

COSAR LONG TERM DISABILITY INSURANCE Information FORM

This form is to gather information about your Pastor's work schedule and income so that COSAR can determine whether the Pastor is eligible for the Long Term Disability Insurance which it provides. (See Section A on the back for this form for more information).

1. **Church Name** _____

2. **Pastor's Name** _____

3. **Pastor's Title** (check one)

Pastor (Senior/only) Associate/Assistant of _____

Other _____.

4. **Pastor's Work.**

Check this box if this Pastor is working for the church at least 30 hrs/wk.

If your Pastor is not working for the Church for 30 or more hours per week, or if this Pastor does not receive any compensation for this work, then your Pastor is not eligible and you may stop now.

5. **Pastor's Income.** The income that is covered by this insurance includes cash salary, housing allowance and/or the declared rental value of the parsonage, utility allowances, and any income that is diverted to a medical savings account or medical reimbursement plan which has been instituted by the church. Not included are retirement contributions by the church, Medical Insurance premiums paid by the church, contributions to a Health Savings Account (HSA) paid by the church, income from sources other than the SDB Church, and business reimbursements such as mileage/auto/travel expenses or office expenses.

(See Section B on the back for this form for some information on these categories).

_____ Housing Allowance

_____ Utility Allowance

_____ Rental Value of Parsonage

_____ Cash Salary

_____ Salary in Medical Savings Account (different from a Health Savings Account)

_____ Salary in Medical Reimbursement Plan

_____ Total Insurable Income

6. **Name and Position** (i.e. Treasurer or Clerk) of Person submitting this form:

Submitted by: _____ Position _____ Date _____

Please send to: COSAR, P.O. Box 1678, Janesville, WI 53547

or fax to: COSAR at (608) 752-7711

Section A) This Disability Insurance is to replace income, when that income can no longer be earned, due to disability, and pays to at least your normal Social Security retirement age as defined in the 1983 amendment to the Social Security Act. Currently the benefit is 60% of your basic monthly earnings (what is reported on the other side of this sheet) but no more than \$3,000 per month. No payment will be made until a disability has lasted at least 90 days.

Section B) Information for the lines which add to make the Total Insurable Income.

Housing Allowance. This is a portion of the Salary that is designated to provide a home. Utilities, furnishings, and other expenses of providing a home, if used from a designated housing allowance, can reduce the Pastor's *Income Tax* liability.

Utility Allowance. Amounts for Utilities could be included in a Housing Allowance, but sometimes are called a Utility Allowance when the money is intended for utilities for a church owned house.

Rental Value of Parsonage. The rental value of a parsonage needs to be set by vote of the Church prior to the year that that value is used. This can be an elusive number at which to arrive. B. J. Worth in the Worth's Income Tax Guide for Ministers, (2009 Edition), pp 31-46 discusses the Parsonage and Housing arrangement including this and the two previous topics.

We find this on page 40: "A 'rule of thumb' among realtors nationwide is that the fair rental value of a home (without furnishings) amounts to **1% of the appraised fair market value** per month. This formula is fairly accurate. However, **the condition, location, local market demand, and local economic conditions** of your home will need to be considered."

And on page 46: "The fair rental value of the parsonage provided should be reasonable, but has historically been allowed to be a conservative amount in the audits. **Do not be guilty of understating your rental value** below a reasonable amount and thereby understating your social security liability."

"You may wish to consult a local realtor for an appraisal, or make inquiries of local landlords. **The condition, location, local market demand, and local economic conditions will help you to determine a reasonable value.** The fact that you must live in a particular home as a part of your employment, gives reason for a more conservative estimate of the value of a parsonage provided. ... A 'bare minimum' rental value should be at least 5% x the appraised value of the home provided. Example: 5% x \$115,000 = \$5,750 annual FRV of home including utilities."

Cash Salary is the cash that is paid that is not allotted to any other account, plan or allowance. A Pastor's paycheck usually will include Cash Salary and Housing or Utility Allowance money.

Salary in Medical Savings Account. When set up properly, cash salary can be reduced and money for expected medical expenses can be placed in a Medical Savings Account for the Pastor and his family. This protects this money from Self-Employment Tax (Social Security) as well as Income Tax and provides for the medical needs. These accounts can carry over from one year to the next.

Salary in Medical Reimbursement Plan.

These are being replaced by the Medical Savings Accounts (above) as the Reimbursement Plan is a "use it or loose it" plan that zeroes at the end of the year. Money not used is retained by the employer.

Health Savings Accounts were new in 2004 and are tied to a high deductible individual health insurance policy. The account can have the full amount of the deductible added for the year, whether contributed by employer, employee or someone else. The money is to be used for health costs including deductibles, dental, vision and the like. **There are rules you need to know** that are available at www.irs.gov. These are also explained in Worth's book.