

Communication to Local Churches Regarding Taxation of Life Insurance Benefits for
United Methodist Clergy

As you may not be aware, North Georgia Conference Full Time Clergy (participant) are provided \$70,000 (\$66,500 for those 65 years or older) in life insurance/death benefits through three different programs:

1. The Comprehensive Protection Plan (CPP)-\$50,000
- 2 The Basic Protection Plan-\$10,000
3. MetLife-\$10,000 for Clergy < 65 Years Old
 \$ 6,500 for Clergy 65+ Years Old

The IRS (reference-IRS Publication 525) assigns a value to the benefits IN EXCESS OF \$50,000, based on the age of the participant. In order to comply with IRS regulations, this value must be reported as earnings to the participant and, as a result, on the participant's W-2. The amount would be included in Box 1, and also reflected in Box 12, with a code of "C".

In order to help you report the proper amount, we are posting the link to the IRS Publication 525 (2005 version) which reflects the monthly values per thousand, based on ages. Those rates are as follows:

Monthly Cost Per Each \$1000 of Protection in Excess of \$50,000:

<25 Years Old	\$.05
25-29	.06
30-34	.08
35-39	.09
40-44	.10
45-49	.15
50-54	.23
55-59	.43
60-64	.66
65-69	1.27
70+	2.06

In order to compute the amount to include, you would need to multiply the amount, based on the participant's age, by TWENTY (20), if they are under 65 years old, and SIXTEEN & ONE HALF (16 ½) if they are 65+ years old. Then, the W-2 would need to reflect that result multiplied by TWELVE (12).

Example: Your church has an appointed clergy person who is 43 years old. The amount to be included on the W-2 would be-

$$(\$10 \times 20) \times 12 = \$24$$

Example 2: Your church has an appointed clergy person who is 66 years old. The amount to be included on the W-2 would be-

$$(\$1.27 \times 16.5) \times 12 = \$251.46$$

Attached you will find the applicable page of IRS Publication 525. If you wish to review the entire document, you can access it at:

<http://www.irs.gov/pub/irs-pdf/p525.pdf>

The 2003 Document link-

<http://www.irs.gov/formspubs/page/0,,id%3D10862,00.html#T15>

If you should have any questions, please call or email Keith Cox, 678-533-1393, kcox@ngumc.org, Steve Rea, 678-533-1394, srea@ngumc.org, or Karen Fullerton, 678-533-1382, kfullerton@ngumc.org.