

# Overseas missionaries fact sheet

Mennonite Retirement Trust



Mennonite Retirement Trust consists of two programs, a 401(a) money purchase pension plan, and a 403(b) plan. The rules for overseas missionaries apply to both programs, unless otherwise noted.

## Who is eligible for MRT

Overseas missionaries are eligible for MRT if they receive a W-2 from their U.S. employer. Non-U.S. citizens who do not receive a W-2 are not eligible for MRT.

## Tax implications of employer and employee contributions to MRT

Employer contributions made to MRT for overseas missionaries are not included in the missionary's income and are considered after-tax contributions. When missionaries withdraw these contributions, they will be returned tax-free, and only the earnings on those contributions need to be claimed as income. This is true whether the person is still overseas or in the United States when the funds are withdrawn.

Employee contributions to the MRT 403(b) option can be designated to a traditional 403(b) or, if offered by the employer, to a Roth 403(b). Employee contributions by overseas missionaries to both a traditional and Roth 403(b)

are treated the same as employer contributions and are tax-free when withdrawn. Earnings on a traditional 403(b) are taxable when withdrawn, while earnings on a Roth 403(b) are returned tax-free under certain circumstances.

To take advantage of this special overseas missionary rule, employers need to do the following:

1. Contributions made to MRT for missionaries while they are overseas must be reported to MRT as missionary contributions. Contributions reported as regular employer or employee contributions will not be afforded this special tax treatment.
2. Contributions made for missionaries, while on furlough in the states, should not be reported as missionary contributions, unless the income earned by the missionary during that time is eligible for the foreign income exclusion.

## Contribution limits

The maximum contribution that can be made to both MRT options is 100 percent of compensation not to exceed \$58,000. In cases where overseas missionaries participate in a 403(b) plan, the missionary and/or employer can contribute at least \$3,000, even if the

missionary has less than \$3,000 of compensation. For 401(a) and 403(b) plans, compensation that a foreign missionary can exclude from taxable income under the foreign income exclusion is still counted as compensation for purposes of these contribution limits.

## Eligibility for IRAs

Overseas missionaries can make contributions to a traditional or Roth IRA **if they have taxable compensation**. If the missionary excludes all of his/her income through the foreign income exclusion, then he/she has no compensation to support an IRA contribution and is not eligible.

## Ministers declaring housing allowance

If a minister, serving as an overseas missionary, is declaring all or a portion of income as housing allowance, there are special rules that may apply that are not described here. Please consult your tax accountant or attorney for more information.

*This material is intended to provide general information. It is not intended as legal or tax advice. Please consult your tax attorney or accountant on specific questions related to your situation.*