

# Retirement Contribution Limits

## April 2022

1. MRT Contribution Limits
  - a) 401(a)
    - i) Annual contributions cannot exceed the lesser of \$61,000 or 100 percent of taxable compensation (salary minus housing allowance). This includes contributions made by both the congregation and pastor.
    - ii) Pastor's contributions to the 401(a) plan are not deductible. Contributions are considered taxable income and are subject to both Federal, State and employment taxes.
  - b) 403(b)
    - i) Pastor's contributions to a 403(b) are limited to the lesser of \$20,500 or 100 percent of taxable compensation (salary minus housing allowance). Pastors who are age 50 or older can contribute an additional \$6,500 (\$27,000 total). These limits may increase each year.
      - (1) Contributions to 403(b) plans made by Pastors are not subject to self-employment taxes. (Rev. Ruling 68-395). Contributions by lay employees of congregations are subject to Social Security tax (Rev. Ruling 65-208).
    - ii) Annual contributions cannot exceed the lesser of \$61,000 or 100 percent of taxable compensation (salary minus housing allowance). This includes contributions made by both the congregation and pastor.
      - (1) Congregations may contribute up to \$10,000 per year, regardless of the pastor's taxable income, with a life-time limit of \$40,000. Please see your tax advisor for more information.
  - c) **Special precautions for pastors.**
    - i) **If the pastor's congregation designates a large percentage of salary as a housing allowance, please be aware that contributions to MRT or any other retirement plan may be limited. For example, a part-time pastor receives a salary of \$15,000, and the congregation designates all of that \$15,000 as a housing allowance. For purposes of retirement contributions, the pastor has no taxable income, and therefore the congregation cannot make any retirement contributions (however see (b)(ii)(1) above for an exception). Retirement contributions cannot exceed taxable income (salary minus housing allowance).**
  - d) For more information, call Mennonite Retirement Trust at (800) 348-7468, extension 2471.
2. Other retirement plans
  - a) Retirement contributions may be made into 403(b) plans other than MRT.
  - b) In addition, the minister and spouse may each contribute \$6,000 annually to a Traditional IRA or Roth IRA. For those ages 50 and older, an additional \$1,000 can be contributed. These limits may be adjusted every year. Contributions may or may not be tax deductible depending on income levels and the type of IRA chosen.
  - c) If the congregation makes contributions to an IRA on behalf of the pastor, those contributions are considered income to the pastor and must be reported as income for both wage and self-employment income purposes. The pastor will deduct the contribution, if eligible, on his or her own tax return.
  - d) Check with your financial advisor for more information.

The information provided is for educational purposes only and should not be considered as offering specific tax, legal, or investment advice. Please consult with a professional regarding your individual circumstances.