

**A. PASTOR'S COMPENSATION REDUCTION AGREEMENT FOR TAX EXCLUSION**

Of the total cash compensation\* of our pastor \$ \_\_\_\_\_ for the year 2010, the following reductions have been authorized by the church and accepted by the pastor:

1.

Salary Redirection Accounts: (Section 125, IRS Code) Check with tax preparer concerning filing of IRS Form 5500.**	
a. \$	For supplemental medical insurance premiums purchased by the pastor, withheld from salary and paid by the church to an insurance provider other than the Conference
b. \$	For reimbursement of medical expenses not covered by insurance or other reimbursement
c. \$	For dependent care to enable the pastor to be free and available to render full service
d. \$	For the Pastor's contribution to the Conference Health Insurance Plan for self or self and spouse.

2.

Other qualifying reductions:	
a.\$	For personal tax-deferred pension paid to the Board of Pensions (UMPIP Plan)
b.\$	For personal tax-deferred annuities to other (non United Methodist) plans.
\$	<b>TOTAL</b> reduction per this agreement

It is understood that the amounts set aside under this agreement are to be used only for the stated purposes and as fringe benefits shall be excluded from income as reported to the IRS and other tax authorities. If any amounts are not utilized for those purposes by the end of the designated year, they may **not** be refunded to the pastor. The pastor hereby relinquishes all authority to designate the present or future use of such remaining funds.

This agreement is executed by the parties on (Insert Month/Day) \_\_\_\_\_, 2009

Authorized by the (Insert Church Name):	
Accepted by Pastor (Please sign):	
Church Conference Recording Secretary Signature:	
District Superintendent Signature:	

\*Total amount of Section 1(line 3) of the PASTORAL FINANCIAL SUPPORT SHEET for 2010.

\*\* Participants in the Conference-sponsored FLEX plan do not need to file form 5500.

**B. RESOLUTION FOR TAX EXCLUSION RELATING TO HOUSING/PARSONAGE FURNISHINGS:**

(Type name)The Reverend	an ordained/licensed pastor
Has been appointed to serve the (Type name of church)	United Methodist Church

in the performance of sacerdotal functions and in the conduct of religious worship. In accordance with IRS Code Section 107 (1986 Code), the above named church or charge hereby designates in advance the maximum amount that may be excluded from reported gross income of the pastor.

The amount so designated is \$ \_\_\_\_\_

and represents potential expenses which the pastor may incur for non-vouchered items and may include rent, house payments, insurance, utilities, maintenance and repairs, cleaning supplies, furniture, tableware, bedding, linens, lawn care, snow removal, light bulbs, and other replacement items.

Resolution passed (Insert Month/Day) _____, 2009	by action of the (Insert Church Name)
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Please Sign in Appropriate blank below:

Pastor:	
Recording Secretary:	
District Superintendent:	

(over)

## EXPENSE CATEGORIES ALLOWABLE UNDER PASTOR'S HOUSING EXCLUSION

All expenses must relate to the primary living quarters used as the "parsonage," whether owned by the church, rented by the church, owned by the pastor, or rented by the pastor. Expenses related to alternate houses, lake cottages, etc., are not allowable.

The following expenses may be used to justify the Housing Exclusion for active or retired pastors so long as they are paid out of the pastor's own funds. The total excluded may not exceed the fair rental value of the "parsonage," including furnishing and utilities.

- ◆ Rent
- ◆ Mortgage interest
- ◆ Mortgage principal payment
- ◆ Down payment
- ◆ Closing costs
- ◆ Real estate taxes
- ◆ Assessments on the property
- ◆ Utilities
- ◆ Trash and garbage removal
- ◆ Repairs and maintenance
- ◆ Property and liability insurance
- ◆ Lawn care, snow removal, etc.
- ◆ Gas, parts, repair and maintenance of lawn mower, snow blower, and any other home care equipment
- ◆ Home furnishings for living in those quarters, including furniture, TV, VCR, radio, linen, bedding, glassware, dinnerware, silverware, rugs, curtains, shelving, etc.
- ◆ Cleaning supplies, including detergent, floor cleaner and wax, etc.
- ◆ Light bulbs and other replacement items.

Specifically **NOT** allowable are personal hygiene items, food, clothing and maid service.