

A. PASTOR'S COMPENSATION REDUCTION AGREEMENT FOR TAX EXCLUSION for 2021

Of the total cash compensation (Salary + Health Insurance + housing allowance if paid in addition to salary) of our pastor \$63,445___ for the year 2021, the following reductions have been authorized by the church and accepted by the pastor:

1.

Salary Redirection Accounts: Please Contact the Conference Benefits Office at 217-529-2132 or mpotts@igrc.org if these situations exist:	
a.	In nearly all cases, it is not legal for the local church to reimburse the pastor for health insurance premiums on a pre-tax basis, or to pay the insurer directly on behalf of the pastor. If the church offers a group health insurance plan for lay employees, the pastor may be included as a member of the plan and contribute on a pre-tax basis.
b.	Flexible Spending Plans (FLEX, Cafeteria Plans, and Section 125 Plans) are no longer legal unless the church also offers a group health insurance plan, as in "a" above.
c.	A few specialized supplemental plans (e.g. AFLAC cancer plans) may be eligible for salary reduction contributions. Please consult with the Conference Benefits Office for instructions.
d.	Contributions to a Health Savings Account (HSA) may be eligible for a salary reduction plan. Your health insurance company must validate that your plan is HSA-eligible. This will be found in the plan information on www.healthcare.gov or by contacting your insurance company. Not all high-deductible plans are HSA-eligible. Please consult with the Conference Benefits Office for instructions.

2.

Other qualifying reductions:	
a.\$3960	For personal tax-deferred pension paid to the Board of Pensions (UMPIP Plan) It is advisable to set dollar amounts instead of percentages; To figure the minimum amount do not use any health insurance allowance for UMPIP calculation; salary only For pastor in a parsonage: (Salary x 1.25) x 1% / For pastor in his/her own home: (Salary + Housing Allowance) x 1%
b.\$	For personal tax-deferred annuities to other (non United Methodist) plans
\$3960	TOTAL 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)* **October 6, 2020**

Authorized by the <i>(Insert Church Name)</i> :	Villa Grove United Methodist Church
Accepted by Pastor <i>(Please sign)</i> :	
Church Conference Recording Secretary Signature:	
District Superintendent Signature:	

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

<i>(Type name)</i> The Reverend Jonathon Brashear	an ordained/licensed pastor
has been appointed to serve the <i>(Type name of church)</i> Villa Grove	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 \$12,000 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 <i>(Insert Month/Day)</i> October 6, 2020	by action of the <i>(Insert Church Name)</i> Villa Grove United Methodist Church
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Please Sign in Appropriate blank below:

Pastor:	
Church Conf. Recording Secretary Signature:	
District Superintendent:	

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, electronic equipment, 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.