (the "Act") made numerous changes including the suspension of certain applications of Sections 217 and 132(g) of the Internal Revenue Code for the period January 1, 2018 through December 31, 2025. **The end result of the Act's suspension is that any reimbursement to, or payment on behalf of, moving expenses for an employee/clergy during the same time period will need to be reported as taxable income to the employee/clergy.**

Since many clergy will be affected by this topic on a regular basis, it is very important that all clergy and financial personnel in the local church read this memo. It is also suggested that clergy provide a copy to his/her professional tax advisor.

II. Reporting Requirements and Additional Pension Liability:

a. Form 1099 for Retired Clergy

There is no pension liability relating to retirees moving expense reimbursements. The Conference Board of Pensions and Health Benefits office will issue the retired clergy a Form 1099 for the amounts reimbursed under the moving expense reimbursement benefit offering. The retiree clergy should use **FORM A** below for requesting reimbursement of such moving expenses from the Conference.

b. Form W-2 for Active Clergy

The local church will need to report the total of all moving expenses reimbursed to, or paid on behalf of, the clergy on his/her **Form W-2** in Box 1 as taxable income. There will be no payroll tax costs to the church associated with the amounts added to the clergy's Form W-2. **See FORM A attached – for use by clergy to request reimbursement from his/her church.**

(Note: If the payment of moving costs is made by the Conference on behalf of, or reimbursed to, a full time clergy retiring from a local church, the Conference will issue that clergy a Form 1099-MISC reflecting the amount reimbursed for moving expenses. Retirees should use **FORM A attached** for requesting reimbursement from the Conference Benefits Office).

c. Pension Plan Compensation for Active Clergy

1) Information to Report to the Conference Benefits Office

Further, to comply with the Book of Discipline's definition of a clergy's Pension Plan Compensation, all income reported on a clergy's W-2 Form is considered part of his/her Plan Compensation. Therefore, the moving costs must be included for purposes of calculating the clergy's pension obligation. Local churches will be required to report the total of moving expenses reimbursed to, or paid directly on behalf of, a clergy to the Conference Benefits Office. **See FORM B attached – DUE September 30, 2023**

2) Payment of Additional Pension Obligation to the Conference Benefits Office

The additional income of moving expenses will increase “Pension Plan Compensation” and will cause a one-time pension obligation billing from the Conference Benefits Office for affected churches. The additional pension obligation will be approximately 16% of the total moving expenses. The Conference Office will try to bill each affected church no later than December 1, 2023 for the additional pension obligation arising from the clergy’s moving costs reimbursement. **Payment is expected before year end.** To reiterate, the church paying for the moving costs is also responsible for the full pension liability on the amount of additional Pension Plan Compensation.

d. Active Clergy Moves for Multi-Church Charges

If the clergy is part of a multi-church charge or part of a dual appointment, then the church should contact the Conference Benefits Office directly on the best way to both report the information and divide the additional pension costs. Every clergy moving situation presents a unique set of factors. If the churches have any questions, please call either Sandy O’Brien or Theresa Stevens directly at 225-346-1646.

III. Conference Moving Costs Policy for Active Clergy: (as applicable)

The 2017 Annual Conference adopted a new Moving Costs Policy which remains in effect for 2023 and forward, whereby the Conference may share some of the moving costs expenses with the churches in selected situations for active clergy. The applicable paragraph is excerpted below:

Moving Costs Policy, 2022 Journal: Who Reimburses the Expense

The receiving church reimburses the clergy person for the allowed moving expenses in most instances. A church should budget \$2,000 per year for moving until a sum of \$6,000 has been accumulated in a designated fund to be used for this expense.*

If a church did not request a move and the present full-time clergy person has been there less than three years, then the reimbursement of the clergy person is divided as follows:

(1) Present clergy person has been there one year

*a. The church reimburses 1/3 of the expense up to \$2,000**

b. The Annual Conference through Equitable Compensation funds reimburses 2/3 of the expense up to \$4,000

(2) Present clergy person has been there two years

*a. The church reimburses 2/3 of the expense up to \$4,000**

b. The Annual Conference through Equitable Compensation funds reimburses 1/3 of the expense up to \$2,000

**as noted in Section I – Introduction, \$6,000 is the recommended maximum amount of reimbursed moving expenses. Actual amounts may be greater or less depending on each church and clergy person’s situation.*

If the Conference is to share in the active clergy’s moving costs per the above policy, the church should initially pay for all moving costs. Then the church should request reimbursement from the Conference Office for the appropriate shared amount. All requests for reimbursement by the Conference must be approved by the respective District Superintendent in that church’s District. **It will still be the Church’s responsibility to include the total moving costs on the W-2 Form for the clergy, and to ensure that the additional pension liability is paid.**

IV. Examples:

Example 1:

- On 6/27/2023, Church A reimburses FT Clergy John’s moving expenses of \$3,466.15.
- On 9/15/2023, Church A reports total moving costs of \$3,466.15 for Clergy John to Conference Benefits Office.
- On 12/31/2023 Church A reports \$3,466.15 on Clergy John’s W-2 Form, Box 1.

Example 2: (Conference will bear 1/3 of this cost per new rules)

- On 6/27/2023, Church A pays the moving company directly for FT Clergy Jane's move -\$2,466.15.
- On 9/15/2023, Church A reports total moving costs of \$2,466.15 for Clergy Jane to Conference Benefits Office.
- On 9/22/2023, Conference reimburses Church A for $1/3 \times \$2,466.15 = \822.05
- On 12/31/2023, Church A reports \$2,466.15 on Clergy Jane's W-2 Form. Box 1.

V. Questions and Support:

There are many situations for which examples will not provide enough detail to adequately address the complexity of this matter. Every clergy moving situation presents a unique set of factors. **Again, if the church is part of a multi-church charge or their clergy is part of a dual appointment, then the church should contact the Conference Benefits Office on the best way to both report the information and divide the additional pension costs. See contact information below:**

LOUISIANA CONFERENCE BENEFITS OFFICE

Sandy O'Brien at sobrien@la-umc.org, or Theresa Stevens at Benefits@la-umc.org

527 North Blvd, Baton Rouge, LA 70802, Ph. 225-346-1646

VI. Summary:

- All moving expenses/reimbursements are now considered taxable income to all clergy
- All moving expenses/reimbursements for the active clergy are considered Pension Plan Compensation
- Churches must report the moving expenses/reimbursements for the active clergy on the clergy's W-2 Form
- The Conference will report the moving expenses/reimbursements for the retired clergy on Form 1099
- Churches must report the active clergy's moving expenses/reimbursements to the Conference Benefits Office by **September 30, 2023** for reporting as Pension Plan Compensation to Wespath Benefits and Investments.

Churches that may be eligible to share the active clergy's moving expenses under the Equitable Compensation Moving Expense policy should submit a request for reimbursement to the chair on Equitable Compensation Committee, first for approval, then send to the Conference Benefits Office no later than December 1, 2023.

VII. FORMS ATTACHED:

1. **2023 MOVING EXPENSE REIMBURSEMENT REQUEST FORM A** (for clergy to submit to the local church (or Conference Office for Retirees))
2. **2023 MOVING COSTS – ANNUAL REPORTING FORM B** (for local churches to report to the Conference Benefits Office)
3. **2023 MOVING EXPENSE REIMBURSEMENT REQUEST FORM C** (for local churches to submit to the Conference Benefits Office with all appropriate signatures noted for approval for reimbursement under the applicable provisions of the Equitable Compensation Moving policy)

If the churches have any questions, please contact the Conference Benefits Office directly.

LOUISIANA CONFERENCE BENEFITS OFFICE

Sandy O'Brien at sobrien@la-umc.org, or Theresa Stevens at Benefits@la-umc.org

527 North Blvd, Baton Rouge, LA 70802

Ph. 225-346-1646

-ATTACHMENTS START NEXT PAGE-

2023-MOVING EXPENSE REIMBURSEMENT REQUEST FORM A

(for Clergy to submit to church (or to Conference Office for Retirees) for reimbursement of moving costs)

A receiving church reimburses moving expenses for the pastor to the new appointment in accordance to the Annual Conference Moving Policy. CFA recommends a maximum of \$6,000 of reimbursable moving expense although amounts may differ for each church and clergy's situation. Also, the Conference Board of Pension and Health Benefits will reimburse retiring clergy for moving expenses up to \$6,000 for their final move. All clergy are asked to be good stewards and minimize these costs. The following items may be reimbursed: Supplies for packing items (boxes, tape, packing material); Rental of truck, dolly, blankets OR the costs of a moving company; Fees paid to non-related packers or non-related individuals to load and unload a rented truck; One month's rental of a pod or storage unit not to exceed 10 ft. x 20 ft.; Gas purchased for a rental moving truck, if utilized; and One night stay on the road and one meal on the road for family members moving with the clergy person from the last appointment location to the new location. Itemized original receipts must be provided to support all expenses – a charge card receipt without itemization does not suffice.

PLEASE NOTE THAT IN ACCORDANCE WITH RECENT TAX LAW CHANGES FOR 2018 AND FORWARD, ALL MOVING EXPENSE AMOUNTS REIMBURSED ARE DEEMED TAXABLE INCOME TO THE RECIPIENT. ALL CLERGY ARE ADVISED TO CONSULT THEIR TAX PROFESSIONALS ON HOW THIS INCOME WILL AFFECT THEIR INDIVIDUAL TAX POSITION.

- ACTIVE CLERGY RECIPIENTS WILL HAVE SUCH AMOUNTS INCLUDED IN THEIR FORM W-2.
- RETIRED CLERGY WILL RECEIVE A FORM 1099.

For clergy couples and charge and dual appointments, see rules on reimbursement in the Conference policy.

Name: _____ Date of Move: _____

Move from: _____

Complete street address

Move to: _____

Complete street address

I hereby certify that the moving expenses claimed below:

- were incurred by me in moving from my last appointment/school to the new appointment location;
- are reimbursable within the policy of the Louisiana Annual Conference;
- are supported by itemized invoices attached; AND
- have not been and will not be reimbursed from any other source other than as allowed by Conference Policy.

EXPENSE DETAIL (Original invoices-Attached additional sheet if needed)	AMOUNT
Supplies (itemize below)	
Rental of Truck/Dolly/Blankets & Packers' Cost <u>OR</u> Moving Company (itemize below)	
Rental of Pod or Storage Unit (itemize below)	
Gas for rental truck if utilized (itemize below)	
Lodging and Meal (itemize below)	
TOTAL (recommended not to exceed \$6,000) to be paid by Church	

Signature: _____ Date of Request: _____

Address to mail check: _____

2023 MOVING COSTS - ANNUAL REPORTING FORM B

(for local churches to report clergy moving expenses to the Conference Benefits Office;
due by September 30, 2023)

*Note: If your church is eligible for a Conference shared moving costs reimbursement under the Equitable Compensation Moving Costs Policy, please complete **FORM C**. Note that all such requests must be pre-approved by the District Superintendent. If you have any questions, please contact the Benefits Office for further instructions 225-346-1646.*

In accordance with tax law changes effective 1/1/2018 and forward, all amounts paid on behalf of, or reimbursed to, clergy for moving costs are deemed taxable income to the recipient (clergy). Recipients are required to include such amounts in their Form W-2, Box 1 at year end. Additionally, the 2016 Book of Discipline defines Pension Plan Compensation, for which the pension obligation for each clergy is calculated, as income from all sources, with the exception of amounts paid in lieu of providing health care insurance, currently not applicable in the Louisiana Conference. Therefore, churches that have reimbursed amounts to, or paid on behalf of, clergy for moving expenses are also required to report such amounts to the Louisiana Conference Benefits Office by **September 30, 2023** for the sole purpose of inclusion in the clergy's Pension Plan Compensation for the year.

This form is provided only for reporting taxable moving costs for clergy to the Conference Benefits Office and must be signed by both the clergy person and an authorized church finance representative/person who is responsible for, or has knowledge of, the appropriate systems for payroll matters.

Church Name: _____ Date: _____

Senior Pastor: _____
Signature Printed name

Church Finance Representative: _____
Signature Printed name

Clergy for whom moving expenses were incurred:

Clergy Name: _____
Signature and date Printed name

We hereby certify that the moving costs total below were:

- incurred by the clergy in moving from their last appointment/school to the new appointment location;
- included in Box 1, Form W-2 of the above named clergy;
- reimbursable within the policy of the Louisiana Conference;
- supported by itemized invoices; AND
- will not be reimbursed from any other source other than as allowed by Conference Policy.

	AMOUNT
TOTAL of all moving costs paid on behalf of, or reimbursed to, clergy (recommended not to exceed \$6,000 and must agree to the amount included on Form W-2) This amount will be reported to Wespeth and the church will be obligated to pay the corresponding pension obligation arising from this additional compensation.	

Note that no money is due to the Conference Benefits Office with this form. **This is information reporting only.** Please scan and email the signed and completed form to either sobrien@la-umc.org or benefits@la-umc.org.

This information will be reported to Wespeth Benefits and Investments under the clergy's name for purposes of calculating:

- a) total Pension Plan Compensation for 2023 and
- b) the corresponding pension obligation arising from the additional Pension Plan Compensation.

Once Wespeth has billed the Conference Benefits Office for the clergy's additional pension amount, then we will bill the church for the one-time (per move) additional amount for the corresponding pension obligation.

2023-MOVING EXPENSE REIMBURSEMENT REQUEST FORM C

(For use by a local church requesting reimbursement of moving costs as outlined under the **Equitable Compensation Committee's Moving Costs Policy**- request due to Conference Benefits Office no later than December 1, 2023)

Note that all such requests must be pre-approved by the District Superintendent. The Equitable Compensation Committee's Moving Costs Policy is excerpted as follows:

"If a church did not request a move and the present full-time clergy person has been there less than three years, then the reimbursement of the (moving costs for the) clergy person is divided as follows:

- (1) Present clergy person has been there one year*
 - a. the church reimburses 1/3 of the expense up to \$2,000*
 - b. The Annual Conference through Equitable Compensation funds reimburses 2/3 of the expense up to \$4,000*
- (2) Present clergy person has been there two years*
 - a. The church reimburses 2/3 of the expense up to \$4,000*
 - b. The Annual Conference through Equitable Compensation funds reimburses 1/3 of the expense up to \$2,000*

If a church has not had a full-time clergy person and is receiving one for the first time, the church is responsible for the entire reimbursement amount."

The church must obtain the various approvals through signatures noted below and submit a detailed list of approved expenses to the Conference Benefits Office along with itemized receipts to support total moving expenses. Please note that a charge card receipt without itemization is not sufficient. (The **2023-MOVING EXPENSE REIMBURSEMENT REQUEST FORM A** used by the clergy could also be used by the church for summarizing all on the expenses for the detailed list). If the church is unsure about calculating the amount for which the Conference **may be** responsible under the Equitable Compensation Moving policy, then please provide the total of all expenses with supporting documentation **and** the appropriate levels of approval for Conference review and payment.

Church Name: _____

Church Finance Representative Name/Signature: _____ Date : _____

Clergy's Name/Signature: _____ Date: _____

District Superintendent's Name/Signature _____ Date: _____

Equitable Compensation Chair Name/Signature: _____ Date: _____

We certify that the moving costs total below was reimbursed to, or paid on behalf of, the above named clergy. For purposes of requesting reimbursement by the Conference under the Equitable Compensation Moving expense policy, the total of all moving costs are recommended not to exceed \$6,000. The total of all moving expenses is \$ _____
(please attach a detail list and all supporting invoices)

Based upon the above Moving Costs policy excerpted above, the **Conference will reimburse the church for: (check one only)**

___ 1/3 of TOTAL expenses - Amount Requested from the Conference \$ _____

___ 2/3 of TOTAL expenses - Amount Requested from the Conference \$ _____

Please mail the signed form(s) and all supporting documentation to (Or scan and email to sobrien@la-umc.org or Benefits@la-umc.org):

- Louisiana Conference Benefits Office
527 North Blvd., Baton Rouge, LA 70802