

News & Notes

Fall 2019

LTD: New Option and Improvements Coming!

The FCMM Group Long Term Disability (LTD) Insurance with Life and Accidental Death and Dismemberment (Life/AD&D) Insurance program will be enhanced for the 2020 coverage year. The program provides affordable, guaranteed-issue group coverage LTD and Life/AD&D insurance to staff of participating employers.

For 2020 renewals, **improved features** include:

- LTD coverage will pay 60% of annual salary to a maximum of \$170,000 as of July 1, 2019, which is increased from the previous maximum annual salary of \$120,000.
- An option will be added to increase coverage for Life/AD&D from \$10,000 to \$50,000.
- Quarterly invoicing will separate the LTD and Life/AD&D components for more accurate local church budgeting and expensing.
- Open Enrollment period will change to an earlier period of October 15 to December 1, with a January 1 coverage start.

Billing

Beginning with the first quarterly billing for 2020, the rates for LTD and Life/AD&D will each be clearly identified. The new LTD rate will decrease to \$.008 times total annual

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Unique features of FCMM LTD/Life Benefits

The total annual salary used in the event of an LTD claim includes minister housing allowance, which is not included in standard LTD policies.

A Spousal Disability Benefit up to \$1,500/month for up to 24 months is included. This benefit will pay if the spouse is cognitively disabled or unable to perform two or more Activities of Daily Living (ADLs).

New "ICHRA" Arrangement May Help Churches Offer Individual Health Insurance

Starting January 1, 2020, employers may use a new kind of health reimbursement arrangement (HRA) to fund individual health insurance of employees tax-free. According to a final rule issued this summer, the employer-funded Individual Coverage Health Reimbursement Arrangement (ICHRA) may reimburse individual insurance when certain conditions are met.

FCMM has developed an ICHRA summary and checklist for churches that may want to consider implementing such a program. Because of the difficulties of complying with healthcare privacy concerns, we recommend that a church-administered ICHRA be used only for insurance premiums; inclusion of other medical expense reimbursement would best be handled by a third-party administrator.

The ICHRA downloadable summary and checklist can be found in the "News" section of the FCMM website.

Ministers' Pay Essentials

by Jerry Rich, FCMM Vice President

The Internal Revenue Service (IRS) recognizes as ministers those who are credentialed by a religious body, have authority to conduct religious functions, and are currently recognized as religious leaders by the church organization they are serving. For more information, see IRS Publication 517.

When a person's circumstances fit the IRS criteria, the person is to be treated as a minister for tax purposes. This status is not to be changed (either to minister status or to non-minister status) for economic or preference reasons. Where the facts support the minister status, the following tax rules apply:

1. Dual status – The minister is an employee for income tax purposes and should receive a W-2 from the church. The minister is not a "contract" or 1099 worker unless meeting the full definition of self-employed (such as a consultant providing services to multiple organizations). But the minister is considered "self-employed" for Social Security purposes, which means ...
2. SECA tax – The minister must pay the Self Employed Contributions Act (SECA) rate for Social Security and Medicare tax; this rate is

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Pay Essentials

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equal to the combined employee and employer FICA rates. The church/employer should not withhold employee FICA or contribute employer FICA. This payment is the responsibility of the minister.

3. Tax withholding not required – While the minister must pay the applicable taxes, withholding of those taxes from pay is not required. The minister may file quarterly estimated taxes or may request that the employer withhold and remit a dollar amount that the minister specifies. It is up to the minister to estimate tax liability and ensure that a sufficient amount – covering both income tax and SECA tax – is submitted timely. Any voluntary withholding is remitted to the IRS simply as income tax payment. The breakdown between income tax and SECA tax is determined with the filing of the minister’s 1040 tax return that must include the SE form.

4. Eligible for housing allowance – The minister may exclude designated housing allowance expenses from income when properly determined according to IRS guidelines. The housing allowance is not excluded from compensation for purposes of SECA tax, however.

These tax rules are not separable and must all apply to treatment of the minister. (e.g. The employer cannot contribute/withhold FICA and also designate housing allowance.)

It has been the practice of many churches, in recognition of the minister’s liability for the SECA rate and the church’s avoidance of employer FICA contribution, to pay an amount equivalent to employer FICA to the minister as additional (taxable) salary to offset the impact of the double rate. Such practice is recommended by many tax professionals and church leaders.

For more information about ministers’ tax status, download the booklet “Ministers’ Taxes Made Easy” from the FCMM website.

In the next issue of News & Notes: *Matters to Think Through When Considering Opting Out of Social Security*

Minister Tax Status Comparison				
	Social Security & Medicare paid by... <small>(2019: Paid on up to \$132,900, after which SS caps out and Medicare tax, 2.9%/1.45%, continues)</small>		Paycheck withholding required?	Housing allowance can reduce taxable income?
	Staff Person:	Employer:		
Regular employee	7.65% FICA-employee	7.65% FICA-employer	Yes	No
Minister employee	15.3% SECA	—	No	Yes

FICA = Federal Insurance Contributions Act SECA= Self-Employment Contributions Act

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LTD: New Option and Improvements

salary, and the Life/AD&D rate will be \$3/month for \$10,000 benefit or \$15/month for \$50,000 benefit. The program includes a selection of either level of life insurance, but must include one.

This separation of rates may result in a small combined increase for some participants and a small decrease for others. The aim, however, is improved billing transparency along with the option to elect a higher Life/AD&D benefit.

Enrollment

New eligible employees must be enrolled within 30 days of the full-time hire date. If an eligible employee is not enrolled within this time period, the next opportunity will be during open enrollment. The new dates for the annual open enrollment are October 15 to December 1 for a January 1 coverage start.

More Information

FCMM will be mailing detailed information regarding the 2020 Long Term Disability and Life/AD&D to all current participating employees. In addition, each enrolled employee will receive an email on the new Life/AD&D option and improvements.

Response forms will be required from each church and enrolled employee.

Watch for more information coming soon to LTD-participating churches and covered staff members.

