

Policy #17 – Compensation Guidelines for 2010
Committee on Ministry – Presbytery of Tampa Bay

These compensation guidelines should not be interpreted as tax advice. For answers to specific tax questions, please seek the advice of a competent tax advisor. Please refer to the Internal Revenue Code Regulations (especially IRS Publication 517). For questions concerning the Benefits Plan, please contact the Board of Pensions directly (see especially the Board of Pensions **Benefits Administrative Handbook** and **Understanding Effective Salary**). An excellent book is **Church & Clergy Tax Guide** by Richard R. Hammer (attorney and Certified Public Accountant). It is available from the Presbytery Resource Center.

Line 1: Annual cash salary refers to cash compensation (payroll) paid directly to the minister on a regular basis (monthly or weekly), salary supplements, and severance payments.

Line 2: Housing allowance refers to the amount designated annually by the session or employing organization in advance of payment. It includes the actual costs of housing for a minister. Expenses that can be tax sheltered include: utilities, maintenance expenses, household furnishings, cleaning and repair supplies. For those not living in a manse, the following can also be included: mortgage principal and interest, real estate taxes, house and flood insurance. Utility expenses should be included in the housing allowance and are used to cover the cost of utilities for a manse, as well as a home being rented or purchased by the minister. However, if the manse utilities are in the name of the church and paid directly by the church, they are NOT included on this line. The housing allowance is based on anticipated housing expenses, not based on a percentage of salary. For IRS purposes, the amount considered as housing allowance must be designated by the session in advance of payment. The minister must keep strict records to show it was all used for housing. Only that portion actually spent for housing expenses may be claimed. The IRS uses two scenarios to determine the maximum amount of compensation which can be used as a housing allowance. The smaller of these two is the maximum a minister can claim. However, if the housing allowance is overestimated at the beginning of the year, it can be adjusted downward when the minister files a Form 1040 at the end of the tax year. But, it cannot be adjusted upward if it was underestimated at the beginning of the tax year. Any unused portion is subject to income tax. Therefore, it is better to slightly overestimate the portion of compensation designated as Housing Allowance on this form. Housing allowances are subject to SECA Taxes.

Line 3: Deferred income includes tax-sheltered annuities, IRS 403(b) Plans, Keogh and Retirement Savings Plans, housing equity allowances for ministers living in manses, and other forms of funded or unfunded arrangements. The presbytery recommends that churches set a housing equity allowance for those ministers living in a manse. Churches should consult with the Board of Pensions concerning the legal requirements of setting up a housing equity allowance.

Line 4: Special Income refers to Board of Pensions optional dental or life insurance, and other insurance in addition to the Benefits Plan of the Board of Pensions. This line also refers to unvouchered or lump sum allowances which are not paid through an IRS Accountable Reimbursement Plan (such as unvouchered or lump sum book, auto, study or professional expense allowances), a down payment grant for the purchase of a house, savings from low-interest or no-interest loans (not principals), student loan repayments, year-end and other bonuses, any other

gift from the church (not gifts from private donors or honoraria), personal auto insurance, and insurance premiums for any other additional insurance coverage provided for individuals (premiums for group coverage are not included).

Line 5: Other Income includes all forms of compensation not otherwise covered on Lines 1 - 4, including salary reduction contributions to IRS Section 125 Flexible Spending Plans (“Cafeteria” plans), medical deductibles and coinsurance payments not paid through a group benefit plan. If an allowance is provided to reimburse Social Security tax obligations, any amount in excess of 50% of the minister’s SECA tax obligation (the “second half” of SECA tax) must be included on this line (see Line 12 below).

Line 6: Fair rental value of the manse is defined as what the open market would charge for rent in similar accommodations. The church should pay all manse utilities (reported under housing allowance on Line 2 unless the manse utilities are in the name of the church and paid directly by the church). For Board of Pensions purposes, the fair rental value of the manse should be at least 30% of Lines 1 - 5.

Line 7: Total Effective Salary is the sum of Lines 1-6. Total Effective Salary is the amount subject to Board of Pensions dues. Dues are required for all installed positions. **Minimum Effective Salary** for full time positions is \$39,000 per year.

Line 8: Board of Pensions Dues varies according to the situation:

- If the position is filled by a **full-time, non-retired minister**, the medical dues are 19.5% of Total Effective Salary (Line 7), and the retirement, death and disability dues are 12% of Line 7. The **total dues** are 31.5% of Line 7.
- If the position is served by a **part-time, non-retired minister**, there are maximums and minimums which need to be factored into the calculation of dues.
 - **For 2010:** The church-wide median effective salary for 2010 is \$52,200. If Line 7 is less than \$33,930 (65% of the church-wide medium), then the medical dues will be no less than \$33,930 times .195 = \$6,616. If Line 7 is less than \$13,050 (25% of the church-wide medium), then the retirement, death and disability dues will be no less than \$13,050 times .12 = \$1,566. If Line 7 is higher than \$104,400 (200% of the median), the medical dues will be capped at \$104,400 times .195 = \$20,358. If Line 7 is above \$245,000, the retirement, death and disability dues will be capped at \$245,000 times .12 = \$29,400.
 - **For 2011:** The church-wide median effective salary for 2011 is \$52,900. If Line 7 is less than \$34,385 (65% of the church-wide medium), then the medical dues will be no less than \$34,385 times .195 = \$6,705. If Line 7 is less than \$13,225 (25% of the church-wide medium), then the retirement, death and disability dues will be no less than \$13,225 times .12 = \$1,587. If Line 7 is higher than \$105,800 (200% of the median), the medical dues will be capped at \$105,800 times .195 = \$20,631. If Line 7 is above \$245,000, the retirement, death and disability dues will be capped at \$245,000 times .12 = \$29,400.
- If the position is being filled by a **retired minister** receiving benefits from the Board of Pensions, the dues varies according to the following two scenarios:
 - If the position is less than 20 hours per week, there are no dues.
 - If the position is for more than 20 hours per week, the dues are 12% of the Total Effective Salary.

- If there is no pastor or interim in place, there are **vacancy dues** (12% of the Total Effective Salary of the last installed pastor.) Vacancy dues are paid for no more than one year.

If this is a position (interim or installed) filled by a person who is part of a medical/retirement plan of the United Church of Christ, the Reformed Church in America, or the Evangelical Lutheran Church of America, the congregation will pay dues or insurance premiums to the other denomination's plan **not** to the Board of Pensions of the Presbyterian Church (USA).

Accountable Reimbursement Plan (vouchered expenses): The IRS allows ministers to establish Accountable Reimbursement Plans with their employing churches which will exclude items from tax consideration which are paid in reimbursement for vouchered expenses. These items are not subject to Board of Pension dues. The items below should be included in an Accountable Reimbursement Plan. See Richard Hammer's **Church & Clergy Tax Guide** for details on how to establish an Accountable Reimbursement Plan which meets IRS rules.

Line 9: Continuing education allowance includes such items as tuition, room, board, travel to study events, and should be reimbursed as spent by the minister. This cannot be paid on a monthly or lump sum basis. **Minimum continuing education allowance** is \$1,200.

Line 10: Automobile expenses must be either (A) vouchered and reimbursed at the current IRS per mile rate, or (B) a car with full expenses provided. Line 10 should record the amount budgeted by the church to reimburse the minister or to pay the expenses of operating a church-owned vehicle. This budgeted amount cannot be paid on a monthly or lump sum basis. Accurate records of mileage or auto costs should be kept by the minister and reported to the church treasurer. Minimum automobile allowance is full reimbursement at the current IRS per mile rate, or a car with full expenses provided. **Professional expenses** include such items as books, subscriptions to magazines, supplies, business meals, etc., and should be reimbursed as spent.

Line 11: Social Security Tax supplemental income may be offered to help offset the SECA tax obligation of the clergy, who are classified by the IRS as "self-employed" for Social Security taxes. The presbytery recommends up to 50% of the minister's SECA tax obligation (7.65% of Lines 1+2+4+5+6). This is not part of the Total Effective Salary and is not subject to Pension Dues. Compensation paid beyond 50% of the minister's SECA tax obligation should be reported on Line 5 and is subject to Board of Pension Dues. For Certified Christian Educators and Associate Certified Christian Educators, the employer's share of FICA is paid by the church.

Line 12: Medical "IRS Section 105 Plan reimbursements only" refers to a specific plan in the IRS Code which is an optional benefit allowed by the IRS. This plan provides a method medical expenses can be paid by the church and excluded from the minister's Federal Income and Social Security Taxes. These include medical deductibles and coinsurance payments (medical expenses not covered by the Major Medical Plan of the Board of Pensions), optional dental insurance, eyeglasses and other expenses as defined in the IRS Code. Care should be exercised in order that churches conform to the strict IRS regulations which govern the IRS Section 105 Plan. Further information about how to set up an IRS Section 105 Plan is available from the presbytery office.

Line 14: Study leave minimum is two weeks per year.

Line 15: Vacation should be given in terms of weeks. The time, whether taken together, or broken into smaller segments, must be approved by the session. **Minimum vacation leave** is four weeks per year.

Line 16: Sabbatical Leave should be specified as to how many months and weeks are given after how many years of service. For example: 3 months and 2 weeks after 7 years of service. See COM Policy 21 for more details about sabbatical leaves.

Annual Review of the adequacy of the ministerial compensation package shall be conducted by the session (See G-7.0300 and G-7.0304c). Evaluation resources are available from the COM.

Maternity Leave should be provided as follows: (A) Eight weeks leave or its equivalent at full compensation. (B) If further leave beyond eight weeks is required for medical reasons, such leave should be granted on a compensation arrangement worked out between the minister and the session.

Paternity Leave may be provided for one week upon the arrival of the child.

Honoraria should be provided for ministerial services.

- **Pulpit Supply** for a minister leading worship and preaching for a congregation should ordinarily receive no less than \$150.00 for one service and \$175.00 for two services, plus mileage.
- **Session moderators** (other than members of the COM) of churches without installed pastors, stated supplies or interim pastors should be paid an honorarium of \$75.00 per meeting of the session plus mileage.

Pulpit Nominating Committee Expenses: Ministers preaching for a PNC shall have their expenses (travel, lodging, meals, etc.) reimbursed by the PNC, not the “neutral pulpit” church.

Part-time Positions are subject to the Presbytery Minimum Compensation Guidelines. All part-time position descriptions will specify what proportion of full-time the position requires.

Church Educators: Certified Christian Educators have passed all certification requirements as specified in G-14.0700 and have been certified by the General Assembly Certification Council. Associate Certified Christian Educators have passed requirements at the associate level. **Minimum salary requirements** for 2010 for full-time positions: Certified Christian Educators (same minimum as clergy): \$39,000; Associate Certified Educators (85% of Certified): \$33,150; all other Christian Educators (75% of Certified): \$29,250. **Other considerations**: Board of Pension Dues or a mutually accepted agreement between educator and session regarding major medical and pension benefits, Auto Allowance, Continuing Education Allowance and Leave, and Vacation (same as clergy). See Policy 18 for details.

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