

News & Notes

Winter 2018-2019

When is a Good Time to Consider a Payroll Service?

Since inception four years ago, the FCMM Payroll Service has helped a number of EFCA churches – of *all* sizes – more effectively and confidently handle their payroll.

What may lead a church to consider starting this service?

- Transition from a long-serving volunteer.
- Errors in reporting to the IRS.
- Challenges in understanding regular employee and pastoral employee practices.
- Recognition that capacity for internal payroll administration is not available.
- Desire for “peace of mind” about payroll.
- Interest in also simplifying participation in FCMM LTD Insurance and automating remittance of FCMM Retirement Plan contributions.

When you’re ready to explore FCMM Payroll services, please contact Valessa Caspers, valessa.caspers@fcmmbenefits.org. After gathering information, FCMM will provide you with a quote for the service cost and an explanation of the implementation process.



Basics for 1099-R Tax Form

If you received one or more distributions from your FCMM retirement funds in 2018, please make note of the following information.

After the close of a tax year, your retirement plan sends one, or more, Form 1099-R(s) to each distribution recipient and to the IRS, reflecting any activity of income or rollover

Cont. on p. 2

Retirement Plan Contribution Limits for 2019

There are two types of maximum contributions to retirement plans: the overall limit and the salary deferral limit. The IRS has established the following amounts for both limits in 2019. It is the responsibility of the employer to ensure the limits are not exceeded.



The **overall limit** includes the sum of employer contributions and employee salary deferral contributions to all 403(b) and 401(k) plans. The 2019 year overall contribution limit is the lesser of **\$56,000** or 100% of includible compensation which excludes a housing allowance. This overall limit is also known as the 415(c) limit.

The **salary deferral limit** covers all pre-tax and Roth employee deferrals to all 403(b) and 401(k) plans. The 2019 annual limit is **\$19,000**. This salary deferral limit is also known as the 402(g) limit.

A participant over age 50 can make catch-up deferral contributions, in addition to these limits, of up to **\$6,000**.

*(Please note: These limits apply **only** to the maximum **amount** for contribution. The employer’s calculation of **percentage rate** for all contributions to FCMM is based on the salary plus housing allowance and any other amounts that are excludable from gross income under the IRS Code.)*

Basics for 1099-R Tax Form

Cont. from p. 2

distribution from your account. Box 7 will contain a code classifying the type of distribution. (Examples include: 7 for normal distribution; B for Roth distribution; G for rollover to another account.)

Form 1099-R Box 1 lists the gross (total) distribution. Box 2a lists any portion of your distribution that has been determined to be taxable.

If your distribution was designated by FCMM as housing allowance eligible, Box 2a will be blank and Box 2b will be checked to indicate “Taxable amount not determined”. (Contributions made while a minister or missionary was qualified for a housing allowance, and earnings on those contributions, are eligible for the housing allowance exclusion when distributed. FCMM designates 100% of such distributions as housing allowance.)

The reason the taxable amount has not been “determined” is that you must maintain records to be able to document your eligible housing allowance expenses (not exceeding the fair rental value guideline) and to report any unused amount as taxable income. If you used the full amount of your housing allowance designation, there is no additional income to report.

The amount in Form 1099-R Box 1 is reported on your tax return Form 1040 in Line 16a “Pensions and annuities” and the amount in Box 2a is entered in 1040 Line 16b.

If you did not use the full amount of your designated housing allowance, report the unused amount in 1040 Line 16b so that it will be added to your taxable income.

Typically, you do not enter income from retirement distributions on Form SE Self-Employment Tax since retirement income is not subject to self-employment tax. However, if you are not retired but are receiving a distribution from FCMM, your distribution may be subject to SE tax.

If you are using tax return software (examples: TurboTax, TaxAct, H&R Block), be sure to review the entries made to ensure the reporting is done correctly, adding optional supporting details or adjusting entries if necessary to accomplish accurate tax filing.

Note: The information in this article is provided as an educational resource and is based on current regulations as our advisers understand them. FCMM does not practice, and cannot provide, tax or tax-filing counsel. Please consult a qualified tax preparer if you need assistance. For a minister or missionary, you should be sure your tax preparer understands clergy tax matters.

The Employer's Compass Navigating Your Employee Benefit Plans

Retirement Plan

Contributions and the W-2 Form

For employer information on how retirement plan contributions are to be reported, please review the “Completing the W-2 for Retirement Contributions” article and downloadable document at the News & Articles section of the FCMM website.

Notify Employees Annually of Eligibility to Participate

Each employee working 20 hours/week or more for a FCMM Retirement Plan-participating employer is eligible to (at minimum) contribute via voluntary salary deferrals, unless the Employer Adoption Agreement (Form 20) specifies a different minimum. The best practice is to notify eligible employees annually of their opportunity to participate. Contact FCMM for a sample letter you can use. Review the annual FCMM Employer Guide (Form 21) at the Forms & Documents link of the FCMM website.

Employer Responsibility for Compliance

Please review our website article “The Employer’s Responsibility: Maintaining a Compliant Retirement Plan for Employees” for important information about notifications, timely remittances, and more.

Long Term Disability Insurance

Updating Compensation

When the employer makes changes in salaries of employees covered through FCMM’s Long Term Disability Insurance program, it is important to update the salary information on file with FCMM. Please complete Form 103 LTD Salary Worksheet.

Adding Eligible Employees

Eligible employees must be enrolled within 30 days of hire date. If this window is missed, new enrollment must wait until Open Enrollment, annually from December 1 through January 31.

Prepare Today *Matching Retirement Grant Program to Launch in February*

As announced in the last issue of News & Notes, FCMM is working in partnership with the National Association of Evangelicals and the Lilly Foundation to provide a \$1,000 retirement matching grant program for EFCA pastors who newly enroll in the FCMM Retirement Plan and complete some financial education curriculum. Details and procedures are still being developed, but it is expected program will launch by the end of February 2019. Please look for updates at the FCMM website, which will include steps for applying. Newly-enrolled pastors since January 1 will be eligible and will be notified of the opportunity.

FCMM • 901 East 78th Street • Minneapolis, MN 55420 • (800)995-5357

Retirement Plan: fcmmbenefits.org

Long Term Disability Insurance, Payroll Service: benefits@fcmmbenefits.org

FCMM serves as the church benefits organization of the Evangelical Free Church of America

