

Report C - Housing Exclusion Allowance (For Income Tax Purposes Only)
Resolutions Relating to Rental/Housing Allowances for Retired or Disabled Clergypersons of the North Carolina Conference (excerpted from Board of Pension report as approved at Annual Conference 2010)

The North Carolina Conference (the "Conference") adopts the following resolutions relating to rental/housing allowances for active, retired, or disabled clergypersons of the Conference:

WHEREAS, the religious denomination known as The United Methodist Church (the "Church"), of which this Conference is a part, has in the past functioned and continues to function through ministers of the gospel (within the meaning of Internal Revenue Code section 107) who were or are duly ordained, commissioned, or licensed ministers of the Church ("Clergypersons");

WHEREAS, the practice of the Church and of this Conference was and is to provide active Clergypersons with a parsonage or a rental/housing allowance as part of their gross compensation;

WHEREAS, pensions or other amounts paid to active, retired, and disabled Clergypersons are considered to be deferred compensation and are paid to active, retired, and disabled Clergypersons in consideration of previous active service; and

WHEREAS, the Internal Revenue Service has recognized the Conference (or its predecessors) as the appropriate organization to designate a rental/housing allowance for Clergypersons who are or were members of this Conference and are eligible to receive such deferred compensation;

NOW, THEREFORE, BE IT RESOLVED:

1. THAT an amount equal to 100% of the pension or disability payments received from plans authorized under The Book of Discipline of The United Methodist Church (the "Discipline"), which includes all such payments from the General Board of Pension and Health Benefits ("GBOPHB"), any amounts received from the Minister's Transition Fund (MTF) and including amounts received in this respect from the Duke Endowment, during the year **2010** and **2011** by each active, retired, or disabled Clergyperson who is or was a member of the Conference, or its predecessors, be and hereby is designated as a rental/housing allowance for each such Clergyperson; and
2. THAT the pension or disability payments to which this rental/housing allowance applies will be any pension or disability payments from plans, annuities, or funds authorized under the Discipline, including such payments from the GBOPHB and from a commercial annuity company that provides an annuity arising from benefits accrued under a GBOPHB plan, annuity, or fund authorized under the Discipline, that result from any service a Clergyperson rendered to this Conference or that an active, a retired, or a disabled Clergyperson of this Conference rendered to any local church, annual conference of the Church, general agency of the Church, other institution of the Church, former denomination that is now a part of the Church, or any other employer that employed the Clergyperson to perform services related to the ministry of the Church, or its predecessors, and that elected to make contributions to, or accrue a benefit under, such a plan, annuity, or fund for such active, retired, or disabled Clergyperson's pension or disability as part of his or her gross compensation.

NOTE: The rental/housing allowance that may be excluded from a Clergyperson's gross income in any year for federal income tax purposes is limited under Internal Revenue Code section 107(2) and regulations thereunder to the least of: (1) the amount of the rental/housing allowance designated by the Clergyperson's employer or other appropriate body of the Church (such as this Conference in the foregoing resolutions) for such year; (2) the amount actually expended by the Clergyperson to rent or provide a home in such year; or (3) the fair rental value of the home, including furnishings and appurtenances (such as a garage), plus the cost of utilities in such year. As specified in Rev. Rul. 71 280, 1971 C.B.92, "the only amount that will qualify for exclusion under section 107(2) of the Code as 'rental allowance' is an amount equal to the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities." Beginning in 1984, there is no longer a sick pay or disability income exclusion available with respect to disability benefit payments. Therefore, the full amount of disability benefit payments will be taxable income to the recipient beginning in 1984.

Please Note: There is no place on your 1040 Tax Form to list this Housing Exclusion. The General Board of Pension and Health Benefits has provided a sample statement to be used: "I received \$_____ from the General Board of Pension and Health Benefits, Incorporated in Missouri; and/or from a commercial annuity company that provides an annuity arising from benefits accrued under a GBOPHB plan, annuity, or fund authorized under the Discipline and \$_____ from the Duke Endowment (total \$_____) as reported on the attached 1099 - R's. I did not include that amount on Line 16b because \$_____ * has been excluded under provisions of IRC Section 107 of the Internal Revenue Code as a rental allowance exclusion. As a retired clergyperson, I am entitled to take this rental allowance exclusion." (In this blank put the least of the 3 amounts on your Housing Exclusion Worksheet.)

Attach this note to your 1099-R forms.