

Minister's Housing Allowance, Ministerial Earnings, & SECA

One of the benefits of completing your commissioning process is that you are eligible to designate a Minister's Housing Allowance (MHA) and take Ministerial Earnings. Becoming commissioned also categorizes you as a Self-Employment Contributions Act (SECA) employee.

Minister's Housing Allowance

Minister's Housing Allowance (MHA): As a commissioned NavRep, each bi-weekly paycheck is divided between taxable earnings and your Minister's Housing Allowance, which is potentially excludible from income tax (please note that MHA is almost always subject to SECA tax). In order to be excluded from income tax, your MHA earnings must not exceed the fair rental value of your home and must be used for [eligible housing expenses](#) (such as rent, mortgage interest, utilities, and other expenses directly relating to providing a home). Please use the MHA Request Form found [here](#) on NavTeams to learn more about eligible expenses and submit any changes to your MHA amounts each year.

- You can designate up to 90% of your gross earnings toward MHA (after other pre-tax deductions have been withheld), however the total amount is limited to the fair rental value of your home.

Ministerial Earnings

Ministerial Earnings – your retirement investments at Fidelity: After you are commissioned as a Navigator Representative (NavRep), both your employer retirement contributions (5.5%) and your personal pre-tax retirement contributions going forward will be designated as Ministerial Earnings at Fidelity. Withdrawals from ministerial earnings sources at Fidelity are excluded from income tax, as long as they are used for [eligible housing expenses](#) (such as rent, mortgage interest, utilities, and other expenses directly relating to providing a home) AND they do not exceed the fair rental value of your home.

- Your Ministerial Earnings contributions are calculated on wages outside your Minister's Housing Allowance.
- Potentially tax-free Ministerial Earnings funds will be available for as long as the employee/retiree is alive or until the account is depleted. The spouse does not receive the tax-free benefit. Once the ministerial source funds are used up, any potential tax exclusion is also gone.
- If you rollover your Ministerial Earnings to a personal IRA, *you will lose the tax benefit*, and your Ministerial Earnings will be taxed upon withdrawal.

SECA

The IRS requires commissioned staff to hold the dual tax status of filing their Social Security and Medicare payments under Self-Employment Contributions Act (SECA). Even though the wording includes "self-employment," the Navigators is still your primary employer, and you are not considered self-employed. A commissioned staff member's dual tax status means that they will receive a W-2 Wage and Tax statement, but they will not have Social Security or Medicare withheld from their paychecks.

- SECA-eligible staff members must calculate and pay the full portion of their self-employment tax to the IRS—you can have the Navigators withhold extra income tax from your paycheck to cover your Social Security and Medicare taxes.
 - You can find more information from the IRS on calculating and paying your SECA taxes [here](#).
 - You can find more information from the IRS on SECA [here](#).

It is highly recommended that you seek the advice of a certified tax professional (CPA) and/or certified financial planner (CFP) with expertise in Ministerial Earnings when contributing to and getting ready to withdraw from your retirement accounts.



Benefits

Accessing Ministerial Earnings at Fidelity

Visit your retirement account at Fidelity online: www.netbenefits.com or call Fidelity at 1-800-248-4213.

- Sign in using your Personal ID and Password (if you are a new user you will need to Register)
- Select a plan under **Accounts and Benefits** and then scroll down to **Your Investments** and find **Sources**.
- Select **Show Details** under **Sources** to find the balance in your Ministerial Earnings. Click on **show details** in the ME account and it will give you the individual amount in each investment.

If you rollover your Ministerial Earnings to a personal IRA, you will lose the tax benefit, and your Ministerial Earnings will be taxed upon withdrawal.

Withdrawing Ministerial Earnings Retirement Contributions

Whether you are employed or retired, you can begin withdrawing from these accounts when you meet the minimum eligible age:

- 401A – 62 years old or older and have 10 or more years of service as paid staff.
- 403B – 59½ years old or older.

If you plan to withdraw Ministerial Earnings in the same year that you are receiving MHA from your salary, you will need to keep the total of the two under the maximum amount allowed to be excluded from income.

This is calculated as the lesser of:

1. MHA on the W-2 Box 14 PLUS the amount withdrawn from the Navigators plan 1099-R Box 1, —OR—
2. The amount actually spent on eligible housing expenses, —OR—
3. The fair rental value of your home.

- Call Fidelity at 1-800-248-4213 and request a representative who can assist you with a **Ministerial Earnings** withdrawal. Tell the representative that you want to withdraw the **non-taxable funds** from one of your **Ministerial Earnings accounts**:
 - BASIC 401A: 57499 – 09
 - SUPPLEMENTAL – 403B: 90142 – 15
 - 403(b): 90142 – 21
- The representative will complete your request and will send a **Partial Distribution – Withdrawal** form with a request ID, date, amount requested, and tax amount (confirm \$0) on it for you to sign.
 - **You can request that this be sent to you via encrypted email attachment.**
 - You will need to sign and date it on page 3 under the **Participant Signature and Date** section.
 - If you are **married**, your *spouse's identity and signature* **must** be witnessed by a **notary or one of the plan sponsors** (a Benefits Team representative) to make sure the funds are being used jointly.
 - If the employee has signed the form, the spouse can have their signature witnessed without the employee present.
- Complete the form and **Fax** it to The Navigators Benefits at 719-666-3971 or **Email** Benefits@navigators.org
- The Navigators Benefits Team will complete the form and return it to Fidelity. You will receive a notice from Fidelity that activity has been started.

It is highly recommended that you seek the advice of a certified tax professional (CPA) and/or certified financial planner (CFP) with expertise in Ministerial Earnings when contributing to and getting ready to withdraw from your retirement accounts.

Latest revision: 9/17/2024