



Wespath

BENEFITS | INVESTMENTS

WEBINAR—MAY 2018

Moving Expense Payments

How the Tax Law Change
Impacts the UMC

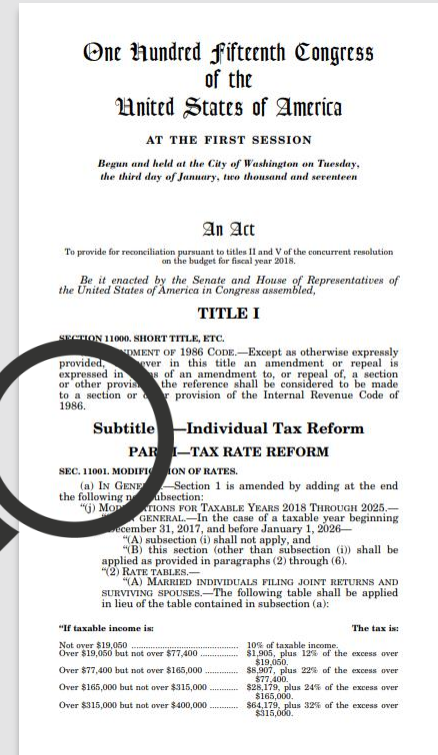
How Did We Get Here?

- Tax Cuts and Jobs Act (TCJA) drafted by Congress
 - Tax cuts offset by increased revenue—moving expense projected as \$18+ billion
 - Code Section 132 exclusion—value \$7.7 billion*
 - Code Section 217 deduction—value \$10.6 billion*
- Church Alliance lobbies against proposed change to moving expense reimbursements
- After a failed amendment effort, the TJCA passes; effective January 1, 2018

*Estimates are for period 2018-2027 (from Summary by Ways & Means; final text ends suspension in 2025)

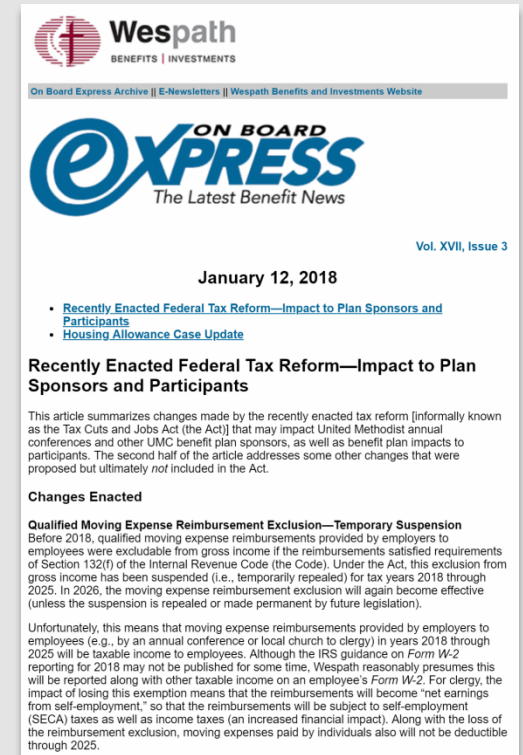
Wespath Initial Findings

- Wespath analyzed tax law change
 - Clergy moving expense payments are taxable gross income and subject to SECA
- Wespath analyzed impact to plan definitions of compensation
 - Clergy moving expense payments now included in plans' definitions of compensation



Wespath's Continuing Analysis/Feedback

- *OnBoard Express* released January 12
- Analysis and feedback from stakeholders:
 - 4 meetings with Conference Advisory Board to determine impact to clergy and plan administration
 - Conversations with conference personnel
 - Conference Forum presentations— plenary and breakouts



Wespath's Findings

- Clergy taxes are impacted
- Benefit plans are impacted
- Plan administration is impacted





Tax Impact to Clergy and Conferences

Law on Moving Expenses Prior to TCJA

- **Code Section 82**—General rule: include in gross income any moving expenses received (directly or indirectly)
- **Code Section 132**—Can exclude from gross income if received from an employer (in some circumstances)
- **Code Section 217**—Can deduct from gross income if in connection with work as employee or self-employed

Law After TCJA

**Moving expenses
in gross income
(Section 82)**



Remains

**Tax exclusion
(Section 132)**



Temporarily Repealed

**Tax deduction
(Section 217)**



Temporarily Repealed

“Taxable income”—even if church/conference pays directly



Moving Expense Taxation

- Clergy moving expenses often paid to reduce burden of itinerancy
 - **In kind:** directly to moving company
 - **Payment:** directly to clergy
- Before TCJA, moving expenses not generally taxable
 - Deducted from gross income for tax purposes
 - **Certain conditions:** distance, etc.



What If's

- What if payment is not made by my “employer”?
- What if payment is not made to me, but to the moving company directly?
- What if my employer does not report it to the IRS?

Still subject to taxation

Clergy Considerations—Withholding

- Post-TCJA guidance for 2018 returns not available yet, but clergy may want to consider quarterly payments
- **Specifically:** If payor does not withhold, clergy will want to plan for tax impact

Clergy Considerations—Tax Return

- Clergy should track and report income on Form 1040 or similar forms
- Clergy responsible for reporting moving expense payments even if payors do not report
- Moving expenses paid by church or conference:
 - income for income tax
 - income for SECA tax



Conference/Church Reporting to IRS and Wespath

To the IRS:

- If payor is the clergy person's employer (e.g., local church) file *Form W-2*
- If payor is an entity other than the employer (e.g., conference, if not considered employer) file *Form 1099-MISC*



To Wespath:

- Conferences report moving expense payments to Wespath for benefits purposes

Forms to Report Income to IRS

Employer: W-2

2222		Employee's social security number 123-45-6789		OMB No. 1545-0008	
Employer identification number (EIN) 55-5765489		1 Wages, tips, other compensation 48,500.00		2 Federal income tax withheld 6,835.00	
Employer's name, address, and ZIP code The Big Company 12 Main Street Anywhere, NC 28111		3 Social security wages 50,000.00		4 Social security tax withheld 3,100.00	
		5 Medicare wages and tips 50,000.00		6 Medicare tax withheld 725.00	
		7 Social security tips		8 Allocated tips	
d Control number A1B2		9 Verification code		10 Dependent care benefits	
e Employee's first name and initial Last name Jane A. Doe 123 Elm Street Anywhere Else, PA 17111		11 Nonqualified plans		12a D 1,500.00	
		13 <input type="checkbox"/> Standalone <input checked="" type="checkbox"/> Retirement plan <input type="checkbox"/> Investment with 529		12b DD 1,000.00	
		14 Other		12c P 4,800.00	
				12d	
f Employee's address and ZIP code		15 State wages, tips, etc. 50,000.00		16 State income tax 1,535.00	
15a State ID number PA 124578		17 Local wages, tips, etc. 50,000.00		18 Local income tax 750.00	
				19 Locality name AW	

Form **W-2** Wage and Tax Statement **2017** Department of the Treasury—Internal Revenue Service
Copy 1—For State, City, or Local Tax Department

Other payor: 1099

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$		OMB No. 1545-0115 2017 Form 1099-MISC	
PAYER'S federal identification number		2 Royalties \$		Miscellaneous Income	
		3 Other income \$			
RECIPIENT'S identification number		5 Fishing boat proceeds \$		Copy 1 For State Tax Department	
RECIPIENT'S name		6 Medical and health care payments \$			
Street address (including apt. no.)		7 Nonemployee compensation \$		8 Substitute payments in lieu of dividends or interest \$	
City or town, state or province, country, and ZIP or foreign postal code		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds \$	
Account number (see instructions)		11		12	
FATCA filing requirement <input type="checkbox"/>		13 Excess golden parachute payments \$		14 Gross proceeds paid to an attorney \$	
15a Section 409A deferrals \$		15b Section 409A income \$		16 State tax withheld \$	
				17 State/Payer's state no. PA	
				18 State income \$	

Form **1099-MISC** www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service

Clergy Considerations—Housing Allowance

- Housing allowance can apply to (the rental value of a home provided or) cash to the extent used:
 - to rent or provide a home and
 - to the extent such allowance does not exceed the fair rental value of the home
- Is moving expense “used to rent” or “provide home”?
- In most cases this seems unlikely to help clergy, even if it could apply



Clergy Resources

- Tax advisers
- GCFA
wespath.org/gcfa-tax
- EY
wespath.eyfpc.com
- Hark newsletters
wespath.org/hark/
- Wespath Moving Expense Q&A

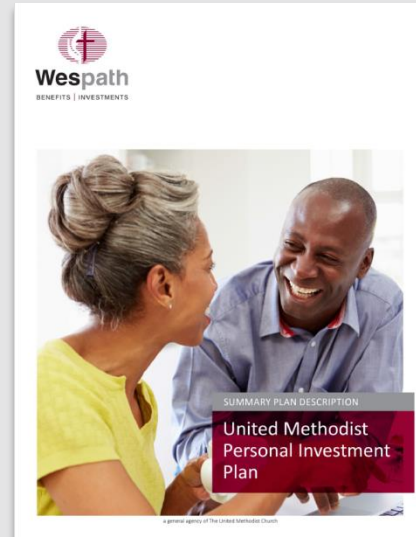
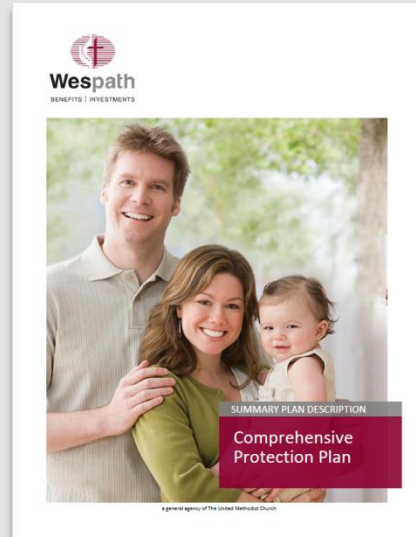


A middle-aged man with glasses and a blue and white plaid shirt is sitting at a dark table, focused on signing a document with a blue pen. He is looking down at the paper. The background consists of a brick wall and a black chair with white stripes. A semi-transparent red banner is overlaid across the middle of the image, containing the text "Impact to Benefit Plans".

Impact to Benefit Plans

Plan Definitions of Compensation

- **Clergy plans: CRSP, CPP, UMPIP and RPGA**
- Definitions of Compensation



Plan Definitions of Compensation

- Compensation:
 - “wages, salaries, fees for professional services, and other amounts received ... *to the extent the amounts are includible in gross income ...*”
- Tax law change makes moving expense payments part of plan compensation

Tax Law Change Impacts 'Compensation'

- **The change impacts:**
 - Denominational Average Compensation
 - CRSP DB
 - CPP death benefits
 - Plan sponsor contributions in CRSP DC, RPGA and UMPIP
 - CPP disability and VTP benefits, contribution base and eligibility

Can't Wespath Simply Amend the Plans?



Plan changes to CRSP, RPGA and CPP*
require **General Conference approval**—2020

* **CRSP—Clergy Retirement Security Program**
RPGA—Retirement Plan for General Agencies
CPP—Comprehensive Protection Plan

Exception—UMPIP Can Be Amended Now

- **January 1, 2018 amendment:**
 - Approval needed from Wespath's Board of Directors
- **Moving expense payments not considered for:**
 - Plan sponsor contributions
 - Participant contributions



Why Amend UMPIP Now?

- **Simplify administration**
 - No need to adjust billing for a one-time payment
 - Minimize churches impacted
 - Difficult to obtain participant contributions on moving expense payments

**Wespath board has approved 2018 amendment to UMPIP:
Moving expense payments excluded from plan compensation**

- **Seek to amend CRSP, RPGA and CPP at GC2020**
 - Seek effective date of January 1, 2020

UMPIP Amendment May Affect CRSP Match

- 12% of clergy contribute only 1% to UMPIP
- CRSP DC match is up to 1% of current definition of compensation (which cannot be amended until GC2020)
- If clergy contribute only 1% of amended UMPIP definition of compensation:
 - They may miss 1% match on the amount of the moving expense payment, unless
 - They increase their rate of UMPIP personal contributions
- Wespath plans to educate clergy via communications

Benefit Plan Impact Summary

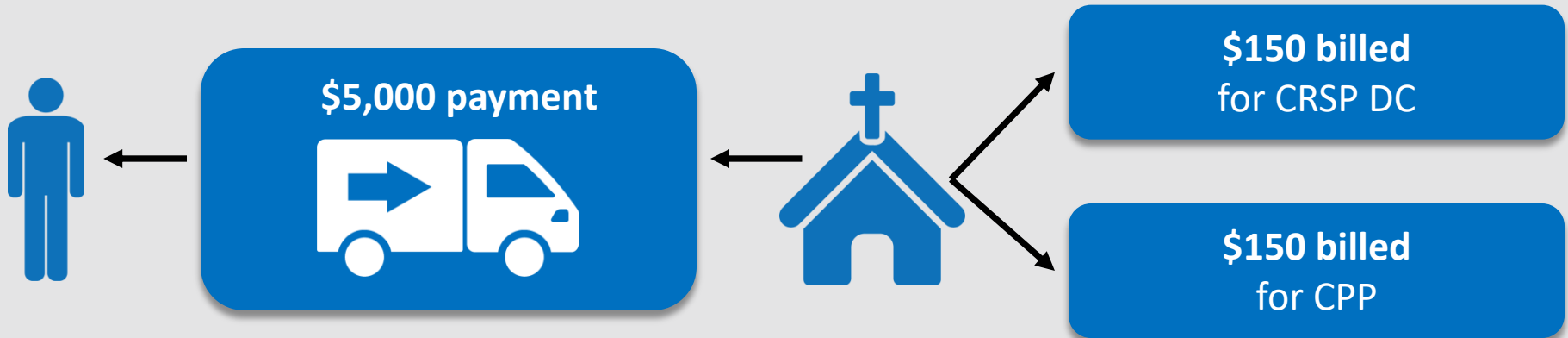
- **UMPIP**
 - Amendment to avoid impact
 - Continue administering the same as under pre-TCJA
- **CPP, CRSP and RPGA**
 - Cannot be amended until GC2020
 - Moving expense payments included in “compensation” for 2018 and 2019
 - Amounts need to be reported to Wespath for benefits determination purposes

Conference Considerations—Plan Impacts

- Additional benefit costs billed to churches
- Conference may consider absorbing the extra cost
 - Instead of modifying one bill to a local church
- Is it worth the effort to change church billing for one-time costs, or is it easier for conferences to cover the additional costs?

Conference Considerations—Plan Impacts

- **Example:** If moving expense payment for a clergy person of a local church is \$5,000, this would result in:
 - Additional \$150 billed for CRSP DC, and
 - Additional \$150 billed for CPP



Communications Tools

- Q&As for plan sponsors and for clergy
 - Ready now
- *Hark* articles for clergy
 - July, October and January
- Videos for clergy and churches
 - Ready in late June
- Other
 - Conference materials to provide to local churches, regarding the need to provide moving expense payment information to the conferences

Important Account Information

Quarterly Statement is now available [here](#).

hark!

Wespath
Benefits Access
EY Financial
Contact Us


Bringing you great tips for responsible investing

April 2018

The Tax Code Changed—Now What?

The federal tax code was updated significantly under legislation passed at the end of 2017. While the full impact is still being debated, revised wage withholding tables may provide a boost to your take-home pay. So how much extra will you get and what could you do with extra cash?


[Read More](#)



Action Needed: Make Financial Moves in 2018

Make these four moves to make progress on financial wellness in 2018.


[Read More](#)



News Flash: Fund Name Change: ESVPF Becomes SVCEF

On April 7, the name of the Equity Social Values Plus Fund (ESVPF) changed to the Social Values Choice Equity Fund (SVCEF), to align with the naming convention adopted for the "Social Values Choice" suite of funds.


[Read More](#)



Did You Know: Wespath featured in Response.

The United Methodist Women's magazine featured an article that explains how Wespath helps United Methodist Women align their finances with their values through sustainable investing.


[Read More](#)



Wespath's \$2 Billion PSP Lending Program—A Quarter Century of Investing for Impact

Wespath's Positive Social Purpose (PSP) Lending Program has over 25 years of experience making investments that help provide returns and retirement security to the clergy and lay employees that we serve, while demonstrating positive social impact. Through this program, Wespath has invested more than \$2 billion in loans that support affordable housing and community development across all 50 states, and entrepreneurship among underserved populations worldwide.

[Read More](#)





Improve Your Financial Situation with EY Guidance

From the April 2017 Hark! Article

Whether you're finishing up your taxes now or have completed them, you may have questions about the financial situation.

Wespath offers you the opportunity to receive one-on-one, confidential, professional guidance or no-fee financial planning services from specially-trained EY advisors from through participants.

- Adjusting your withholding could bolster your paycheck or save you from tax penalties.
- The Saver's Credit could make your retirement contributions an even better value.
- Roth contributions are an appropriate tax diversification strategy for you.
- Considering retirement accounts with past employers into LAMPPI could help streamline account management.



Call EY today to evaluate your entire financial picture, including your investment mix, debt management, budget and more! Financial professionals are available business days from 8:00 a.m. - 7:00 p.m. Central time at 1-800-365-2539. Or visit the EY Financial Planning Center website at www.ey.com to make an appointment or access financial articles and calculators.

* EY Financial Planning Services are available to active participants and surviving spouses with account balances, and to retired and terminated participants with account balances of at least \$10,000. Costs for these services are included in Wespath's operating expenses that are paid for by the funds.

Hark!

[Hark! Home Page](#)

April 2017 Hark! Article

[Improve Your Financial Situation with EY Guidance](#)

[Prepare for Your Future with EY Access](#)

System Enhancements

System Enhancements

- Benefits Access demonstration
 - Moving expense payment tools
 - Contribution reports and extracts
- Initial data entry process



Available November 15

Tracking Payments Before November

- Interim Recordkeeping
 - Data template
- Account Adjustments

	A	B	C	D	E	F
1	Moving Expense Payment Data Entry Template					
2	<i>*Required field.</i>					
3						
4	Participant Name	Participant Number*	Employer Number*	Moving Expense Payment*	Payment Date	Payor
5	PARTICIPANT, EXAMPLE 1	1234567	123456	\$2,000.00	2/1/2018	Conference
6	PARTICIPANT, EXAMPLE 1	1234568	123457	\$2,500.00	2/1/2018	Church
7	PARTICIPANT, EXAMPLE 2	1234569	123458	\$6,250.00	7/1/2018	Church



Contact your Plan Sponsor Manager for support



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