

THE MMBB GUIDE FOR
CHURCH-RELATED EMPLOYERS
2009

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As an employer, your church or church-related organization:

- establishes compensation policies and yearly pastoral budgets;
- pays ministers and lay employees;
- pays monthly premiums to The Ministers and Missionaries Benefit Board (MMBB) for employee benefits and pays premiums for health insurance to the insurer; and
- withholds and pays taxes, and reports on pay to employees and the Internal Revenue Service (IRS) in accordance with IRS rules.

This guide will help you with these crucial functions. See *For More Information* on page 37 for other resources, some of which are available free of charge.

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CLERGY COMPENSATION

Throughout its history, The Ministers and Missionaries Benefit Board (MMBB) has partnered with churches and church-related organizations like yours in support of fair pastoral compensation. This section offers information and suggests practices to ensure that your pastoral staff receives fair compensation.

Stewardship

Church employees—both ordained and lay—devote their time and talents to the church’s ministry. Employees of church-related organizations, such as denominational agencies or retirement homes, may also see their work as ministry. All employees serve as “stewards” of what your church or organization stands for and the work it does in the world. The stewardship goes both ways. Your church or organization has the responsibility to provide for the financial needs of your staff so they can fulfill their roles without undue concern about the future.

Pastoral Relations Committee

Does your church have a Pastoral Relations Committee, or, for churches with multiple staff, a Church/Staff Relations Committee? If not, you may wish to establish one. Through this committee, your church and minister or pastoral staff can communicate openly about their needs. The committee can then advocate for fair compensation. For more information on the work of a Pastoral Relations Committee, see page 38 of this guide.

Calling a New Pastor

When your church calls a new pastor, you have an opportunity to start off on the right foot as you set up the pastor’s compensation. Here are some important factors to consider in determining how much to pay your pastor:

- the church’s financial resources
- housing provided by the church
- the pastor’s responsibilities
- your new pastor’s experience and education
- the salaries of other professionals in your community with similar experience and education
- the cost of living in your area
- salaries at other churches of similar size

A common mistake that distorts the actual amount of pay your pastor will have for living expenses is to offer your new pastor a “package” meant to cover take-home pay, retirement and medical benefits and ministry-related expenses. A church might say, for example, that it will budget a set dollar amount for the pastor, and the pastor can decide how to allocate funds for benefits and ministry-related expenses. This forces the pastor to choose between waiving essential benefits and doing without justifiable expenses or accepting lower take-home pay. Offering a “package” may also lead to a disappointing miscommunication if the pastor does not understand how benefits and expenses will be taken from his or her paycheck. This practice leaves the church without a clear understanding of how much they are providing to meet the pastor’s basic needs and may disadvantage the church if the pastor dies or becomes disabled and benefit protections are not in place. MMBB strongly recommends that churches budget separately for compensation, benefits and ministry-related expenses. The church—not the pastor—is responsible for benefits and ministry-related expenses.

CAUTION! Beware of creating a salary “package” for your minister. The church should reimburse ministry-related expenses and pay for benefits.

Example:

\$50,000 compensation paid in two different ways	Compensation paid as “package”	Church pays benefits and expenses in addition to compensation
Cash salary and housing	\$50,000	\$50,000
Retirement and medical benefits	- \$15,000	- \$ 0
Ministry-related expenses	- \$ 4,000	- \$ 0
Minister’s Income (before taxes)	\$31,000	\$50,000

Annual Compensation Increases

Once you have established the new pastor’s compensation, you will review that compensation annually. The annual budgeting process allows you to review the pastor’s compensation in light of the relevant factors. If your pastor’s income does not measure up, set a deadline to bring it to an adequate level. If your church cannot make up for the shortage in one year, MMBB recommends making up for the compensation shortfall with annual adjustments, in addition to regular cost-of-living and merit increases. The principles you use to review and increase compensation—such as providing a cost-of-living increase and considering a merit increase—apply to your pastoral staff as well as your lay employees.

Compensation Increases for 2009

Have your church staff’s salaries kept pace with the cost of living? The Consumer Price Index (CPI), the most commonly used measure of the cost of living, rose 5.0% from June 30, 2007 to June 30, 2008.* How does the change in your staff’s compensation compare with the change in the CPI? If the increase did not at least keep up with the cost of living, your employees experienced a loss in purchasing power.

Many churches provide merit increases to recognize pastoral leadership in achieving church goals. Other considerations—such as completing a course of study that will be valuable to your church’s ministry—may be considered for both clergy and lay employees. Each year, your employee has that much more experience in furthering your ministry.

*MMBB uses CPI statistics for All Urban Consumers (CPI-U) which include a larger percentage of the U. S. population than other CPI statistics.

MMBB recommends that you use the following formula to calculate percentage increases for your pastoral staff's 2009 compensation:

Current compensation	\$ _____
Merit increase	+ _____ %
Cost-of-living increase	+ 5.0%
Total	\$ _____

MMBB develops and issues new recommendations each summer.

PASTORAL BUDGETS

Both the church and the pastoral staff benefit from a thoughtful and orderly procedure to plan the pastoral budget. MMBB strongly recommends that churches budget pastoral compensation separately from benefits and ministry-related expenses. Use the *Pastoral Budget Guidelines* and *Pastoral Budget Worksheet* that follow to help plan your church budget. Visit www.mmbb.org for an online version of this worksheet; look in the Tools section.

Q: How can we start to plan a pastoral budget?

A: If you do not have one already, establish a Pastoral Relations Committee—or Church/Staff Relations Committee for multiple-staff churches. This committee takes the initiative to talk with the minister and represent the minister's needs. Many ministers are hesitant to discuss their financial needs. Among the Pastoral Relations Committee's many functions is fostering open communication about the minister's needs and advocating for fair compensation with other church groups.

Compensation includes cash salary and a parsonage and/or housing allowance, plus utilities. Separate the ministry-related expenses of the church from the minister's compensation. Ministry-related expense items are church expenses and should be reimbursed by the church up to the budgeted amount; use the accountable plan as described below. The minister should not pay out of his or her own pocket for a book on sermon preparation or a pizza for the youth group. Consult MMBB's publication *The Laborer Deserves to Be Paid*, which makes recommendations on compensation, ministry-related expenses and benefits. An annual compensation planning checklist is included.

Q: What is an accountable plan?

A: An accountable plan is a business-expense reimbursement arrangement under which ministry-related expenses are reimbursed, tax free, to the minister. The reimbursement amount is not reported as taxable income on the employee's Form W-2 or Form 1040. See the *Tax Advantages for Ministers and Other Church Employees* section of this booklet, and *Federal Reporting Requirements for Churches* by Richard R. Hammar, available at no charge from MMBB.

Q: What is a Social Security/Medicare tax offset?

A: While the IRS generally considers clergy serving churches as employees for federal income tax purposes, they are considered self-employed by the government for Social Security/Medicare tax purposes and, therefore, must pay their own Social Security/Medicare taxes (15.3% of annual compensation). Churches are not permitted to pay the employer portions of this tax for their pastors as they must do for lay employees. However, most churches assist their ministers by providing them with a Social Security/Medicare tax offset of at least 50% of the tax, considered taxable income to the employee. This appears as an annual item separate from salaries in the church budget. While such an offset is taxable income for ministers, it provides a helpful and much appreciated way for a church to assist its ordained staff members.

Q: Where can we obtain medical and dental coverage for our minister?

A: MMBB sponsors *PremierHealth* medical and dental coverage through CIGNA HealthCare and prescription drug coverage through Medco for ministers and lay employees of eligible churches and organizations. Some regional organizations provide group coverage for those in their region. See the *Health Insurance* section of this booklet.

Pastoral Budget Guidelines

MABB suggests using these guidelines and the pastoral budget worksheet to build your pastoral budget.

MINISTER'S COMPENSATION

Cash salary should include both an annual cost-of-living increase and recognition of merit or appreciation of service, and should be comparable with the salaries of other similarly educated professionals in your area.

A parsonage rental value is based on the fair rental value of the furnished parsonage.

A parsonage allowance is a portion of a minister's salary designated by the church to cover the cost of insurance, repairs, furnishings, etc., paid by the minister. It also includes utility costs if the pastor is paying for them. The

allowance is excluded from taxable income only to the extent it is actually used.

Utilities include items such as heat, electricity, telephone, etc. If the church pays for utilities directly, the amount should be included as part of the pastor's total compensation. If the minister pays, include utilities in parsonage or housing allowance.

Where there is no parsonage, the **housing allowance** designation should include the cost of maintaining a home, including mortgage payments, furnishing, utilities, etc.

BENEFITS

Benefits for Life provides retirement benefits and protects the minister or lay employee and his or her family in the event of disability or death before retirement.

The Tax-Deferred Annuity (TDA) provides employer-paid retirement benefits to supplement those available through Benefits for Life.

Health insurance should be provided by the church. MABB has arranged to make *PremierHealth* health insurance coverage available to ministers and lay employees of

sponsoring churches and organizations. Some regional organizations make group coverage available to those in their region.

A Social Security/Medicare tax offset provides assistance to your minister who must pay his or her full Social Security and Medicare tax as a self-employed person. Most churches provide an offset for their pastors. The offset is reported as taxable income for federal income tax and Social Security/Medicare tax purposes.

REIMBURSEMENT FOR MINISTRY-RELATED EXPENSES

Automobile reimbursement is for miles driven each year by the minister in performance of church business. A guideline could be the standard amount allowed for deduction by the IRS.

Convention expenses include the cost of attending denominational, area, regional and national meetings, i.e., transportation, meals, housing and registration.

Continuing education should include an annual amount set aside for a course of study or educational conference to further develop professional skills. Professional clergy groups recommend that 10 days be set aside each year for this purpose (and that a sabbatical be given every seven years).

Books, periodicals and other resources are essential tools for the minister. A reasonable amount should be included in the budget for these items.

The hospitality fund should provide for the cost to the minister of hospitality extended to individuals and groups on behalf of the church.

Other expenses unique to a particular ministry also should be included for reimbursement, including Ministers Council dues.

Pastoral Budget Worksheet

MINISTER'S COMPENSATION

	This Year	Next Year
Cash salary	_____	_____
Housing (either a or b)		
a. Parsonage rental value	a) _____	_____
Parsonage allowance	_____	_____
Utilities allowance	_____	_____
b. Housing allowance	b) _____	_____
Total compensation*	\$ _____	\$ _____

BENEFITS

	This Year	Next Year
Benefits for Life premiums	_____	_____
Tax-Deferred Annuity contributions	_____	_____
Health insurance premiums	_____	_____
Social Security/Medicare tax offset**	_____	_____
Total benefits	\$ _____	\$ _____

REIMBURSEMENT FOR MINISTRY-RELATED EXPENSES

	This Year	Next Year
Automobile _____ miles at _____ cents per mile	_____	_____
Convention expenses	_____	_____
Continuing education	_____	_____
Books, periodicals and other resources	_____	_____
Hospitality fund	_____	_____
Other expenses	_____	_____
Total reimbursement for ministry-related expenses	\$ _____	\$ _____

* This amount is used to determine Benefits for Life premiums.

** Employers choose whether or not to include the Social Security/Medicare tax offset for determining Benefits for Life premiums.

MMBB BENEFIT PLANS

MMBB benefits provide increased financial security and peace-of-mind for employees and their families. The benefits also protect churches and other employers and help them attract and keep valued staff members. Employees receive disability and survivor protection today and build resources for retirement tomorrow. MMBB also sponsors health insurance.

MMBB benefit plans are Section 403(b) plans under the Internal Revenue Code. Under new IRS regulations governing these plans, the church employer has additional responsibilities regarding plan administration. Please visit the 403(b) Compliance Center at www.mmbb.org for more information.

Benefits for Life

Benefits for Life monthly premiums are credited to members' retirement accounts and provide income protection for members and their families in the event of disability or death before retirement.

Eligibility

Q: Who is eligible for membership in Benefits for Life?

A: Any person who receives wages from an eligible church or organization, or is an eligible minister engaged in ministry elsewhere or self-employed for federal income tax purposes, is eligible for membership.

Q: Is a person employed by the church as an independent contractor eligible to enroll in Benefits for Life?

A: No. The IRS limits enrollment in denominational benefit plans to those considered employees for federal income tax purposes. The one exception is for some clergy, such as those consulting with a church, who are treated by the employer as self-employed for federal income tax purposes. The premiums for such individuals would have to be reported by the employer as taxable income to the individual on his or her IRS Form 1099-MISC.

Enrollment

Contact MMBB at 800.986.6222 to obtain information on eligibility and an application for Benefits for Life membership. MMBB will send an invoice on the first day of the month after the application is received, or the employer may send the premium check with the application. Personal checks are not accepted except in the rare case of a self-employed individual as described above. If all necessary information is provided on the application, coverage will become effective the day the employer check is received by MMBB.

**MEMBERSHIP APPLICATION
BENEFITS FOR LIFE**

A-1

PLEASE PRINT OR TYPE

Personal Information

Title	First Name	M.I.	Last Name
Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth	Social Security Number	
Home Address	Town/City	State	Zip Code
Home Phone	Email Address		

Dependent Information (if applicable)

Spouse's Full Legal Name First/Middle/Last	Social Security No.	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth

Employment Information

Church or Organization	Employer Phone		
Address	Town/City	State	Zip Code
Email Address	Employment starting date	Position	
For Clergy: Please indicate ministerial status <input type="radio"/> Ordained <input type="radio"/> Commissioned by current employer or region <input type="radio"/> Licensed by current employer or region		Ordination Status Granted By: <input type="radio"/> ABCUSA church <input type="radio"/> Other church	
For Clergy: Is your employer eligible to designate a portion of your compensation as housing allowance or rental value of parsonage, plus utilities, which would not be reported as taxable income? <input type="radio"/> Yes <input type="radio"/> No			

Employment Information (Calculate carefully; this information is used to ensure compliance with IRS regulations regarding contribution limits.)

Years of ABC Employment: _____ / _____ (yr/mo)

A-1

Please note:
In order to comply with new IRS regulations, these forms will be updated effective January 1, 2009.

• Complete as fully as possible.

Compensation Information (Please round to the nearest dollar)

A. Annual cash salary (include amounts to be withheld for TAS and Flexible Spending Accounts)	\$ _____ per year
B. Housing (either 1 or 2)	
1. Parsonage rental value	\$ _____ per year
Parsonage allowance	\$ _____ per year
Utilities allowance	\$ _____ per year
Total parsonage	\$ _____ per year
OR	
2. Housing allowance	\$ _____ per year
Total Housing (either 1 or 2)	\$ _____ per year
C. Social Security/Medicare tax offset	\$ _____ per year
<input type="radio"/> Yes, it should be included in the premium calculation	
<input type="radio"/> No, it should not be included in the premium calculation	
D. Total annual compensation*	\$ _____ TOTAL

* Does not include Benefits For Life premiums or TDA contribution, medical premiums, or ministry-related expenses such as car expenses, continuing education, convention expenses, books, periodicals, etc.

Provide applicable compensation components, not just the total.

Both employee and employer must sign and date the form.

Agreement

I understand that payment of an initial premium is required before I can become a member of the Benefits for Life program.

I understand that my eligibility for premium-paying membership depends upon my continuing to serve a church or organization appropriately related to American Baptist Churches USA, continuing to serve in ministry as a member ordained by the ABCUSA, and/or continuing to serve in ministry as a member whose ordination is in good standing with ABCUSA. I agree to adhere to the provisions and any amendments of said plans for which I apply.

I understand that my ability to take distributions from my account may be limited.

Signature of applicant	Date
Signature of employer	Date

The Retirement Plan is an Internal Revenue Code 403(b) retirement program maintained by The Ministers and Missionaries Benefit Board (MMBB).

The Plan and/or any account maintained by MMBB to manage or hold assets of the Plan, and any interest in such Plan or account (including any funds maintained by MMBB) is not subject to the registrations, regulation, or reporting provisions of the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, Title 15 of the United States Code, or state securities laws. Therefore, participants and beneficiaries under the Plan will not be afforded the protections of those provisions.

Please return this completed form to:

The Ministers and Missionaries Benefit Board
475 Riverside Drive, Suite 1700 New York, NY 10115-0049
Phone: 800.986.6222 Fax: 800.986.6782 Web: www.mmbb.org
A-1 11/05

Q: What happens if a check is not sent with the application?

A: MMBB will send an invoice to your church on the first business day of the month after the application is received. Membership (including disability and group term life insurance coverage) will not start until the initial payment is received.

Q: Can death or disability coverage be retroactive to the date of employment?

A: No. The death and disability benefits will only go into effect after MMBB receives the employer premium payment.

Q: Our church has two staff persons who are already members of Benefits for Life. If we want to begin membership for another, can we add the name to the invoice and send in the amount we know we will owe?

A: No. Each new member must submit an application form A-1 before membership can be processed. MMBB will add the member to the invoice or your church can send a separate payment before the next invoice.

Q: How can our church start coverage for our employee as soon as possible?

A: Contact MMBB to determine the amount of the premium and send an employer check in that amount with the application (A-1).

Q: Our pastor was employed for four years before the church could afford Benefits for Life coverage. Can the church make up the lost premiums?

A: Yes, if the amount of those additional premiums falls within IRS limits. Contact MMBB for information and a calculation of contribution limits for the member in question. Additional premium payment amounts will be contributed entirely to the member's Retirement Plan account.

Billing and Cost

The Benefits for Life premium is a fixed percentage of the member's reported compensation.

Compensation includes:

- cash salary, including amounts
 - the employer withholds as voluntary contributions to The Annuity Supplement (TAS);
 - withheld for Flexible Spending Accounts (FSAs); and
- for eligible clergy, the fair rental value of a parsonage plus utilities and a parsonage allowance, or a cash housing allowance.

Q: Is the minister's Social Security/Medicare tax offset included in the compensation figure for determining the Benefits for Life premium?

A: If the employer provides a Social Security/Medicare tax offset for clergy staff, the employer decides whether to include it in compensation for calculating premiums.

Q: If the minister's Social Security/Medicare tax offset is not reported as part of the pastor's compensation for billing purposes, is there a need to report the offset to MMBB?

A: Yes. MMBB needs to know the Social Security/Medicare tax offset to make sure the retirement contribution made for the member does not exceed the maximum annual contribution limit permitted by the IRS. This is particularly important if the pastor's housing allowance represents a sizable portion of his or her compensation.

For clergy, the rental value of the parsonage should be reviewed annually and should be based on the fair rental value of the parsonage, furnished and with utilities. The larger the reported value, the greater the potential benefits from Social Security and MMBB. Underreporting will also negatively affect benefits in the event of disability or death before retirement.

Premiums are billed monthly and payments are due by the 26th day of the month. Your invoice will be mailed on the first business day of the month. Once you receive it, be sure to review it carefully and email the billing department (billing@mmbb.org) or call MMBB with any questions you may have. When submitting a check for monthly payment, indicate the employer account number on the check and send it with the remittance portion of the invoice in the envelope provided.

Q: Where should you send the monthly premium payments?

A: Premium payments should be sent to the lockbox at BNY Mellon in Atlanta at the address printed on the monthly invoice. Do not send any correspondence or forms to the lockbox. Send them to MMBB in New York: 475 Riverside Drive, Suite 1700, New York, NY 10115-0049.

Q: Do all components of a minister's compensation need to be included whenever a new compensation amount is reported to MMBB?

A: Yes, it is best to report all components of a minister's compensation—especially amounts for housing and a Social Security/Medicare tax offset—whenever a new compensation amount is reported to MMBB.

Q: Does MMBB also receive payments for health insurance?

A: No. The initial premium payment for *PremierHealth*, sponsored by MMBB, should be sent to *PremierHealth*, P.O. Box 690188, San Antonio, TX 78269. The toll-free number is 866.868.0502. Ongoing monthly premium payments should be sent to the *PremierHealth* lockbox at: *PremierHealth* Premium Account, 75 Remittance Drive, Suite 1412, Chicago, IL 60675-1412

CAUTION! Only send premium payments for MMBB invoices to the lockbox at BNY Mellon in Atlanta. Any correspondence, forms or additional premium payments (to make up for underreported compensation or delayed enrollment) should be sent to MMBB in New York.

Late Payments

If the premium payment is not received by the end of the second month following the month for which premiums are due, coverage is terminated. For example, premium payments for January are due by January 26th. If they are not paid by the end of March, coverage is terminated on April 1 and the membership is inactivated.

Q: What happens when membership in Benefits for Life is inactivated?

A: An inactive member has neither death benefits nor disability coverage, and no further contributions are made to the retirement account. An inactive member who wishes to have premiums paid for him or her again must be reinstated.

Q: What is the impact on the membership if a membership is reinstated?

A: Reinstatement reduces the death benefit in the same way as for a new membership— $\frac{2}{3}$ in the first year and $\frac{1}{3}$ in the second. Inactivation reduces your employee's benefits in significant ways.

Q: Is there a way to avoid reinstatement and begin paying premiums again?

A: Yes. If membership has been inactivated because of delinquent payments, a reversal can occur within a six-month period as long as the employer pays the total amount due from the time of the inactivation through the current month's premium. Death and disability coverage begin again when the full payment for all past due and current premiums is received.

Employers who can foresee problems paying their MMBB invoices may consult with their regional representatives to explore options to avoid inactivation.

Q: How are compensation changes reported?

A: Notify MMBB in New York. (Do not send changes to the lockbox with premium payments.) Changes received by the 15th of each month usually will be noted on the following month’s invoice. For example, if a compensation increase for January is received by January 15, the February invoice will reflect the change. Report any compensation change to MMBB as soon as the change is approved. Death and disability benefits are based on reported compensation, and retirement accounts are also affected. Retroactive changes are also more difficult to make.

Q: What happens when compensation changes are not reported?

A: Since a member’s retirement income, disability and death benefits are tied to the compensation upon which premiums are paid, failure to report compensation changes will result in lower benefits.

Example, based on 16% plan:

Rev. Jones, age 40	Amount	Death Benefit*	Disability Income	Benefits for Life contribution
Actual compensation	\$40,000	\$200,000	\$26,668	\$5,200
Compensation reported to MMBB	\$35,000	\$175,000	\$23,334.50	\$4,550
Difference	\$ 5,000	\$ 25,000	\$ 3,333.50	\$ 650

A lower reported compensation deprives Rev. Jones of \$650 in his or her retirement account for that year. If the member dies, the group term life insurance benefit payable to the surviving spouse or beneficiary is \$25,000 less. If the member becomes disabled, annual disability income is reduced by \$3,333.50.

* Assumes at least two years in plan.

Q: Can our church make up for compensation that has been underreported to MMBB?

A: Yes, as long as the amount of those additional premiums falls within IRS limits and your church provides documentation of the member’s actual compensation for those years. Contact MMBB for information and a calculation of contribution limits for that member. Additional premium payment amounts will be contributed entirely to the member’s Retirement Plan account.

Q: Will additional premium payments to make up for underreported compensation or delayed enrollment appear on the monthly invoice?

A: No. These payments are made to MMBB separately.

Q: Where should the additional premium payments be sent?

A: The payments should be sent to MMBB in New York with a letter indicating the purpose of the payment.

Employment Change

Q: What happens when a minister ends employment with a church?

A: When a minister terminates employment, MMBB should be notified immediately. The employer is responsible for paying premiums for the full month, even if the minister's employment ends during the month. Notify MMBB of the last month for which the employer will pay the premium for the minister terminating employment. If known, please provide MMBB with the name and address of the minister's new employer.

Q: What information does MMBB need when an employer calls a minister who is a premium-paying member of Benefits for Life?

A: MMBB should be notified of:

- the name, address and telephone number of the employee and new employer
- the month the employer will start paying premiums
- the minister's compensation for determining the premium

Also, provide the applicable components of the minister's compensation as follows:

- cash salary
- rental value of parsonage, utilities allowance and parsonage allowance or
- housing allowance
- Social Security/Medicare tax offset, indicating if it is to be included for determining the premium.

Q: What happens when a church employs a new minister in the middle of the month and the individual is already a Benefits for Life member?

A: Because the minister's previous church probably paid the current month premium in full, the church will not be billed until the next month. MMBB should be notified of the new minister's name, home address, starting date of employment and compensation.

Q: Our pastor is retiring. When should MMBB be notified?

A: MMBB should be notified at least 90 days before the intended date of retirement. Premium payments should be received no later than the 15th of the month before the pastor's retirement date in order for payments to be included in his or her annuity.

Q: How do we report other kinds of changes—such as address changes—to MMBB?

A: Call MMBB at 800.986.6222 and inquire.

If you have questions regarding premium invoices, compensation changes, billing or employment changes, contact MMBB.

The Annuity Supplement (TAS)

The Annuity Supplement (TAS) is a tax-deferred 403(b) plan offered by MMBB to help ministers, missionaries and church-related lay employees supplement their retirement savings. Contributions to TAS are made when an employee chooses to divert a portion of his or her salary into a TAS account.

Q: How does TAS differ from other plans administered by MMBB?

A: TAS does not include group term life insurance and disability benefits, as the Benefits for Life program does. TAS only accepts retirement contributions that generally are withheld from members' pay. Benefits for Life and the Tax-Deferred Annuity (TDA) only accept contributions from employers (see page 20).

Eligibility

Clergy and lay employees receiving wages from a denominational church or agency may be eligible to contribute to TAS. If a lay individual is considered self-employed for federal income tax purposes, he or she is not eligible to contribute to TAS. However, a clergy person who is self-employed for federal income tax purposes is eligible to contribute. Before beginning the enrollment process, the prospective participant may want to ask MMBB to calculate the maximum amount he or she may contribute to TAS for the current year. It is the church's responsibility, as the employer, to monitor contribution limits to ensure IRS maximum contribution limits are not exceeded.

Enrollment

If you, the employer, have not already done so, your trustees or other official board must adopt a resolution authorizing the employer to modify employees' salaries in order for them to make TAS contributions. Following is a suggested resolution authorizing salary modification:

Form of Resolution Authorizing Salary Modification

WHEREAS, Section 403(b) of the Internal Revenue Code permits _____ (employer) to purchase annuity retirement benefits for its employees on a tax-deferred basis, and the employer wishes to cooperate with and assist its employees in obtaining such benefits; now, therefore, be it

RESOLVED, That upon receipt of written request from employees, the officers of _____ (employer) be, and they hereby are, authorized to make such modifications in the terms of compensation of such employees and to take such further action as in their judgment shall be appropriate and desirable in order to enable such employees to receive annuity retirement benefits and obtain the benefits of Section 403(b) of the Internal Revenue Code.

Signature _____ Date _____
(church officer)

You and your employee must then sign a salary reduction agreement (A-13a form) and send MMBB the top copy along with a completed TAS application (A-26 form). TAS applications, guidelines and salary reduction agreement forms are available from MMBB.

Employee Information		Check one: <input type="radio"/> Initial Agreement <input type="radio"/> Change to Prior Agreement	
Last Name		First Name	M.I.
Social Security No.		Name of Employer	

Salary Reduction Agreement

The employee authorizes the employer to make salary reduction contributions on the employee's behalf to The Annuity Supplement (TAS). All such salary reduction contributions shall be forwarded by the employer to The Ministers and Missionaries Benefit Board (MMBB). For purposes of making such contributions, the employee agrees that his/her compensation will be reduced as indicated below.

Contribution

<p>1. Deduct From Paycheck: (Select one)</p> <p><input type="radio"/> \$ _____ per month</p> <p>or</p> <p><input type="radio"/> _____% of total annual compensation</p>	<p>3. Salary Reductions continue: (Select one)</p> <p><input type="radio"/> Until I request an end date</p> <p><input type="radio"/> Through the last paycheck of the calendar year</p> <p><input type="radio"/> For one paycheck only</p> <p><input type="radio"/> Until (month/day/year) ____ / ____ / ____</p>
<p>2. Salary Reductions start with the payroll period beginning:</p> <p>____ / ____ / ____</p>	

Be sure to include the amount or percentage of the monthly contribution and the effective date in this box.

Terms and Conditions

This agreement is legally binding on the undersigned employee and employer, and is irrevocable with respect to compensation earned by such employee while this agreement is in effect. This agreement shall continue until it is terminated or amended. This agreement may be amended, with regard to compensation not yet earned, by the execution of a Salary Reduction Agreement by the employer and the employee no less than 14 days before the start of a payroll period. This agreement supersedes all prior Salary Reduction Agreements and contributions pursuant to this agreement shall immediately cease upon the employee's termination of employment with the employer. If the employee is re-hired, a new Salary Reduction Agreement will be necessary. This agreement may be terminated at any time by the employee for compensation not yet earned, upon written notice delivered by the employee to the employer. A termination request is permanent and remains in effect until a new Salary Reduction Agreement is submitted.

Both employee and employer must sign and date the form.

The employee and employer understand that the contributions originate and the tax deferral applies to amounts derived through a reduction of the employee's salary, and the employer forwarding such contributions to MMBB. In no event shall these contributions exceed the limits provided by Section 402(g) and/or 415 of the Internal Revenue Code or other applicable limits, which limits are also set forth in the Plan. The employee agrees to promptly notify the employer in the event that these limits are affected by any other plan(s) maintained outside of this employer [for example, a Section 401(k) plan or pension plan] or if he/she has knowledge that they reached any of the foregoing limits. The employer and MMBB reserve the right to automatically reduce the amount of the employee's contribution if it is determined that these deductions will exceed any applicable legal limits.

The form is in triplicate. Separate the copies and send only the top copy to MMBB.

This agreement is not a contract of employment between the employee and the employer, and does not restrict the right of the employer to discharge the employee or the right of the employee to terminate his/her own employment.

A copy should be given to the employee. The employer should keep a copy on file.

Signature of employee	Date
Signature of employer representative	Date

Please return this completed form to:

The Ministers and Missionaries Benefit Board
475 Riverside Drive, Suite 1700 New York, NY 10115-0049
Phone: 800 986-6222 Fax: 800 986-6782 Web: www.mmbb.org

All forms and correspondence should be sent to MMBB in New York; do not send any correspondence or application forms to the lockbox in Atlanta.

Q: What is required for your employee to start making TAS pre-tax contributions?

A: Assuming you have a board resolution in place, the TAS application, Form A-26, and a salary reduction agreement, Form A-13a are required before any contributions can be deducted from the employee's income. The employer and employee must sign the salary reduction agreement.

Q: Our church has employed a clergy person as a consultant who is treated as self-employed for federal income tax purposes. The person wants to contribute to TAS. Does the church have to sign off on the salary reduction agreement?

A: No. The self-employed clergy person would execute his or her own salary reduction agreement and

sign as both the "employee" and "employer." If the church is billed for the TAS contributions, the church would include the amount of contributions as part of the clergy person's taxable income.

Q: If the church approves a clergy person's request for a higher housing allowance, could that impact the amount he or she could contribute to TAS?

A: Yes. The amount contributed to TAS, plus the employer's Benefits for Life and TDA contributions, are limited by the minister's "includible compensation," as defined by IRS rules. Housing allowance is not part of "includible compensation." Contact MMBB for a calculation of your employee's contribution limits.

Billing

Employers are billed monthly on the same invoice as for the Benefits for Life premiums. The church withholds from each paycheck the agreed-upon amount for TAS contributions and pays it along with monthly premiums. Contributions are due by the 26th day of the month. Your invoice will be sent on the first business day of the month. When you receive it, be sure to review it carefully and email the billing department (billing@mmbb.org) or call MMBB with any questions you may have. When remitting your payment, indicate the employer account number on the check and send it to the lockbox in Atlanta with the remittance portion of the invoice in the envelope provided.

Contribution Changes

Q: How can employees change their TAS contributions?

A: Your employee can make up to four TAS changes per year, up to once per quarter, unless he or she changes employers. Before billing can be changed, a new salary reduction agreement must be submitted to MMBB. Changes in salary reduction amounts are only applicable for salary earned after the execution of the salary reduction agreement. Under IRS rules, the salary reduction cannot be made retroactively.

If you have a new employee with an existing TAS account, he or she may begin contributions by submitting a new salary reduction agreement only; no application form is required.

Q: If the employee's compensation changes, will that affect the amount he or she can contribute to TAS?

A: A compensation change may make a difference in the amount the IRS allows a member to contribute to TAS, especially if the TAS contribution is expressed as a percentage of compensation. When a compensation change occurs, it is wise to request a new TAS calculation from MMBB.

Q: How much can be put into TAS?

A: IRS limits how much money can be put into TAS on a pre-tax basis, depending on salary and other variables. Members may call MMBB to request a calculation of the maximum allowable contribution.

Q: If an employee completes a salary reduction agreement to contribute a *percentage* of compensation to TAS, what happens when compensation changes are reported to MMBB for the employee?

A: MMBB's billing for TAS contributions for that employee will change. For example, an employee's salary reduction agreement states that his or her compensation will be reduced by 5% for TAS contributions. The following year the employee receives a \$2,400 compensation increase. The invoice will have a \$12 monthly increase in the employee's TAS contribution, which should be withheld from the employee's pay.

Q: Are TAS contributions reported as taxable income when paid to MMBB?

A: TAS contributions are not included for determining federal income taxes and self-employment taxes (Social Security/Medicare taxes) for clergy (Revenue Ruling 68-395). For lay members, TAS contributions are not reported as taxable income for federal income tax purposes but are included for determining Social Security/Medicare (FICA) taxes. TAS contributions are not reported as taxable income in most states.

Q: How long is a salary reduction agreement in effect?

A: The agreement continues until:

- The period indicated on the salary reduction agreement ends.
- MMBB is notified to terminate the agreement. (You cannot terminate the agreement without the member's consent.)
- There is a change in employment.
- There is a new salary reduction agreement.
- The amount of TAS contributions exceed the IRS limit.

Q: What if an employee chooses to stop making TAS contributions?

A: The employee should submit a letter to the employer requesting termination of his or her

salary reduction for TAS contributions with an effective date for the change.

Q: When should a salary reduction agreement be completed between your church and your employee in order to have the employee's desired amount withheld from his or her pay for pre-tax contributions to TAS?

A: The salary reduction agreement must be completed before the pay period for which the employee would like to have the money withheld from his or her pay.


Example: Your payroll period is every two weeks. The member wants to have money withheld for TAS contributions from the March 5–19 pay period. In order for the withholding to be treated as pre-tax TAS contributions, the salary reduction agreement must be completed and signed no later than March 5.

Q: Can a salary reduction agreement apply to amounts withheld from pay before the agreement is signed?

A: No. The amount of pre-tax contributions is only attributable to compensation earned after the latest date a salary reduction agreement has been signed by the employee and employer. MMBB will notify the employer and employee that the amount withheld before the completion of the salary reduction agreement will be accepted if permitted within the maximum annual contribution and treated as after-tax contributions. Such contributions should be included as taxable income on the employee's IRS Form 1040.

Example: An employee decides to make TAS contributions. The salary reduction agreement is signed by the employee on February 25 and by the employer on March 12. Only money for wages earned after March 12 can be accepted by MMBB as pre-tax contributions. Any money withheld prior to March 12 will be treated as after-tax contributions by MMBB.

MMBB PREMIUM INVOICE



Premium Invoice

Name
FIRST BAPTIST CHURCH

Page: 1 of 1

Account Number	Period Covered	Invoice Number
1234	OCT 2006	123456

Previous Balance	Payment Received	Other Credits/Debits	Current Premium	Amount Due
3,848.93	-3,848.93	-800.00	3,848.93	3,048.93

Member Name	Compensation	TAS	TDA	Benefits For Life	Total
JONES EDWARD A	28,042	750.00		373.89	1,123.89
LEWIS PETER R	10,000		200.00		200.00
SMITHSON SHARON L	77,611			1,034.81	1,034.81
COOPER JEAN T	36,767	1,000.00		490.23	1,490.23
		1,750.00	200.00	1,838.93	3,848.93

▼ TEAR HERE

MMBB - 475 RIVERSIDE DRIVE, SUITE 1700, NEW YORK, NY 10115-0049 - 800.986.6222

TEAR HERE ▼

Payment Coupon 1234

For address change, billing changes and compensation changes, write to MMBB at the address below or call.

MMBB Tel: 800.986.6222
475 Riverside Drive, Suite 1700 Fax: 800.986.6782
New York, NY 10115-0049 Email: billing@mmbb.org

FIRST BAPTIST CHURCH
111 E 1ST ST
ANYTOWN, NY 12345

MMBB
DEPT AT 40013
ATLANTA, GA 31192-0013

ABCC00001234003048931

Due Date: 10/26/2006 **Amount Due:** 3,048.93

Return this portion of the invoice with your payment to the address below.

- Make check payable to "MMBB"
- Put your account number on the check
- Do not include any correspondence

Checks received after the end of the month will be posted on your next invoice.

ACCOUNT NUMBER

Number assigned to each employer. Use this number when communicating with MMBB.

PERIOD COVERED

Month being billed.

INVOICE NUMBER

Computer assigned number for the current month's bill.

PREVIOUS BALANCE

The previous month's amount due.

PAYMENT RECEIVED

Checks received through the last business day of the previous month. **All checks received are shown as negative since payments reduce the amount due.**

OTHER CREDITS/DEBITS

Adjustments made in the prior month. Credits remove charges and debits add charges. The total combines all credits and debits. For more information call MMBB.

CURRENT PREMIUM

Current month's billing.

AMOUNT DUE

Last month's amount due plus the current premiums and debits, less any checks received and credits.

COMPENSATION

Current salaries as reported to MMBB, can be hidden if requested.

TAS (THE ANNUITY SUPPLEMENT)

Employee contributions made through salary reduction.

TDA (TAX DEFERRED ANNUITY)

Employer contributions.

BENEFITS FOR LIFE

Employer paid premiums for retirement, death and disability benefits.

For Prompt Payment Processing

- Include payment coupon with your check
- Make check payable to MMBB
- Send all changes and correspondence to MMBB at 475 Riverside Drive, Suite 1700, New York, NY 10115-0049. Do not send changes or correspondence with your payment to the Atlanta address.

Q: Can an employee continue TAS contributions after a TAS distribution from his or her account based on IRS hardship tests and conditions?

A: No. Under IRS rules, a member who took a TAS distribution based on IRS hardship tests and conditions could not make TAS contributions for six months afterwards.

Q: Would a new salary reduction agreement have to be executed for the employee to resume TAS contributions after the six months?

A: No. MMBB will notify you when there is a hardship withdrawal, indicating that you should stop withholding TAS contributions for the employee in question for a period of six months. MMBB will not bill for that amount for six months, but will resume billing for the same amount beginning the seventh month, unless MMBB is notified to stop billing for the TAS contributions for that member. If the member wants to change the amount of TAS contributions following the six months suspension, a new salary reduction agreement must be executed.

Tax-Deferred Annuity (TDA)

The Tax-Deferred Annuity (TDA) is a tax-deferred 403(b)(9) church retirement income plan. TDA is entirely for employer retirement contributions on behalf of employees. You may establish a TDA account to:

- supplement your employees' retirement income from MMBB's Benefits for Life and other sources;
- match part or all of your employees' contributions to TAS, thereby encouraging personal savings for retirement;
- help build housing equity for a minister living in a parsonage; and
- give a special gift for an anniversary, to provide a bonus or to say "job well done!"

Q: How does TDA differ from other plans administered by MMBB?

A: TDA does not include group term life insurance and disability benefits, as Benefits for Life does. TDA represents only *employer* retirement contributions. The Annuity Supplement (TAS) only accepts member contributions. TAS contributions are generally withheld from members' pay.

Eligibility

Clergy and lay persons employed by a denominational church or agency are eligible to enroll in TDA.

Enrollment

Contact MMBB at 800.986.6222 and ask for a TDA application, Form A-34. Work with your employee to complete and return it to MMBB. All forms and correspondence should be sent to MMBB in New York; do not send any correspondence or forms to the lockbox in Atlanta, which is where MMBB invoice payments are mailed. MMBB will send a bill for the initial premium on the first business day of the next month. A check for the initial contribution may be sent with the application form.

PLEASE PRINT OR TYPE

Please note:
In order to comply with new IRS regulations, these forms will be updated effective January 1, 2009.

Personal Information

Title	First Name	M.I.	Last Name
Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth		Social Security Number
Home Address		Town/City	State Zip Code
Home Phone		Email Address	

Dependent Information (if applicable)

Spouse's Full Legal Name First/Middle/Last	Social Security No.	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth
Child's name	Gender <input type="radio"/> M <input type="radio"/> F	Date of Birth

Employment Information

Church or Organization	Employer Phone
Address	Town/City State Zip Code
Email Address	Employment starting date Position
For Clergy: Please indicate ministerial status <input type="radio"/> Ordained <input type="radio"/> Commissioned by current employer or region <input type="radio"/> Licensed by current employer or region	
Ordination Status Granted By: <input type="radio"/> ABCUSA church <input type="radio"/> Other church	
For Clergy: Is your employer eligible to designate a portion of your compensation as housing allowance or rental value of parsonage, plus utilities, which would not be reported as taxable income? <input type="radio"/> Yes <input type="radio"/> No	

Employment Information (Calculate carefully; this information is used to ensure compliance with IRS regulations regarding contribution limits.)

Years of ABC Employment: _____ / _____ (yr/mo)

Compensation Information (Please round to the nearest dollar)

A. Annual cash salary (include amounts to be withheld for TDA and Flexible Spending Accounts)	\$ _____ per year
B. Housing (either 1 or 2)	
1. Parsonage rental value	\$ _____ per year
Parsonage allowance	\$ _____ per year
Utilities allowance	\$ _____ per year
Total parsonage	\$ _____ per year
OR	
2. Housing allowance	\$ _____ per year
Total Housing (either 1 or 2)	\$ _____ per year
C. Social Security/Medicare tax offset	\$ _____ per year
<input type="radio"/> Yes, it should be included in the premium calculation	
<input type="radio"/> No, it should not be included in the premium calculation	
D. Total annual compensation*	\$ _____ TOTAL

* Does not include Benefits For Life premiums or TDA contributions, medical premiums, or ministry-related expenses such as car expenses, continuing education, convention expenses, books, periodicals, etc.

Complete these sections with as much detail as possible.

Contributions

Employer (TDA)	
<input type="radio"/> My employer will contribute \$ _____ per month.	EFFECTIVE DATE of contribution change _____/_____/_____ month year
OR	
<input type="radio"/> My employer will contribute _____% of my Total Annual Compensation (line D).	
Please check one: <input type="radio"/> Contributions will continue at the above amount into the next calendar year. <input type="radio"/> Contributions at the above rate will cease at the end of the current calendar year.	

Both employee and employer must sign and date the form.

Agreement

I understand that my eligibility for premium-paying membership depends upon my continuing to serve a church or organization appropriately related to American Baptist Churches, USA, continuing to serve in ministry as a member ordained by the ABCUSA church, and/or continuing to serve in ministry as a member whose ordination is in good standing with ABCUSA. I agree to adhere to the provisions and any amendments of said plans for which I apply.

Signature of applicant	Date
Signature of employer	Date

The Tax-Deferred Annuity is an Internal Revenue Code 403(b) retirement programs maintained by The Ministers and Missionaries Benefit Board (MMBB).
 The Plan and/or any account maintained by MMBB to manage or hold assets of the Plan, and any interest in such Plan or account (including any funds maintained by MMBB) is not subject to the registrations, regulation, or reporting provisions of the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, Title 15 of the United States Code, or state securities laws. Therefore, participants and beneficiaries under the Plan will not be afforded the protections of those provisions.

Please return this completed form to:
The Ministers and Missionaries Benefit Board
 475 Riverside Drive, Suite 1700 New York, NY 10115-0049
 Phone: 800.986.6222 Fax: 800.986.6782 Web: www.mmbb.org
 A-34 11/05

Billing

Billing will begin at the start of the month after the application is received and processed by MMBB. The invoice you receive from MMBB will include the amount the employer has agreed to contribute monthly on behalf of the employee. A contribution may be either a dollar amount or an amount based on a percentage of compensation.

Contributions are due by the 26th day of the month. Your invoice will be sent on the first business day of the month. When you receive it, be sure to review it carefully and email the billing department (billing@mmbb.org) or call MMBB with any questions you may have. When remitting your payment, indicate the employer account number on the check and send it with the remittance portion of the invoice in the envelope provided.

Q: Where are TDA contributions sent?

A: If you are making monthly TDA contributions, invoices will be sent monthly to your church. If your church is also currently being billed for Benefits for Life and/or TAS, TDA will appear on that invoice as well. If the church is only billed for TDA, the invoice will only have TDA on it. Payments are to be sent to the lockbox at BNY Mellon in Atlanta at the address printed on the invoice.

Contributions may also be made on a one-time or periodic basis if the employer prefers not to pay them monthly. If you are making a one-time payment, send it to MMBB at the New York office, with a letter and application. Contact MMBB for more information.

Q: What are the tax advantages of TDA?

A: Employer contributions to employees' TDA accounts are not reported as taxable income for federal income tax or Social Security/Medicare taxes for the year they are made. TDA contributions and the earnings on them are tax-deferred.

Q: How should changes in TDA billing be reported?

A: Call MMBB, toll free, at 800.986.6222.

Q: Is it important to report a change in compensation for someone with a TDA account?

A: Yes. The amount of a member's compensation will make a difference in how much can be contributed to any 403(b) account the member has. Be sure to report compensation changes to MMBB promptly for all plan members.

Q: What if employees are already participating in Benefits for Life?

A: TDA gives employers an option to contribute additional funds to supplement employees' retirement accounts. It is the church's responsibility as the employer to monitor contribution levels to insure IRS maximum contribution limits are not exceeded.

HEALTH INSURANCE

MMBB sponsors *PremierHealth* medical, prescription drug and dental plans. The following organizations partner to make *PremierHealth* medical, pharmacy and dental benefits available:

- CIGNA HealthCare is the insurance company that provides the networks of CIGNA providers and handles medical and dental claims.
- Medco is the pharmacy benefit manager that handles prescriptions filled at local participating retail pharmacies and by mail order.
- UMR provides enrollment assistance and information about eligibility and premium rates. They mail monthly invoices and collect premium payments as well.

Q: What types of medical options are provided through *PremierHealth*?

A: *PremierHealth* includes Open Access Plus (OAP), and provides Comprehensive Indemnity medical coverage where the OAP networks are not available.

Eligibility

Q: Which employees are eligible for *PremierHealth* enrollment?

A: To be eligible for *PremierHealth* insurance coverage, employees must be premium-paying members of Benefits for Life or the Tax-Deferred Annuity (TDA).

Q: How does an employee qualify for dental coverage?

A: Employees must enroll in the *PremierHealth* medical plan in order to be eligible for dental coverage. If dental coverage is not selected when an employee first enrolls in *PremierHealth*, dental coverage will not be available for two calendar years. If dental coverage is elected, the employee must keep dental coverage for two calendar years before the coverage can be dropped.

Enrollment

To enroll in *PremierHealth*, an employee must first enroll in MMBB's Benefits for Life program or TDA (see pages 8-11 and pages 20-22).

Q: When is enrollment permitted?

A: Open enrollment occurs every fall for coverage effective January 1 of the following year. Enrollment is also possible within 30 days of one of the following qualifying events:

- date of enrollment for the first time in either Benefits for Life or TDA;
- date of hire with an eligible employer if employee is already enrolled in Benefits for Life or TDA; or

- date that prior health insurance ends due to the following involuntary circumstances:
 - employment termination,
 - divorce,
 - death or
 - employer cancellation of employee medical coverage.

Spouses can be added to the *PremierHealth* enrollee's coverage if the spouse loses health insurance due to employment termination or the employer cancels medical coverage.

Q: How do employees enroll in PremierHealth?

A: Request an enrollment package and the amount of the monthly premium from UMR by calling their toll-free number: 866.868.0502, option 1. The employee should complete the application and send it to UMR with a check for the initial month's premium.

Q: Where are payments for PremierHealth sent?

A: The initial monthly premium payment that must be submitted with the application is sent to:
PremierHealth, P.O. Box 690188, San Antonio, TX 78269. Ongoing premium payments should be sent to the *PremierHealth* lockbox at: *PremierHealth* Premium Account, 75 Remittance Drive, Suite 1412, Chicago, IL 60675-1412

Q: What levels of coverage are available?

A: *PremierHealth* offers coverage for members only; members and spouses; members and children; and families (member, spouse and children).

Q: Who qualifies as a dependent?

A: Dependents include the employee's spouse and children, if unmarried.

Q: How long can children be covered under the enrollee's coverage?

A: Generally, children of enrolled members may be covered up to age 19.

Q: Can children who are full-time students be covered as dependents?

A: Full-time students are eligible for coverage as dependents until the date they are no longer full-time students, but not beyond age 25. Coverage terminates at the end of the month in which the student turns 25. However, they would then be eligible for Continuation of Coverage on their own for up to 18 months beyond the month they turn 25.

Q: Can PremierHealth coverage continue if the employee's employment terminates or the dependent child reaches the age limit?

A: MMBB allows for Continuation of Coverage of up to 18 months for an enrollee who is no longer eligible

for coverage based on his or her employment status or a dependent child based on the dependent's age. Continuation of Coverage premium rates are 102% of premium rates in effect while the employee had an eligible employer. Individuals must enroll in Continuation of Coverage within 60 days of the qualifying event.

Q: When does PremierHealth coverage become effective?

A: Coverage becomes effective on:

- January 1 following the annual open enrollment period;
- the first of the month following either the initial enrollment or eligible change in enrollment; or
- the first of the month following the loss of previous health insurance coverage.

Q: How can the employer speed up the enrollment process?

A: Consider the following:

- Have application forms from MMBB and UMR in hand before hiring new employees.
- Have new employees complete all applications before employment begins.
- Contact MMBB for the initial month's Benefits for Life or TDA premium amount.
- Contact UMR for the monthly *PremierHealth* premium amount.
- Send applications and checks via overnight mail to MMBB and UMR.

Q: Do pre-existing conditions apply for new enrollees?

A: If the enrollee was previously insured in a health plan for at least 12 months and does not experience more than a 63-day lapse in coverage between the prior plan and *PremierHealth*, pre-existing condition limits would not apply. A Certificate of Creditable Coverage from the prior insurance company would need to be provided to CIGNA upon request.

Premium Rates

Q: How are *PremierHealth* premiums determined?

A: Premiums are based on the geographic location (residence zip code) and the age of the enrollee. The geographic rates fall in three bands: low, average or high cost.

Q: How can one learn what the premium rates are?

A: For premium rate tables, visit www.benplan.com/mmbbmedical or call UMR, toll free, at 866.868.0502, option 1.

Q: When an enrollee moves from one age band to another, when does the premium increase take effect?

A: Premium increases begin with the month in which the enrollee's birthday puts him or her in a higher premium rate bracket.

Billing

Q: When are premiums due?

A: Invoices are mailed at the beginning of the month before the month of coverage. Payments are due by the last business day of the month before the month of coverage. For example, invoices for October will be mailed the first business day of September and are due by the end of September.

Q: What happens if a payment is not received on time?

A: If the payment is not received by the due date, UMR will:

- Send a reminder that if the outstanding premium is not received by the end of the month for which the premium is being billed, coverage will terminate. This notice will be mailed early in the month for which the premium payment is due.

- Send a second notice in the middle of the month for which the premium payment is due, if payment is not received.
- Send a termination notice to you as the employer, as well as to the employee, immediately following the month for which the payment is due.

Example: The invoice for October is not paid by the end of September. A first notice will be mailed at the beginning of October. If payment for October is not received by the middle of October, a second notice will be sent. If October's invoice is not paid by the end of October, coverage will be terminated effective September 30 and a termination notice will be mailed at the beginning of November.

Changes in Coverage

Q: Who should be notified of changes such as birth of a child, marriage or divorce?

A: Contact UMR at 866.868.0502, option 1, to request a change form and contact MMBB.

Q: What if a *PremierHealth* enrollee reaches age 65 and becomes eligible for Medicare, continues working and does not start an MMBB annuity?

A: The enrollee and any family members enrolled would remain in the *PremierHealth* plan, but the enrollee should be encouraged to contact Medicare and secure the lowest Part B premium.

Employment Changes

Q: When a member currently enrolled in *PremierHealth* leaves employment without giving information about a new eligible employer, how are premiums handled?

A: If premiums are not paid by the end of the month for which the premium is due, coverage for the member will be terminated. If the member does not have an eligible employer and wants to continue coverage, he or she must contact UMR and complete a Continuation of Coverage application. The application must be completed within 60 days of when the employer stops paying the premium. The member will be responsible for Continuation of Coverage premiums, and will be billed at 102% of the premium rate. If the member does not complete and return the application within 60 days, the individual will not be eligible for *PremierHealth* until he or she satisfies one of the eligibility criteria described above (see page 23).

Q: What if our church calls a pastor who has been enrolled in *PremierHealth* but his or her coverage was inactivated because UMR had not been notified of the member's new employer?

A: The new employer can make up to 2 months of the required payments to reinstate the member's coverage. For a longer gap in coverage, the member must wait until the fall open enrollment for coverage effective the following January 1.

Example: A *PremierHealth* enrollee's coverage is terminated October 31 because the October premium is not paid by the end of October. In November, UMR is contacted by the enrollee's new employer indicating it has agreed to pay the enrollee's premiums. The employer will need to send the premium amount due for October and November no later than the end of November to reinstate coverage. Otherwise, the enrollee is not able to reenroll until the fall open enrollment for coverage effective the following January 1.

Address Changes

Q: If a *PremierHealth* enrollee's address changes, who should be notified?

A: Contact UMR directly with address changes for those covered by *PremierHealth*. The member or employer should also contact MMBB.

Who to Call for Service

If your employee is covered by *PremierHealth*, these numbers may be helpful:

- For questions on eligibility, enrollment, billing or premium rates, call UMR toll free, at 866.868.0502, option 1, or visit www.benplan.com/mmbbmedical.
- For benefit inquiries, claims processing and provider questions, contact CIGNA HealthCare at 800-CIGNA24 (800.244.6224) or log on to www.cigna.com.
- For inquiries about prescription drug coverage, contact Medco at 800.987.5256.

TAX ADVANTAGES FOR MINISTERS AND OTHER CHURCH EMPLOYEES

Federal law provides several tax advantages for church employees:

- Clergy can exclude part or all of their housing allowance from taxable income for federal income tax purposes.
- Churches can structure expense reimbursement so their employees will not be taxed on out-of-pocket ministry-related expenses.
- Churches can offer flexible spending accounts (FSAs) that give their employees a way to pay eligible health and dependent care expenses tax-free.

To preserve each tax advantage, the church must set up each program following IRS requirements. This section and *Federal Reporting Requirements for Churches* by Richard R. Hammar (available at no cost from MMBB) explain how.

Housing Allowance

Q: What makes a church eligible to declare a parsonage or housing allowance for qualified clergy staff members?

A: Churches are eligible to declare a housing or parsonage allowance if they qualify as a “qualified church-controlled organization” (QCCO) according to the Internal Revenue Code 3121 (w)(3). Generally, QCCOs, also known as “steeple” employers, do not offer goods, services or facilities for sale to the general public other than on an incidental basis and normally receive 25% or less of their support from such sales or from governmental sources.

Q: What should the church do to enable the minister to exclude his or her housing and utilities allowance from being reported as taxable income on his or her IRS Form 1040?

A: In order to qualify as an exclusion from taxable income for the minister, the housing or parsonage allowance must be designated in advance and be recorded in church minutes, appear in the church budget or be stated in a formal resolution by the church or appropriate church committee.

Q: How much can a minister exclude from taxable income for the housing and utilities allowance?

A: The amount that can be excluded is limited by the IRS to the least of:

- the amount designated by the church;
- the amount actually spent on housing for the year by the minister; or
- the fair rental value of a house, furnished, plus utilities. A general rule of thumb is that a monthly rental value of 1% of the market value of the house, plus utilities and furnishings can be excluded. A local real estate professional can help determine an accurate rental value each year.

Q: How should the housing or parsonage allowance be reported for tax purposes?

A: The church does not report the housing or parsonage allowance as taxable income to the pastor in Box 1 of Form W-2. (The housing or parsonage allowance amount may be specified in Box 14, but doing so is optional.) It will be the responsibility of the minister, not the church, to report as taxable income any portion of his or her housing allowance that cannot be justified as housing based on the criteria above. The minister does report the housing and parsonage allowance for Social Security/Medicare tax purposes.

Accountable Plans for Ministry-Related Expenses

Q: How can the church keep reimbursement for ministry-related expenses from being a tax liability for church employees?

A: The church should set up an “accountable plan,” also called an “accountable reimbursement plan,” following IRS rules. An accountable plan is a business-expense reimbursement arrangement under which ministry-related expenses are not reported as taxable income on the employee’s Form W-2 or Form 1040. The employee cannot also claim these expenses as deductions if an accountable plan exists.

Q: How does a church set up an accountable plan?

A: The church board should pass an appropriate resolution containing criteria for ministry-related expenses required by the IRS. (See *Federal Reporting Requirements for Churches* by Richard R. Hammar.) An accountable plan describing the church’s reimbursement policy should be in writing, clearly specifying which expenses the church will reimburse. Descriptions of documentation and reporting requirements should be included. The following is a sample of an appropriate resolution:

RESOLVED, That, in addition to compensation paid to our (pastor/staff), we will reimburse (him/her/them) for automobile and other ministry-related expenses considered ordinary and necessary to carry out (his/her/their) responsibilities. Expenses must be substantiated as to the date, amount and purpose within 60 days after they are incurred. Any excess reimbursements must be refunded to the church within 120 days after expenses are paid or incurred.

An accountable plan cannot be funded through salary reduction. Reimbursement for ministry-related expenses must be over and above the salary paid the minister or other church employee.

Q: What happens if the church does not have an accountable plan?

A: Without an accountable plan that meets IRS requirements, the minister or other church employee will pay more federal income tax, and, in some cases, more state income tax. Without such a plan in place, allowances or reimbursements for ministry-related expenses must be reported as taxable income to the IRS on Form W-2. If employees claim the standard deduction and do not itemize deductions, the expenses are not deductible. Even if they itemize deductions, the full amount of the expenses is not deductible. The deductible expenses are reported on IRS form 2106 and then claimed as a deduction on IRS Schedule A, Form 1040, but are deductible only to the extent they exceed 2% of adjusted gross income. Among these expenses, business meals and entertainment are deductible at 50%. Furthermore, the employee’s adjusted gross income will be greater because the allowances and reimbursements are reported as taxable income. Contact MMBB for additional information.

Q: Can an accountable plan be established retroactively?

A: No. If an accountable plan is established by a church mid-year, only reimbursements for expenses incurred after that date can be excluded from employees’ taxable income on IRS Form W-2.

Flexible Spending Plans

Q: How can an employer offer its employees tax savings for eligible health and dependent care expenses?

A: An employer can set up a flexible spending plan that allows flexible spending accounts (FSAs) for health care, dependent care or both. This makes it possible for employees to pay eligible expenses with tax-free dollars. An FSA must be established in writing. Contact MMBB for a free FSA sample kit.

Q: How does an FSA work?

A: When an employer establishes FSAs, employees elect each year how much to set aside from their paychecks for the following year. Paychecks throughout the year are reduced accordingly. Money withheld from each paycheck is not reported as taxable income for federal income tax or Social Security/Medicare tax. In most states, FSA contributions are not reported for state income tax purposes either. (See *Federal Reporting Requirements for Churches* by Richard R. Hammar.)

The health care FSA is used only for eligible health care expenses, and the dependent care FSA is used only for eligible dependent care expenses. An employee cannot have money transferred from one account to the other. The church sets the annual health care contribution limit—the amount desired for the health care reimbursement account—and up to \$5,000 a year (IRS limit) for the maximum dependent care reimbursement amount. When the employee incurs an eligible expense, he or she submits documentation to the employer and is reimbursed with tax-free funds.

An annual election cannot be changed during the year unless the employee has a change in family or employment status that meets IRS requirements, such as marriage or birth of a child. Under IRS rules, any money for the year that is not claimed by the claims filing deadline in the following year is forfeited and returned to the employer. Unspent amounts cannot be carried over from year to year unless the employer amends the plan to include the IRS grace period. During the grace period, expenses for qualified benefits incurred by plan

plan participants may be paid or reimbursed from contributions remaining unused at the end of the preceding plan year.

The maximum grace period can only extend through the 15th day of the third calendar month after the end of the immediately preceding plan year.

Q: What types of expenses can be reimbursed under an FSA?

A: Health care FSA money can be used for health care expenses that are not reimbursed by a health care plan, such as deductibles, co-payments and items that are not covered, such as dental, vision and hearing expenses.

Over-the-counter medication can now be claimed as an eligible expense under a health care FSA if the employer's FSA document and employee communication indicate that these expenses can be claimed.

Dependent care FSA money can be used for child care expenses incurred for children under the age of 13, such as nursery school tuition and day care fees. It may also be used for the care of disabled adults who are eligible dependents for tax purposes.

Q: Should the church report FSA contributions on the employees' IRS Form W-2?

A: No.

THE W-2 FORM AND TAX QUESTIONS

This section and *Federal Reporting Requirements for Churches* by Richard R. Hammar provide the basic information on IRS rules for churches. Read this section for information on how IRS reporting requirements affect churches with MMBB members, particularly clergy members. Read the *IRS 2008 Instructions for Forms W-2 and W-3* before preparing IRS Form W-2 for your church's employees.

Q: Are Benefits for Life premiums and TDA contributions reported as taxable income to an employee?

A: No. The premiums and contributions paid by the employer are not reported as taxable income for federal income tax or Social Security/Medicare tax purposes. The amount should not be reported on the lay employee's or minister's Form W-2. However, "Retirement plan" in Box 13 should be checked for Benefits for Life and TDA members. The imputed income from a death benefit amount over \$50,000 should be added to the total in Box 1 (see page 33).

Q: Are TAS contributions reported as taxable income on Form W-2?

A: Not for federal income tax purposes. TAS contributions withheld from salary, based on a salary reduction agreement, are not reported as taxable income in Box 1 on the lay employee's or minister's Form W-2. However, for those who are not considered self-employed for Social Security and Medicare—primarily lay employees—the amount is included for Social Security and Medicare wages, Boxes 3 and 5. In one of the sections of Box 12, enter "E" in the box preceding the dollar sign and then enter the amount of TAS contributions withheld after the dollar sign.

Q: Is Form 1099-MISC or Form W-2 the correct form on which to report a minister's income?

A: IRS instructions indicate that Form W-2, not Form 1099-MISC, is the appropriate way to report a minister's taxable income paid as a regular salary by the church. If the church provides the minister with Form 1099-MISC rather than Form W-2, premiums paid by the employer for benefits, such as for benefit plans administered by MMBB and for health insurance, must be included as taxable income. Furthermore, the chances for an audit for the minister are increased dramatically if Form 1099-MISC is used.

Q: Should the church pay unemployment taxes for its ministers and lay employees?

A: Not in most states. Ministers and lay employees of churches and organizations operated primarily for religious purposes and supervised, controlled or principally supported by a church generally are exempt from state unemployment taxes. Check with the employment division of your state to determine whether churches or related organizations are subject to the state unemployment tax.

Q: Is our church required to provide Workers' Compensation for our ministers and lay employees?

A: Most states require churches and related organizations to provide Workers' Compensation for their ministers and lay employees. However, a few states exempt churches from Workers' Compensation coverage. Check with your state's employment division.

Sample W-2 Form (see form with sample data on p. 33)

22222		Void <input type="checkbox"/>	a Employee's social security number		For Official Use Only ▶ OMB No. 1545-0008		
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld		
			5 Medicare wages and tips		6 Medicare tax withheld		
			7 Social security tips		8 Allocated tips		
d Control number			9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a See instructions for box 12	
f Employee's address and ZIP code				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement

2008

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

Cat. No. 10134D

Following are notes on completing Form W-2 for ministers to supplement *Federal Reporting Requirements for Churches* by Richard R. Hammar.

Box 1:

Taxable income includes:

- cash salary minus voluntary tax-deferred annuity contributions, such as TAS, made by the church on behalf of the minister, and amounts for flexible spending accounts;
- Social Security/Medicare tax offset;
- allowances and reimbursements for ministry-related expenses if an accountable plan for the expenses has not been established;
- automobile reimbursement in excess of the standard IRS mileage or per diem rates allowed by the IRS, even if an accountable plan is established;
- personal use by the minister of a church-owned automobile;
- “imputed income” equal to the annual cost of employer-provided group term life insurance in excess of \$50,000 (see page 34 for how to calculate this amount);
- travel expense payment for a minister’s spouse to attend a denominational meeting unless the spouse is an employee of the church and attending for business reasons;
- moving expenses paid or reimbursed by the church to a minister but not substantiated; and
- any dependent care benefit provided by the employer for the minister in excess of \$5,000.

Taxable income does not include:

- housing and utilities allowances;
- the fair rental value of the parsonage;
- allowances and reimbursements for ministry-related expenses not exceeding the IRS standard amount, if an accountable plan is established;
- Benefits for Life premiums;
- Tax-Deferred Annuity (TDA) contributions;
- The Annuity Supplement (TAS) contributions;

- amounts withheld for flexible spending accounts (FSAs); and
- substantiated moving expenses that could have been deducted by the minister but were reimbursed or paid directly by the church.

Boxes 2-6:

If completing the W-2 for a minister, Boxes 2-6 will be blank. If the minister has arranged for voluntary withholding of federal income tax, Box 2 would include the amount of withholding.

Box 10:

Report the total amount of dependent care benefits provided under Section 129 whether paid or incurred by the employer for the employee. Include the fair market value of any employer-provided or employer-sponsored day care facilities and amounts paid or incurred in a Section 125 plan (FSA). The total should include any amount in excess of the \$5,000 exclusion. Include in Box 1 any amount in excess of the \$5,000 exclusion.

Box 12:

- C Be sure to include the “imputed income” equal to the annual cost of employer-provided group term life insurance in excess of \$50,000 (see page 34 for how to calculate this amount).
- E The amount deferred into a 403(b) salary reduction agreement such as TAS.
- L If the church reimburses the minister under an accountable plan in excess of the standard IRS mileage or per diem rates, enter the portion of reimbursement that is equal to the amount allowed by the appropriate IRS rate. Do not include allowance reimbursement in Box 1 if the total is less than, or equal to, the amounts of the IRS mileage or per diem rate.
- P Qualified moving expenses reimbursed to the minister. Not reported as taxable income in Box 1. Expenses the employer pays to a moving company on behalf of the minister are no longer reported on Form W-2.

Box 13:

Check "Retirement plan" for members of the Benefits for Life, TDA or TAS plans.

Box 14:

Completing this box is optional. Employers may use it to report amounts for housing allowance, parsonage rental value and/or utilities allowance.

Sample Completed W-2 Form

22222		Void <input type="checkbox"/>	a Employee's social security number 111-11-1111		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN) 00-0000000			1 Wages, tips, other compensation \$ 50,000.00		2 Federal income tax withheld	
c Employer's name, address, and ZIP code Sample Church 100 Main Street Anytown, ST 00000-0000			3 Social security wages		4 Social security tax withheld	
			5 Medicare wages and tips		6 Medicare tax withheld	
			7 Social security tips		8 Allocated tips	
d Control number			9 Advance EIC payment		10 Dependent care benefits \$ 1,000.00	
e Employee's first name and initial Mary M.		Last name Minister	Suff.	11 Nonqualified plans		12a See instructions for box 12 C \$ 516.00
102 Main Street Anytown, ST 00000-0000			13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b E \$ 1200.00	
			14 Other Parsonage all 4800.00		12c L \$ 3500.00	
			Utilities all 3600.00		12d P \$ 1500.00	
f Employee's address and ZIP code			15 State Employer's state ID number		16 State wages, tips, etc.	
			17 State income tax		18 Local wages, tips, etc.	
			19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement

2008

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

Cat. No. 10134D

How to Calculate the Imputed Income for Group Term Life Insurance Benefits

The annual cost of employer-provided death benefit protection in amounts over \$50,000 is considered imputed income by the IRS. This income is taxable to the employee, and it must be reported to the IRS in Section 12 of Form W-2. Here's how to calculate the amount for the life insurance portion of Benefits for Life.

1. Member's age: (a) _____

2. Member's annual compensation: (b) _____

3. Member's death benefit: (c) _____
(use table at right)

The MMBB Death Benefit is:

Through age 40	5x annual compensation
Age 41 through 50	4x annual compensation
Age 51 through 60	3x annual compensation
Age 61 through 65	2x annual compensation
Age 66 to retirement	1.5x annual compensation

Reduce by 2/3 in first year of membership and by 1/3 in second year of membership. Pay for benefit purposes is limited to \$250,000 per year.

4. Death benefit: (c) _____ minus \$50,000 equals (d) _____
(death benefit in step 3) (excess death benefit)

5. (d) _____ divided by \$1,000 equals (e) _____
(excess death benefit in step 4) (excess death benefit in thousands)

6. (e) _____ multiplied by (f) _____ equals (g) _____
(excess death benefit in thousands from step 5) (cost from IRS table below) (monthly cost of excess benefit amount)

7. (g) _____ multiplied by 12* equals (h) _____
(monthly cost of excess benefit amount) (imputed income or annual cost of excess benefit amount)

IRS Cost Table

Age Bracket	Cost per \$1,000 of Protection for 1 Month
Under age 25	\$.05
Age 25-29	.06
Age 30-34	.08
Age 35-39	.09
Age 40-44	.10
Age 45-49	.15
Age 50-54	.23
Age 55-59	.43
Age 60-64	.66
Age 65-69	1.27
Age 70 and above	2.06

*Adjust this multiplier if calculating for an employment period of less than one year.

GLOSSARY

This glossary includes common terms used to specify MMBB benefits and IRS rules. For more definitions visit the tools section of www.mmbb.org.

Accountable plan

A business-expense reimbursement arrangement, also called an “accountable reimbursement plan,” under which ministry-related expenses are not reported as taxable income on the minister’s Form W-2 or Form 1040, nor are deductions claimed. To qualify, the plan must be established according to IRS rules.

Annuity

A contract that provides an income for a specified period of time, such as a number of years or for life, usually beginning at retirement. MMBB annuities are lifetime annuities.

Benefits for Life

The benefit program administered by MMBB combining the Retirement Plan, which includes disability coverage, with the Death Benefit Plan.

Compensation

The pay that an employee receives. If the employee is clergy, compensation includes not only cash salary, but also the value of any housing the church provides. The compensation is used to determine an employee’s Benefits for Life premiums and may include a Social Security/Medicare tax offset. It does not include premiums paid for employer-provided medical coverage or dollars paid for ministry-related expenses if they are reimbursed under an accountable plan.

Employee

Generally, an employee is one who provides services for the employer and receives wages, also referred to as compensation. The employer-employee relationship is defined for tax purposes by IRS criteria. In this booklet, the term “employee” refers to both the church’s or other organization’s clergy and lay staff members.

Flexible spending account (FSA)

An arrangement for an employee that uses a salary reduction agreement permitting the employee to set aside pre-tax dollars with which to be reimbursed for certain health care and/or dependent care expenses.

403(b) church plan

A defined contribution plan established by certain church and church-related organizations to provide for retirement income savings on behalf of their employees. The Retirement Plan (a component of Benefits for Life), TAS and the TDA administered by MMBB are 403(b) church plans. New IRS regulations governing these types of plans give responsibility for plan administration to the employer. More information on the new 403 (b) regulations is available at www.mmbb.org.

Housing allowance

A portion of a minister's compensation that is generally excluded from gross income for federal income taxes, but not for Social Security/Medicare taxes. The housing allowance represents the cost to the minister of providing a home.

Inflation

The rise in the price of goods and services over time, often measured by the Consumer Price Index.

Parsonage allowance

A portion of a minister's compensation that is excluded from gross income for federal income taxes, but not for Social Security/Medicare taxes. The parsonage allowance represents the housing costs to the minister while living in the parsonage.

Parsonage rental value

The fair rental value of the church-owned parsonage in which the minister lives. The value is considered income to the minister and should be reported as such for Social Security/Medicare tax purposes. The rental value is excluded from gross income for federal income taxes.

Self-employed

For Social Security tax purposes, ministers are always regarded as self-employed and pay their own Social Security/Medical tax. For federal income tax purposes, however, ministers usually do not qualify as self-employed and should be regarded as employees. Those who qualify as self-employed for federal income tax purposes would receive a 1099-MISC form, rather than a W-2, for tax reporting; health insurance premiums paid for them by the employer would be taxable income to them. Any lay person who qualifies as self-employed for federal income tax purposes would not be eligible to enroll in MMBB plans. For more information, see *Federal Reporting Requirements* by Richard R. Hammar.

Utilities allowance

A portion of a minister's compensation that is excluded from gross income for federal income taxes, but not for Social Security/Medicare taxes. The utilities allowance represents the costs, such as heat, electricity, water, gas and local phone service, that the church pays while the minister lives in the parsonage.

Variable annuity

An annuity like MMBB's that provides income that increases or decreases depending on the investment experience of the underlying fund. MMBB's annuity payments may change as of each January.

Vesting

Vesting refers to a plan participant's ownership of, or nonforfeitable right to, the money in a retirement plan account.

FOR MORE INFORMATION

MMBB and Member Service Representatives

Call toll free: 800.986.6222

8:30 a.m. to 5:30 p.m., Eastern Time (Monday–Thursday)

8:30 a.m. to 4:15 p.m., Eastern Time (Friday)

Mail: MMBB

475 Riverside Drive, Suite 1700

New York, NY 10115-0049

(Please do not correspond with MMBB using the Atlanta address used for premium payments.)

Fax toll free: 800.986.6782

Web site: www.mmbb.org

Email: service@mmbb.org

billing@mmbb.org for billing questions

Health Insurance Sponsored by MMBB

- To obtain information, premium rates and enrollment materials for *PremierHealth*, contact UMR: *PremierHealth*, P.O. Box 690188, San Antonio, TX 78269, or call: 866.868.0502, option 1.
- If your employee is covered by *PremierHealth*, these numbers may also be helpful: for benefit inquiries, claims processing and provider questions, contact CIGNA HealthCare at 800.CIGNA24 (800.244.6224) or log on to www.cigna.com.
- For inquiries about prescription drug coverage, contact Medco at 800.987.5256.

Available free of charge from MMBB:

- *Tax Guide for Ministers*, Richard R. Hammar
- *Federal Reporting Requirements for Churches*, Richard R. Hammar
- Sample Flexible Spending Accounts Kit
- “Social Security Information for Those Entering the Ministry”
- *The Laborer Deserves to Be Paid*
- Salary information periodically sent by MMBB to clergy members of Benefits for Life and key lay leaders of churches

Available free of charge from the Internal Revenue Service, 800.829.3676, or www.irs.gov:

- Publication 517 — *Social Security for Members of the Clergy and Religious Workers*
- Publication 15 — *Employer’s Tax Guide*
- Publication 17 — *Your Federal Income Tax for Individuals*
- Publication 463 — *Travel, Entertainment and Gift Expenses*
(for help with accountable plans for ministry-related expenses)

Additional Publications

Church and Clergy Tax Guide, Richard R. Hammar. Available for purchase from www.YourChurchResources.com. Telephone: 800.222.1840.

The Work of the Pastoral Relations Committee, Emmett V. Johnson. A booklet available from Judson Press, American Baptist Churches Mission Center, P.O. Box 851, Valley Forge, PA 19482-0851. Telephone: 800.458.3766.

A Productive Partnership, Videotape and workbook available from The Ministers Council, American Baptist Churches Mission Center, P.O. Box 851, Valley Forge, PA 19482-0851. Telephone: 800.222.3872, x2334. Visit www.ministerscouncil.com/resourcestoorder/.

YEAR-END CHECKLIST

- If your church provides a parsonage, review the fair rental value and report any increase to MMBB so Benefits for Life premiums and benefits will be accurate (see page 11).

- See that the following information is sent to MMBB by December 15, 2008, for inclusion in the January 2009 premium invoice (see pages 12-22):
 - Compensation changes, including any change in the fair rental value of the parsonage or amount of the housing allowance
 - TDA contribution changes
 - TAS contribution changes

- Review last year's accountable plan for ministry-related expenses and adjust as needed to ensure that the expense allowance is adequate (see page 28).

- Collect from employees new health care and dependent care flexible spending account (FSA) salary reduction elections before the end of the plan year (see page 29).

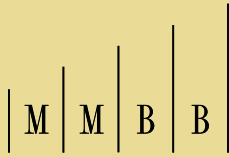
- Remind employees to submit their FSA claims for the year before the FSA claims filing deadline (see page 29).

- Provide Copies B, C and 2 of Form W-2 to employees by February 2, 2009 (see pages 30-34).

- File Copy A of Form W-2 with the Social Security Administration by March 2, 2009 (see pages 30-34).

- Contact UMR (866.868.0502, option 1) to obtain *PremierHealth* insurance plan premium rates for 2009 (see page 25).

NOTES



The Ministers and Missionaries Benefit Board

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Fax: 800.986.6782

www.mmbb.org