

PASTORAL SALARY RECOMMENDATIONS 2011 - 2013



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The Pastoral Relations Committee for the Unity of the Brethren has prayerfully deliberated over the task of making pastoral salary recommendation for 2011 – 2013. During our deliberations and research, it became apparent to us that one size fits all recommendations would not be appropriate due to the vast differences of education, congregation size, and full time ministry status.

The method chosen by the committee was based on multiple independent outside sources as well as an overview of current salaries for Unity pastors. Although the process is much more detailed than a less scientific method, we believe it is more accurate and up to date. It is the intention of the Pastoral Relations Committee that a salary guide be produced every other year to coincide with the Unity of the Brethren Conventions. It is also our intention that during the alternate years, that congregations review their pastor's salary and pray diligently about how much of a cost of living increase and merit pay increase is warranted.

Before reading this document, please be advised of its contents:

- A summary of the research and recommendations being made by the Pastoral Relations Committee;
- Questions and Answers concerning Housing Allowances;
- An article written by CPAs concerning pastoral pay;
- Salary Worksheets; and
- IRS Tax Guide for Churches.

In addition, the Pastoral Relations Committee would like to stress just a few major points of interest. First, if your church is being well served by your pastor and he or she is a leader in your community who is increasing your membership's spiritual growth... **PAY THEM WELL.** The minimum recommendations above are just that -- **MINIMUM.** If you intend to continue a strong and Christian relationship with your pastor, and his or her family, then please, please use the "Additional Merit/Base/Hardship Funding" category to boost your congregation level of monetary support. Second, if you believe that you are paying your pastor more than what the services being delivered are worth, enter into a dialogue immediately. After open dialogue between the congregation and the pastor it is believed that two things will occur: (1) congregations will have a better appreciation for exactly what the pastor is doing and the time commitment that is involved in these duties and (2) pastors will better understand the expectations of their congregations. These minimum salary recommendations are not to be used to tell pastors that they are being paid too much money. They are for guidance only. The negotiated services and compensation packages are unique to each pastor and each congregation. Third, for those churches using a parsonage, **PLEASE** seriously consider the Home Savings Benefit Package or discontinuing mandatory parsonage use. Pastors must make plans for retirement, just like all of us. Without adequate compensation and equity building during their long and faithful periods of service to God's ministry, he or she may not be able to afford an adequate retirement existence. And fourth, make pastoral salary decisions based on your own congregational needs and desires. Trust that God will provide for your needs if you bring Him into your decision processes through prayer.

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Setting the pastor's salary is often a difficult and confusing task. One factor complicating the process of setting the pastor's salary is that our emotions are involved. Strong feelings can sometimes obscure our thinking and stand in the way of making good decisions.

In 1863, in a letter written to Nathaniel Hawthorne, poet John Godfrey Saxe said, "I suspect that the spirit of our blight regarding religion is that we feel that we must keep the preacher poor so that God will keep him humble." Tragically, since that time it appears as if many churches have adopted this "practice" when the issue of paying the pastor has been addressed. Even though there is not a shred of biblical truth to justify it, more times than not a congregation's actions have spoken volumes in support of this statement, whether they verbally admit it or not.

The apostle Paul wrote to Timothy, "The elders who rule well are to be considered worthy of double honor, especially those who work hard at preaching and teaching. For the Scripture says, 'You shall not muzzle the ox while he is threshing,' and 'The laborer is worthy of his wages'" (1 Timothy 5:17-18).

Today few pastors receive an unreasonably high salary. A reasonable income is based on what would ordinarily be paid for like services by a similar organization under similar circumstances. A majority of ministers who serve as pastors today are highly trained and well educated. Churches, therefore, need to give the maximum amount of support feasible to their pastors, without jeopardizing the overall financial stability of the church.

How much should a pastor make?

Pastoral salary is a two-edged sword: Pastors should be paid what they are worth, but they also should be worth what they are being paid. Income paid to pastors should be fair and a reasonable indication of the congregations evaluation of the pastors' worth. Yet, it should also take into consideration the responsibilities and workload of the pastor, the pastor's level of education, the size of the congregation, the economic condition of the community, and the experience of the pastor.

Rules of thumb to determine how much salary pastors should receive include:

1. paying them the same salary as the average wage earner of the church's Board of Elders;
2. paying them the average estimated wage of the families in the congregation (throw out the highest 2 percent and the lowest 2 percent and average the remainder of the congregation);
3. or base the salary on a mathematic and scientific survey of other pastor's salaries.

Traditionally in the Unity of the Brethren, the Pastoral Relations Committee makes a recommendation for pastoral salaries. With that said, the final decision is ultimately left to the discernment of each individual congregation. To that end, the Pastoral Relations Committee has formulated a recommended salary schedule based on research of multiple mainstream congregational minister's pay scales, the Department of Labor statistical charts, and the national averages of multiple mega-analysis pastoral salary surveys.

Note that even though individual congregations are free to use the salary recommendation or not as they see fit, it is important to realize that if a church does not increase the pastor's pay each year by at least the cost of living, they are in effect reducing the pastor's salary. Moreover, just as the members of a congregation expect their employers to provide them with a cost-of-living pay increase each year, a pastor should be able to expect the same.

An annual review of a pastor's pay as well as an annual evaluation of the pastor's performance and future expectations is vital. This insures that both the congregation and the pastor know exactly what is expected from each other in the coming year. A review of a pastor's salary, without a performance review is a method that is not based on objective assessment data, but rather on subjective, or personal views. *Each pastor deserves the right to have their congregations expectations clearly laid out in a written format so that they can prayerfully discern how to meet the needs of the church.* Please note however, that all expectations of the congregation may not be reasonable. By having written documents (job description and annual assessment instrument) presented by the Board of Elders to the pastor each year a dialogue concerning the feasibility of each expectation can be initiated. If during this dialogue it becomes apparent that a meeting of the minds is not present, pastors and congregations have a choice of either bringing in a neutral party to help facilitate further compromise and discussion (i.e. the Pastoral Relations Committee or another entity) or begin the process of discussing whether the church and pastor continue to be a good fit.

Church and Pastor: A Good Fit

Deciding that a church and pastor no longer have a "good fit" is a difficult decision. This is especially true when the pastor has served for many years and is well loved by the members of the congregation. It is necessary to point out here that God ultimately should have control in these situations. God may have a different plan for the pastor or He may have a different plan for the church. Just because God knew that your church needed this pastor twenty years ago, does not necessarily mean that God believes he or she is the best pastor to lead you into the next phase of your church's spiritual journey. In the same way, God may have a specific path in which He wishes for the pastor to go in order to either achieve a purpose of God or to strengthen the spirituality of the pastor. The best way to follow God's plan then is through prayer, discernment, and rational assessment of the current circumstances.

It is the sincere hope of the Pastoral Relations Committee that no pastor and no congregation disregards the will or desire of God for pastoral change simply out of fear or misplaced human emotions. Pastoral change does not have to be a negative environment if it is

facilitated with respect, love, and prayer. Churches should not be fearful that God will not provide a spiritual leader to them, and pastors should not be fearful that God will cease to provide a flock for them to shepherd.

With that said, church growth, both in numbers of members within the Body of Christ structure and/or in spiritual capacity is desired and needed. However, a change of pastors is not always the answer to this end. Many times the current pastor and congregation are fully capable of establishing this growth pattern with the resources at their disposal. The element that is usually missing in facilitating this growth is open and honest communication between the pastor and the congregation. Neither entity has the capacity to read each other's mind or to know what the other is thinking, feeling or needing. If a congregation is upset because the pastor doesn't keep set office hours, tell him or her. Perhaps the pastor did not realize that this was a desire that was of top importance to the church. If a pastor does not have the "gift" of home visitation to the sick, tell your church, and establish an alternative method of meeting this goal through lay leadership. If the congregation knows that something it desires is not within the pastor to give then they can work together to meet the need, and also know that it is not an issue of the pastor not knowing or respecting their concerns. It is the view of the Pastoral Relations Committee that many issues between churches and pastors evolve not because of a lack of commitment or a "bad fit" but rather because open, constructive dialogue has not been engaged.

Pulpit Supply

The issue of Pulpit Supply is one that the Pastoral Relations Committee has been asked to set forth guidance on for the churches. First, it is important to recognize that pulpit supply is NOT a recommended format for spiritual leadership. Pulpit Supply is intended to be used on a temporary basis (temporary meaning less than 12 months), as a transitional tool when seeking pastoral leadership, and for occasional support to a congregation.

At times a church finds themselves seeking a pastor. It would be unwise and actually harmful to institute human timeframes on God as he leads a church to the shepherd that he desires for them. Sometimes this discernment process is very short. Other times it is lengthy and may even take years. As long as a church is earnestly seeking God's will and is actively pursuing the goal of seeking a pastor, Pulpit supply is not only appropriate, but necessary. The Pastoral Relations Committee will lend assistance to any congregation without a spiritual leader in scheduling pulpit supply. Please contact Dawn Marie Baletka at 979-777-9940 (baletkad@navasotaisd.org) for assistance.

Occasional support of pulpit supply would include (1) a pastor's vacation, (2) illness of the pastor, (3) temporary events that prevent the local pastor from serving, (3) sabbatical leave for a pastor, (4) missionary work for a pastor, (5) pastor serving youth at Hus Encampment, (6) pastor assisting other congregations with spiritual needs, or (5) professional development for the pastor.

Temporary pulpit supply would be considered 12 months or less. A church may choose to temporarily use pulpit supply if finances or other factors prevent them issuing a call for a resident pastor. It is worth noting that this should be a temporary position. Churches unable to financially support a pastor on a regular basis should contact the Pastoral relations Committee and the President of the Synodical Committee to engage in discussions concerning the future and viability of the congregation. Extension to temporary pulpit supply may be given on a case by case basis.

It is also necessary for compensation guidelines to exist for pulpit supply. The Unity of the Brethren will adhere to the following schedule for the next biennium:

Ordained and Licensed Pastors	\$200 - \$250/Sunday Service + IRS Mileage Rate
Ministerial Students	\$150 - \$200/ Sunday Service + IRS Mileage Rate
Lay Ministers	\$150 - \$200/ Sunday Service + IRS Mileage Rate

Please feel free to pay MORE than the above guidelines, but try not to fall below the above guidelines.

Issues to Consider Before Looking at the PRC Salary Recommendations

Today, we have pastors serving single congregations, multiple churches, some churches being served (by choice) with only pastoral supply, and a multitude of different bi-vocational arrangements throughout the Unity of the Brethren. A simple one pay scale fits all salary recommendation, therefore is not appropriate.

The Pastoral Relations Committee would like to recommend that churches prayerfully examine the following issues before looking at the actual dollar figures of salary recommendations. It is our belief that the Unity of the Brethren, as a whole, has been obedient in their Christian duty to provide for the ministers of this denomination. It is also our belief that the Unity of the Brethren has a sincere desire to continue to compensate their spiritual leaders in a manner that recognizes their position of authority and respect within God's earthly kingdom.

Some congregations may never have thought about the issues being addressed below. If so, the Pastoral Relations Committee strongly encourages you to open up a series of dialogue sessions with your pastor to determine their feelings and thoughts of these matters.

One Church: One Pastor

Regardless of economic issues, geographic issues, shortage of pastors issues, bi-vocational issues, and the service of ordained, licensed, and lay pastor issues, it is the contention of the Pastoral Relations Committee that each church body is best served through the ideal relationship of at least one pastor for each church.

During the visits that the Pastoral Relations Committee has had with churches in the last few years, some churches sharing a pastor feel like they are not the pastor's first priority. And in reality, for most churches sharing a pastor, one church is more of a priority than another. This often leads to hurt feelings and discontentment. In an effort to defend the pastors we would also like to add that they are in a difficult situation. One church usually pays more of their compensation and therefore deservedly gets a proportional amount of their time. In addition, the pastor usually lives and is involved in one community, and may only have peripheral contact with members outside of his/her church in the other. This too makes the challenge of leading the congregation in spiritual matters more difficult for the pastor.

We realize that in the Unity of the Brethren, at the current time, this is not necessarily a realistic expectation. However, we would encourage ALL Unity of the Brethren congregations to visit this goal each and every year. We encourage you to set this as a long term goal and to plan your financial and spiritual obligations in such a way that you are working toward this end.

Ordained, Licensed, and Lay Ministry

Is there a difference between Ordained, Licensed, and Lay ministry? Yes, there is. Ordained ministers in the Unity of the Brethren traditionally have advanced through four years of an undergraduate education and have completed an advanced degree through an appropriate seminary. In addition, the Synodical Committee has recently developed a means for individuals to obtain ordination after completing an undergraduate degree and a school of ministry curriculum sequence. Licensed ministers do not usually have a four year degree or seminary/school of ministry training. Many licensed ministers do have some formalized training through schools of ministry and/or continuing professional development. In addition, the Unity of the Brethren often licenses ministers from other denominations to pastor within our churches. Lay ministers are those who have some training but have never been called to serve as ordained or licensed ministers. Often you will see music ministers, youth ministers, and Sunday school leaders in this category, although these positions are also held by licensed and ordained ministers. Many other denominations have groups of lay ministers that visit the sick and homebound, and who reach out in the community. This does not mean that God has not called them to service, nor does it mean that God has not called them to ministry. They have just chosen, or God has led them, to serve in this more informal relationship.

Do the differences matter to a congregation? Sometimes, this answer is yes. It depends on the congregation and what their needs and goals are.

Is one type of ministry “better” than another? Absolutely NOT. They are just different. For some congregations a Lay Minister is probably the best fit for their needs. Other congregations may have different priorities that would indicate that a licensed minister is the one that should lead them on God’s spiritual journey.

The important thing to realize is that although the salary structure may appropriate more funding for an ordained minister as opposed to a licensed or lay minister, this is done in keeping with the practice of compensation being equitable to that which could be earned by the same individual in an outside organization. Higher degrees of education and specialty training are routinely paid premium wages. This is in no way an indication that the Pastoral Relations Committee considers one group of ministers more worthy or desirable than another.

Professional Development

For a church to remain vibrant and to grow spiritually it must not only be nurtured and led by its shepherd (pastor) but it must also nurture and feed the shepherd. A pastor is a professional member of the community charged with guiding and educating the congregation’s spiritual development. As such, his or her own spiritual and intellectual development must be updated and motivated also.

Most of us would never allow a CPA who has not read any tax code since they graduated from college twenty years ago to file our IRS taxes. Most of us would not allow a doctor to operate on a family member who has not had any training on modern equipment or techniques since passing his medical exams. Why would we want to entrust our spiritual development, which is just as important, if not more important, than our taxes and physical health, to a pastor who has not continued to update his or her knowledge of scripture, homiletics (preaching), pastoral care, and church growth?

It is because of this that the Pastoral Relations Committee is suggesting a component of the annual salary review include a budget line item for pastoral professional development. These reimbursable expenses include anything from workshops, retreats, courses in schools of ministry or institutions of higher learning, books or electronic devices for reference material etc.

Allowances

In addition, allowances are governed by rules of the IRS for tax purposes. Allow information is provided in this guidance booklet, please do not rely on this information for legal matters. ALLOWS look to the [irs.gov](https://www.irs.gov) website for the most current and up to date information as statutes frequently change. In addition, consult a tax attorney or CPA for generalized tax advise. The following is an excerpt from page 20 of the IRS Tax Guide for Churches and Religious Organizations concerning documentation for allowances:

ACCOUNTABLE REIMBURSEMENT PLAN

“Arrangements for an employer (church) establishes to reimburse or advance employees business expenses will be an accountable plan if it meets three requirements:

- (1) Involves a business connection;
- (2) Requires the employee to substantiate expenses incurred; and
- (3) Requires the employee to return any excess amounts.

Employees must provide the church with sufficient information to identify the specific business nature of each expense and to substantiate each element of an expenditure. It is NOT SUFFICIENT for an employee to aggregate expenses into broad categories such as travel or to report expenses through the use of non-descriptive terms such as miscellaneous business expenses. Both the substantiation and the return of excess amounts must occur within a reasonable period of time.”

NON ACCOUNTABLE REIMBURSEMENT PLAN

“If churches reimburse or advance the employee for business expenses, but the arrangement does not satisfy the three requirements of an accountable plan, the amounts paid to the employees are considered WAGES subject to FICA taxes and income tax withholding, if applicable, and are reportable on Form W-2.

For example if a church employee is paid \$200 a month allowance to reimburse for monthly business expenses the employee incurs while conducting church business, and the employee is not required to substantiate the expenses or return the excess, the entire \$200 (not just the unsubstantiated portion) must be reported on Form W-2 as wages subject to FICA and income tax withholding.”

Parsonages

Parsonages are a wonderful benefit to both churches and pastors. The benefit to the church is long term and continuing, especially after the structure is free of debt. However, parsonages often are a double edged sword for pastors and their families. Young and newly ordained pastors often find the use of a parsonage an added benefit. They are able to enjoy a home of better quality and size than they could probably afford otherwise so early in their careers. However, as the pastor matures and gains seniority, what was once a benefit, now places him or her at a disadvantage among their other professional peers. This is because the pastor, unlike their contemporaries or members of their church, has had no opportunity to build equity in a home. This means when they retire, they will BEGIN a thirty year mortgage or be sentenced to rental payments for the duration of their lives. Thus, when other retirees on a fixed income have the opportunity to have low housing costs, retired pastors who have lived in parsonages have very high housing costs that leave them with a very depleted amount of disposable income. If this isn't bad enough, many pastors also find that they have not been able to save enough money to overcome rising housing costs for a deposit on a home mortgage, thus limiting their options even further.

For this reason, the Pastoral Relations Committee would like to recommend that ALL churches who use a parsonage as a housing benefit for pastors also include a **HOME SAVINGS BENEFIT PACKAGE or make the use of the parsonage by the pastor voluntary**. A Home Savings Benefit Package would be a secured investment vehicle that would be for the sole purpose of a home down payment for the pastor on retirement from service. A portion (2-7%) of the pastor's salary would be contributed into this account each year in the pastor's name. The intention is that this fund would enable the pastor to retire with the dignity and respect that they deserve having spent their lives dedicated to God's service.

Housing Allowances and Parsonages

In the United States, ministers (as defined and recognized by the Supreme Court) are able to have a portion of their salary allocated as housing allowance that is not taxed. There are multiple restrictions on these allowances. Many changes in the tax code have made these restrictions more severe.

The issue of housing allowances are complex and often entail legal and accounting interpretations. The Pastoral Relations Committee is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice.

Yet in an effort to give as much information as possible, we are providing information secured from prominent professionals and the IRS. Articles on housing allowances are included, as well as an IRS tax guide in a further section of this document. Please become familiar with these documents. If any questions arise, please consult an appropriate individual for clarification.

As a summary tool, a pastor is able to receive compensation in the form of use of a parsonage without incurring any tax burden. In addition, a pastor may receive a housing allowance (key word is allowance) to offset renting or owning their own home. Stipulations on housing allowances are found on page 19 of the IRS Tax Guide for Churches and Religious Organizations located in the rear of this document.

“ A minister who receives a housing allowance may exclude the allowance from gross income to the extent it is used to pay expenses in providing a home. Generally, those expenses include rent, mortgage payments, utilities, repairs, and other expenses directly related to providing a home. If a minister owns a home, the amount excluded from the minister's gross income as a housing allowance is limited to the LEAST of the following:

- (a) The amount actually used to provide the home;
- (b) The amount officially designated as a housing allowance; or
- (c) The fair rental value of the home.

The minister's church must designate the housing allowance pursuant to official action taken IN ADVANCE of the payment."

" The fair rental value of a parsonage or housing allowance is excludable from income only for INCOME TAX purposes. These amounts are NOT EXCLUDED in determining the minister's net earnings from self employment for Self-Employment Contributions Act (SECA) tax purposes."

Churches may not make the housing allowance the majority of the minister's salary package to avoid taxes, because the actual amount available for non tax purposes is the LEAST amount of the above criteria. All expenses must also be substantiated in detail. Furthermore, if one church entity allows the use of a parsonage, and the pastor actually receives compensation from a second church also, there is little or no additional benefit to be gained from indicating a portion of salary as a housing allowance, since actual expenses of the home being used must be accounted for.

Another issue is that a pastor can only claim the same expense once. If he owns his own home and serves two churches, the expenditures spent on housing must be unique. The same interest payments cannot be used to substantiate two different housing allowances.

When churches over pay housing allowances, pastors are required to either return the excess funds or pay taxes on these amounts.

Questions and Answers

Some sample question and answers are listed below (1-24) courtesy of the United Methodist Church Council :

1. What is the housing allowance?

When reporting gross income for federal income tax purposes, clergy can exclude a portion of their income designated by their church or salary paying unit as a "housing allowance" under Section 107 of the Internal Revenue Code (IRC). To be excludible, amounts designated as a housing allowance must be used to provide housing. In addition, there are limits on the amount that can be excluded. Note that a portion of the income of virtually all wage earners is used to pay for housing. What makes the housing allowance unique is that some of the income used to provide housing can be excluded from gross income for federal income tax purposes. Also, clergy who live in a parsonage provided by the church do not have to report the fair rental value of the parsonage as income. (This "free" housing provided to clergy generally would be taxable compensation for lay employees.) The housing allowance is sometimes called a "parsonage allowance" for clergy who are provided with a parsonage and a "rental allowance" for clergy who rent their home.

Example: A church pays its pastor an annual salary of \$35,000. In addition, she is provided the rent-free use of a furnished home owned by the church. The parsonage's annual fair rental value is \$10,000. The church and pastor do not have to report the \$10,000 fair rental value as income for federal income tax purposes.

2. Is the housing allowance a deduction or exclusion from income?

The housing allowance is an exclusion from income, not a deduction. This means it is not reported as part of gross income for federal income tax purposes. (It is never deducted because it is not reported as income in the first place.)

Example: In the example above, the pastor reports \$35,000 as income (on IRS Form W-2, box 1). She takes no deduction for the \$10,000 fair rental value of the home that is provided to her because that \$10,000 is never reported as income for federal income tax purposes.

3. What is the impact of the "Clergy Housing Allowance Clarification Act of 2002"?

The Clergy Housing Allowance Clarification Act of 2002 ("Act") prospectively codifies the fair rental value limitation on the amount of a designated housing allowance that can be excluded from gross income for federal income tax purposes. That law amended Section 107 of the IRC to now read: Sec. 107. Rental value of parsonages In the case of a minister of the gospel, gross income does not include – (1) the rental value of a home furnished to him as part of his compensation; or (2) the rental allowance paid to him as part of his compensation, to the extent used by him to rent or provide a home and to the extent such allowance does not exceed the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities. This change is a statutory codification of the IRS's previous position on this issue and therefore, for most clergy, this is nothing new or different from the way the housing allowance has worked in the past. The following question explains in more detail the three limitations on the housing allowance exclusion.

4. Can clergy exclude from gross income for federal income tax purposes the entire cost of owning, renting, and/or furnishing a home?

It depends. The amount that can be excluded is the lesser of:

- (a) the amount designated as the housing allowance
- (b) the amount of actual housing expenses, or
- (c) the fair rental value of the property (furnished, plus utilities).

Example: A church pays its pastor annual compensation of \$45,000, of which \$10,000 is designated as a housing allowance. The pastor owns his own home and the fair rental value of his home is \$10,000 per year. The actual expenses of operating his home are \$10,000 per year. The church and pastor do not have to report the \$10,000 housing allowance as income for federal income tax purposes. (The church reports \$35,000 as salary on the pastor's Form W-2, box 1.)

Example: A church pays its pastor annual compensation of \$45,000, of which \$10,000 is designated as a housing allowance. The pastor owns her own home and the fair rental value of her home is \$10,000 per year. The actual expenses of operating her home are \$8,000 per year. The church and pastor do not have to report \$8,000 (out of the \$10,000 housing allowance) as income for federal income tax purposes. However, the "unused" \$2,000 of the housing allowance must be included in the pastor's gross income. The pastor cannot exclude more than her actual housing expenses, regardless of the amount her church designates as a housing allowance or the fair rental value of the home.

Example: A church pays its pastor annual compensation of \$45,000, of which \$10,000 is designated as a housing allowance. The pastor owns his own home and the fair rental value of his home is \$12,000 per year. The actual expenses of operating his home are \$10,000 per year. The church and pastor do not have to report the \$10,000 housing allowance for federal income tax purposes. The pastor cannot claim a housing allowance exclusion for the entire fair rental value of the home because his designated housing allowance and actual housing expenses are less than the fair rental value. He can only exclude from income the lesser of the fair rental value, designated housing allowance, or actual housing expenses, in this case, \$10,000.

Example: A church pays its pastor annual compensation of \$45,000, of which \$11,000 is designated as a housing allowance. The pastor purchased her own home and the fair rental value of her home is \$10,000 per year. The actual expenses of operating her home in this first year of purchase are \$30,000 which includes a \$20,000 down payment. The pastor can exclude a total of \$10,000 from income for federal income tax purposes. She cannot claim a housing allowance exclusion for all her actual housing expenses because the exclusion cannot exceed the fair rental value of the home, in this case, \$10,000.

Example: A church pays its pastor annual compensation of \$45,000, of which \$8,000 is designated as a housing allowance. The pastor owns his own home and the fair rental value of his home is \$10,000 per year. The actual expenses of operating his home are \$10,000 per year. The church and pastor do not have to report the \$8,000 housing allowance as income for federal income tax purposes. The pastor cannot claim a housing allowance exclusion for the entire amount of his expenses or for the entire fair rental value of the home, because the exclusion cannot exceed the designated housing allowance, in this case, \$8,000.

5. How do you determine the fair rental value of the parsonage or pastor's home?

In general, the fair rental value of the property is a question of facts and circumstances based on the local real estate market. If the pastor rents his home, the amount of the rent would be presumptive evidence of the fair rental value (assuming the rental agreement was an "arm's-length" transaction). Other methods of substantiating the fair rental value might include calculations and written documentation drawn from listings with local realtors of similar properties, verification of rent paid for comparable housing in the neighborhood, or a review of newspaper advertisements for rents of similar housing in the community. Perhaps the best substantiation would be a letter estimating the fair rental value of the property written by a realtor who is familiar with your property and other rental property in your community.

6. What is the status of the litigation, Warren v. Commissioner of Internal Revenue, which challenged the fair rental value test and raised issues regarding the constitutionality of Section 107?

After passage of the Clergy Housing Allowance Clarification Act of 2002, the IRS agreed to dismiss its appeal of the case and the federal appeals court subsequently dismissed the case without ruling on any of the substantive issues raised.

7. How should a pastor and church determine the amount of the housing allowance?

Past experience is the best test. What have been the actual expenses in the past?

8. Does the housing allowance cost the church more money?

To the extent the church designates as a housing allowance a portion of the annual compensation it would otherwise pay to its pastor, designating the housing allowance results in no additional cost to the church.

9. How is the housing allowance set up?

A pastor may not claim a housing allowance exclusion for federal income tax purposes unless his local church (or other salary paying unit) has first established or designated a housing allowance for him. In determining the amount of the designated housing allowance, it can be very helpful if the pastor completes a form estimating his anticipated housing expenses for the coming year. This is important because, as seen in some of the examples above, any "mismatch" between actual housing expenses and the designated housing allowance could have tax consequences (specifically, either the pastor may not be able to

exclude from his income as much as he otherwise could or he has to report additional income on his personal tax return).

In general, churches should avoid designating a set percentage of compensation as a housing allowance. The better approach is to estimate the anticipated expenses for the coming year and set the housing allowance accordingly. This approach minimizes the unfavorable tax consequences discussed above. If the church provides the pastor with a parsonage, the church should annually (or prior to the arrival of a new pastor) adopt a resolution stating that it provides its pastor rent-free use of a church-owned parsonage and also designate the amount of the parsonage allowance (if any).

10. What types of housing related expenses can be included in the housing allowance?

Most reasonable household expenses can be included in the housing allowance, for example: down payment on a home, mortgage payments (including both interest and principal), home equity loan payments (assuming the loan proceeds are used for housing-related expenses), real estate taxes, property insurance, utilities, furnishings and appliances (including repairs), structural repairs, remodeling, yard maintenance and improvements, pest control, snow removal, maintenance items, and trash pickup. Note that the cost of food and servants may not be included in the housing allowance. Also, housing-related expenses can only be included in the housing allowance for the year in which they are incurred.

Example: In anticipation of needing to put a new roof on his house, a pastor requests, and the charge conference approves, an additional \$3,500 as part of the pastor's designated housing allowance for the upcoming year. The pastor, however, waits until it is too late for the work to begin during that year. In that case, it is possible the pastor will not be able to exclude this additional \$3,500 from his income even though it was included as part of his housing allowance for the year. In short, the pastor can only exclude expenses in the same year they are incurred. The best the pastor can do in this situation is to ask the church to again designate an additional \$3,500 as part of his housing allowance for the following year and try to get the work done in that year.

11. What type of housing expense records should clergy be keeping?

Clergy need to keep careful housing expense records to determine whether any part of the designated housing allowance is un-excludible and hence, must be reported as gross income. Records are also important for estimating a reasonable housing allowance for the next year. Original receipts, invoices, canceled checks, charge card records, etc. are all essential. Clergy may find it helpful to have one charge card dedicated solely to household expenses, to use the "shoe box" method of collecting all receipts in one handy place, and/or to have a dedicated bank account for this purpose. Clergy may also wish to create a contemporaneous log of expenses in the event some of the receipts or back up data are misplaced or difficult to interpret later.

12. What happens if the pastor doesn't spend all of the designated housing allowance on housing expenses?

As noted above, the exclusion from gross income cannot exceed the lesser of the designated housing allowance, the actual housing expenses, or the fair rental value of the property. In particular, the exclusion from gross income can never exceed the actual housing expenses. Therefore, any "unused" portion of the designated housing allowance must be included in the pastor's gross income. In general, any portion of the designated housing allowance that is not excludible because it is in excess of either the actual housing expenses or the fair rental value of the property, must included in the pastor's gross income.

Example: A church pays its pastor annual compensation of \$40,000, of which \$12,000 is designated as a housing allowance. The pastor owns his own home and the fair rental value of his home is \$12,000 per year. The actual expenses of operating his home are \$10,000 per year. The church and the pastor do not have to report \$10,000 (out of the \$12,000 housing allowance) as income for federal income tax purposes. However, the \$2,000 "unused" portion of the housing allowance must be included in the pastor's gross income.

13. If the designated housing allowance is greater than the amount that can be excluded under Section 107 of the IRC, how does the church (and pastor) report the difference as gross income for federal income tax purposes?

There are two methods for reporting this income:

(A) The Church Determination Method: Under this method, it is customary for the pastor, in mid-January, to provide the local church treasurer with documentation of all housing related expenses and the fair rental value of the property for the prior year. The treasurer uses this information to calculate the portion of the housing allowance that can be excluded by applying the three-part test discussed above. The church treasurer then reports the un-excludible portion of the housing allowance on the pastor's Form W-2 (box 1) together with the pastor's other salary or compensation.

Example: A church pays its pastor annual compensation of \$45,000, of which \$12,000 is designated as a housing allowance. She owns her own home and the fair rental value of the home is \$12,000 per year. Under the church determination method, the pastor informs the church treasurer in mid-January that she had only \$11,500 in housing expenses in the prior year. The treasurer will then include the "excess" \$500 in the pastor's gross income for the prior year by reporting \$33,500 on the pastor's Form W-2 (box 1). The pastor does not separately report this \$500 on her Form 1040.

(B) Estimated Exclusion Method: Under this method, the local church treasurer reports on the pastor's Form W-2 (box 1) the total amount of compensation paid to the pastor during the year less the entire amount designated as a housing allowance. If the amount designated as a housing allowance is greater than the actual housing expenses or the fair rental value of the home, then it is the pastor's responsibility to report the difference as "other income" on the pastor's IRS Form 1040, line 21.

Example: A church pays its pastor annual compensation of \$45,000, of which \$12,000 is designated as a housing allowance. He owns his own home and the fair rental value of the home is \$12,000 per year. The pastor had only \$11,500 of housing-related expenses in the prior year. Under the estimated exclusion method, the church treasurer reports \$33,000 on the pastor's Form W-2, box 1 and the pastor reports the "excess" \$500 as income on his Form 1040. Although both methods are appropriate, it is interesting to note that the second method is the one illustrated in IRS Publication 517.

The second method has the advantage that it imposes less of an administrative burden on the local church treasurer, who is often a volunteer. However, if the second method is used by the church, it should probably incorporate in its housing allowance notification to the pastor a statement to the effect that the pastor (not the church) is responsible for properly computing and reporting any un-excludible portion of the housing allowance.

Conversely, the advantage of the first method is that it helps insure that the pastor doesn't unknowingly forget to report taxable income. If the first method is chosen by the church, it should probably incorporate in its annual housing allowance resolution a statement that it is adopting this method. Also note that the church may, but is not required to, report in box 14 of Form W-2 the amount of the designated housing allowance it did not include in the pastor's gross income. If the church does not fill in box 14 of Form W-2, it should independently inform the pastor of this amount. As discussed above, it is essential for the pastor to know this amount when computing his federal income taxes under the estimated exclusion method and also when computing his self employment taxes.

14. What type of records should the church be keeping regarding the pastor's housing allowance?

The church (or other salary-paying unit) should maintain copies of the documents pertaining to the designation of the housing allowance, for example, the minutes of the meeting during which the housing allowance resolution was adopted. It is advisable for the church to maintain a separate housing allowance file with copies of these minutes, the annual housing expense estimate that some pastors provide to their churches, and any other related documentation. If the church determination method (see above) is used, the church should keep copies of the pastor's housing expense information. If the estimated exclusion method (see above) is used, the church does not need to request or maintain the actual housing expense records because it is not responsible for determining or verifying whether the pastor is correctly reporting the housing allowance exclusion on his or her own individual tax return.

15. Can the housing allowance resolution be adopted or amended mid-year?

Yes. The housing allowance resolution can be adopted or amended at any time. However, it can only be applied prospectively.

Example: A local church waits until June 30 to establish its calendar year housing allowance of \$10,000. In that case, at most \$5,000 of the \$10,000 housing allowance can be excluded from the pastor's gross income in that calendar year.

Example: A pastor realizes in March that she has significantly underestimated her housing expenses for the year. There is still "room" under the fair rental value test to exclude her anticipated housing expenses but she is limited by the amount of her designated housing allowance. Therefore, the boards of elders can, effective April 1, adopt a resolution increasing the pastor's housing allowance from \$10,000 to \$12,400. However, the pastor may only exclude from gross income 3/4, or \$1,800, of the extra \$2,400 added to her housing allowance (that is, her maximum excludible housing allowance for the year is \$11,800). She cannot exclude 1/4, or \$600, of the extra amount because 1/4 of the year (January, February and March) has already passed before the amended housing allowance resolution was adopted by the church council.

16. Is the housing allowance also excluded from earnings subject to social security taxes?

No. The housing allowance exclusion only applies for federal income tax purposes. Like most everyone else, clergy must pay both federal income taxes and social security taxes. Employees pay social security taxes through the Federal Insurance Contributions Act ("FICA") system and self-employed individuals pay social security taxes through the Self-Employment Contributions Act ("SECA") system. By law, clergy are considered self-employed for the purposes of paying social security taxes (more commonly referred to as self-employment taxes) and the housing allowance is subject to self-employment taxes. Also, the fair rental value of a parsonage provided to a pastor (including the cost of any utilities and furnishings provided) must be included as self-employment earnings subject to the self-employment tax. (See IRS Publication 517).

Example: A church pays its pastor an annual salary of \$35,000 and provides her with the use of a church-owned parsonage. The church pays for all expenses of maintaining the home. The fair rental value of the parsonage (furnished, plus utilities) is \$10,000 per year. The pastor's gross income for federal income tax purposes is \$35,000, but for self-employment tax purposes her gross earnings are \$45,000 (\$35,000 salary + \$10,000 fair rental value of the parsonage).

Example: A church pays its pastor an annual salary of \$35,000 and provides him with the use of a church-owned parsonage. The church pays for all expenses of maintaining the home. The church serves an affluent community where the average price of a home is \$500,000. Hence, the fair rental value of the parsonage (furnished, plus utilities) is quite high, in this case, \$30,000 per

year. While the pastor will not have to report the fair rental value of the parsonage as income for federal income tax purposes, he will have to include the \$30,000 fair rental value of the parsonage as gross earnings for self-employment (social security) tax purposes, inflating his reportable earnings to \$65,000. This often seems unfair to pastors, who in this type of situation are required to come up with a sizeable amount of money to pay the self-employment tax.

However, it is important to keep in mind that the pastor is still receiving a significant income tax “break,” because he received a \$30,000 benefit (i.e., free housing) that is not reported as income for federal income tax purposes. But some churches do establish a (taxable) “social security allowance,” increasing the cash compensation of the pastor to help defray the extra cost of the self employment tax in this type of situation.

Example: A church pays its pastor annual compensation of \$45,000, of which \$10,000 is designated as a housing allowance. The pastor owns her own home and the fair rental value of her home is \$10,000 per year. The actual expenses of operating her home are \$10,000 per year. The church and the pastor report \$35,000 as income for federal income tax purposes (the \$10,000 housing allowance is not reported). However, the pastor must report the entire amount of her compensation, \$45,000, as gross earnings for self-employment (social security) tax purposes.

17. How is the housing allowance reported for social security purposes?

It is reported by the pastor on Schedule SE of Form 1040, line 2, together with salary. It is important to note that when the local church completes the annual W-2 Form for clergy, Box 3 should be left blank (for clergy only). Box 3 on the W-2 Form is used only to report FICA wages, not SECA wages (clergy wages are considered SECA wages for purposes of social security). See above and the example W-2 for further information. IRS Publications 517 and 525 are also useful on these points.

18. What is the Deason rule?

It is an interpretation of the Internal Revenue Code followed by the IRS based on a tax case going back to 1964 and reaffirmed by the U.S. Tax Court in a subsequent decision in 1988, and in a tax court decision in 1992 (see *Deason v. Commissioner*, 41 T.C. 465 (1964); *Dalan v. Commissioner*, T.C. Memo. 1988-106; and *McFarland v. Commissioner*, T.C. Memo. 1992-440). The rule applies only to clergy who are able to take a business expense deduction for unreimbursed business expenses, which is becoming more and more uncommon. The rule provides that a clergy person who claims an exclusion from gross income for the housing allowance must reduce their business expense deduction by the percentage of income that is excluded from income tax reporting for the housing allowance.

Example: A clergy person receives a salary of \$36,000, plus a housing allowance of \$18,000. He has unreimbursed business expenses of \$6,000, which, for purposes of this example, are assumed to be deductible. His total

“ministry” income is \$54,000 (\$36,000 plus \$18,000 housing allowance). The exempt portion of his income (the \$18,000 housing allowance) is 33.33% of the total. Thus, he is only able to deduct 66.66% of the \$6,000 in deductible business expenses (\$4,000).

19. Our church provides our pastor with a parsonage, fully furnished, all utilities paid. He requests a \$12,000 housing allowance each year. We do not think this is right. What can/should we do?

The church board of elders and/or the treasurer should sit down with the pastor to discuss what items and expenses are part of the \$12,000 housing allowance request. The church should also be familiar with the fair rental value of a fully furnished (all utilities paid) comparable house in the area. With this factual information as background, the church can then evaluate whether the \$12,000 request is truly a problem. If it is, then the church treasurer and chairman of the board should discuss with the pastor the church's concerns, reviewing the estimated expenses the pastor will be making and the IRS rules regarding the fair rental value and other limitations on what can be excluded from gross income as a housing allowance. The pastor may have misunderstood the IRS rules or may have a logical explanation and reporting position for the housing allowance. If, after this meeting, the church is still concerned and the matter has not been resolved, then the chairman of the board and treasurer may want to involve the PRC in a follow-up meeting.

20. How does the housing allowance work for clergy couples?

Each clergy person can claim a housing allowance exclusion (assuming the appropriate steps have been taken with a housing allowance resolution), but the combined total amount of the exclusion may not exceed the fair rental value of their home or the actual expenses, whichever is less. In some circumstances, each of the two clergy persons may live in separate homes and be provided with separate housing allowances (for example: appointments in two different locations, each with a parsonage, and with each salary paying unit requesting that the clergy person live in the parsonage). In these situations, the clergy couple should have a solid reporting position that the two housing allowances may be excluded from gross income for federal income tax purposes. The reporting position will be more tenable if the clergy couple has good documentation of the reasons for and professional necessity of maintaining two separate homes, and if the amounts claimed on their face for each home are reasonable.

21. Can clergy take housing expenses on two homes at the same time?

No. The housing allowance exclusion is limited to one home at a time. (Except possibly for the clergy couple exception discussed above)

Example: If the clergy person is building or has acquired a retirement home or vacation home, and still lives in the parsonage as his or her main home, then none of the expenses of the second home are includable for housing allowance purposes.

22. Can all church employees have a tax-free housing allowance?

No. Section 107 of the IRC allows only a “minister of the gospel” to have a housing allowance. Thus, only taxpayers who are serving as clergy under IRS rules for tax purposes are eligible for a housing allowance. For example, a church custodian or secretary cannot have a housing allowance. (Of course such staff as lay employees do get the benefit of having the church pay one half their social security)

23. Does my housing allowance impact on the amount of contributions made to my 403(b) pension plan?

Yes, there could be an impact since the income designated as a housing allowance is not part of the “includible compensation” for certain contribution limitations established by IRS rules. Therefore, while the new tax law changes generally increase previous limitations, clergy still need to be mindful of 403(b) contribution rules when part of their salary is designated as housing allowance.

24. Is an ordained minister who owns his home (no mortgage) allowed to use a fair rental value as an expense to offset the portion of salary designated as his housing allowance when determining taxable income for federal income tax purposes?

No, he can only use actual expenditures toward the housing allowance. Fair rental value is for use when a parsonage is supplied to the minister.

Again, the Pastoral Relations Committee is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice. The above questions and answers (1-24) were provided courtesy of the United Methodist Church Council.

Article
Concerning
Pastoral Pay

Minister Housing Allowance Presents New Challenges

By Paul G. Schloemer and Ryan Wilson

DECEMBER 2005 - For over 50 years, ministers have enjoyed the benefits of tax-free housing. IRC section 107 permits qualified ministers to exclude housing-related compensation from gross income to the extent it relates to service performed in their ministry.

[The term “minister” as used herein refers to people holding various titles in a variety of religious organizations. A “minister of the gospel” as defined below, meets specific criteria defined in Treasury Regulations sections 1.107-1(a) and 1.1402(c)-5.] This benefit has recently come under scrutiny due to heightened concern about the separation of religious organizations and government, and because of perceived abuses of this privilege.

Changes in the operation of religious organizations have meant that more ministers are serving in nontraditional roles, including situations where they have both ministry and non-ministry responsibilities. This results in situations where an employee’s right to a housing allowance is less clear. A careful application of IRC section 107 is necessary to ensure that the minister has a valid claim to a housing allowance and that the claim will withstand IRS examination.

Tax preparers can provide assistance by verifying that an individual meets the definition of a minister under IRC section 107 and by maintaining adequate documentation to ensure that valid housing-allowance claims are upheld. This information can also aid those serving on church boards or as advisors to churches. These preparers can enhance tax-law compliance by educating church leaders and employees on the requirements of IRC section 107 and by providing advice in cases where an employee’s right to a housing allowance is less clear.

Application of IRC Section 107

IRC section 107 allows a tax-free housing benefit for a “minister of the gospel” in two situations. First, the employer can allow the minister to live rent-free in a home (parsonage) owned by the church. The minister can exclude this benefit from gross income up to the home’s fair rental value. The value of the parsonage must be clearly distinguished from other compensation, and includes items such as furniture, insurance, utilities, and taxes.

If a parsonage is not provided to the minister, a nontaxable housing allowance can be provided so that the minister can rent or buy a home. This is the option used most frequently. It provides ministers with the freedom to choose their preferred type of housing. The allowance covers items such as mortgage payments (principal and interest), insurance, repairs, utilities, and other expenses to keep the home in working order.

The value of a home or a housing allowance provided to a minister is nontaxable for federal income tax purposes and typically nontaxable under state income tax laws. To exclude this compensation, the amount should be designated prior to the year in which it is paid, and documented in an employment contract, church budget, or the minutes from church meetings or church board meetings [Treasury Regulations section 1.107-1(b)].

Although the term “minister” is not defined in the IRC, the IRS and courts have helped clarify the definition. Per Treasury Regulations section 1.107-1(a), the housing allowance must be provided in exchange “for services which are ordinarily the duties of a minister of the gospel.” The regulations under section 107 reference the regulations under section 1402 for a definition of the duties of a minister. Under Treasury Regulations section 1.1402(c)-5, these duties include: 1) the ministration of sacerdotal functions, 2) the conduct of religious worship, and 3) the direction of organizations within the church. In addition to performing these duties, the individual must be ordained, commissioned, or licensed as a minister of the church.

Court Interpretations

Over the past 40 years, the Tax Court has decided several key cases that help define a minister for the purposes of IRC section 107. The IRS has enlisted these rulings to clarify the government position on this issue. In defining a minister, the focal point is on the duties carried out by the individual, rather than her education or position in the organization.

In *Salkov v. Comm’r* [(1966) 46 TC 190], at issue was whether a Jewish cantor met the definition of a minister. The court found that Salkov had a position of authority similar to that of a rabbi and, with one exception (addressing issues of Jewish law), performed the same duties. Therefore, the cantor was “the equivalent of a minister of the gospel within the intendment of section 107.” The court found in Salkov’s favor because he essentially performed all the duties of a religious leader in the Jewish faith.

In *Lawrence v. Comm’r* [(1968) 50 TC 494], a “minister of education” at a Baptist church did not qualify as a minister. Bob Lawrence was “commissioned” by his church, but not ordained. He supervised several church programs, trained workers and teachers, sought new church members, visited the sick, provided counseling, and assisted during worship services. Occasionally, he even preached at worship services, a task typically reserved for the senior pastor. In spite of Lawrence’s extensive involvement in church activities, the court held that he was not a minister within the definition of IRC section 107.

The court identified two “ordinances” in Lawrence’s church that resembled sacraments: baptism, and the Lord’s Supper or communion. His failure to officiate at these ordinances was a determining factor in the court’s decision to disallow the housing allowance. The fact

that *Lawrence* was not ordained by the church also hurt his assertion that he qualified as a minister. His “commissioning” by his church was discounted by the court as a mere formality, initiated merely to take advantage of the benefits of IRC section 107. The *Lawrence* case emphasized the importance of performing the key duties of a minister. All ministry duties are not equal in determining who qualifies for a housing allowance.

In *Wingo v. Comm’r* [(1987) 89 TC 911], the Tax Court specified five factors (three activities and two attributes) used to identify a minister as defined under IRC section 107. An individual possessing these factors would presumably qualify as a minister:

- (1) Performing sacerdotal functions;
- (2) Conducting worship services;
- (3) Controlling or maintaining the organization;
- (4) Considered a spiritual leader; and
- (5) Ordained, licensed, or commissioned.

In addition to the three activities of a minister listed in the regulations under section 1402, the court affirmed that the minister must be commissioned, ordained, or licensed, and considered a spiritual leader. The court concluded that to qualify as a minister under IRC section 107, all five requirements must be fulfilled. The Tax Court and the IRS have frequently referred back to the five factors specified in *Wingo*.

In *Knight v. Comm’r* [(1989) 92 TC 199], the Tax Court took a less restrictive approach to defining a minister than it had two years earlier in *Wingo*. *Knight* was not ordained by his church, could not administer the sacraments, and could not participate in church government. The court, however, held that he was a minister because he was licensed by the church, conducted worship services, and was considered a spiritual leader, thus meeting three out of the five factors. The opinion stated that meeting the definition of a minister is not simply an arithmetical test; having a majority of the factors in the taxpayer’s favor may not be sufficient. Instead, failure to meet one or more of the factors must be weighed by the court in each case. At a minimum, the minister must be licensed, commissioned, or ordained.

Oscar Haimowitz had worked for Temple Adath Israel for 30 years. He was hired as executive director, performing mainly administrative tasks. Over time, he became more involved in religious tasks, assisting (but never officiating) in various ceremonies. He was never ordained as a rabbi or commissioned as a cantor, but he was recognized as a “fellow” by the Synagogue Administrators Association.

The Tax Court held [*Haimowitz v. Comm’r* (1997) T.C. Memo. 1997-40] that Haimowitz was not a minister because his duties “were mostly secular in nature.” He never performed the role of a rabbi or a cantor. In addition, Haimowitz’s designation as a “religious

functionary” did not meet the requirements of being ordained, commissioned, or licensed. Thus, Haimowitz did not meet any of the five factors specified in *Wingo*.

Haimowitz illustrates the danger of granting a housing allowance to employees with mainly secular duties. Unless a substantial portion of the employee’s duties fit within the realm of those listed in Treasury Regulations section 1402(c)-5(b)(2), the definition of a minister is not met and the benefits of IRC section 107 are not available. This position was affirmed in a recent IRS Technical Advice Memorandum (IRS Letter Ruling 200318002).

The Impact of Changes in Church Operations

Recent changes in the way churches operate have raised new issues in compensating ministers through the use of a housing allowance. An employee may have the credentials of a minister (e.g., a seminary degree) but not fill a traditional ministerial role. In the following situations, compensation through use of a housing allowance is more tenuous:

- Ministers performing extensive counseling or administrative duties;
- Children’s ministry workers, and education directors;
- Music ministers, and worship leaders; and
- Employees in dual roles (e.g., administrators with ministry duties).

Treasury Regulations section 1.107-1 requires that the housing allowance be provided for performing the duties of a minister. These duties vary among denominations. Duties that exemplify a minister in one denomination may not be appropriate in identifying a minister in another. For example, the sacerdotal functions identified in *Lawrence* (baptism and the Lord’s Supper) were not applicable to the Jewish cantor in *Salkov*.

Ministers claiming a housing allowance have the burden of proving that their duties exemplify those of a minister in their faith. Those with extensive counseling or administrative responsibilities would not qualify as ministers under the Tax Court’s ruling in *Haimowitz*. Their duties would typically not include sacerdotal functions or leading worship. Exclusion from these roles would probably also prevent them from being recognized as spiritual leaders. Thus, administrators and counselors would typically fail to meet at least three of the five factors specified in *Wingo*. These employees would not qualify as ministers under IRC section 107 without a preponderance of other duties that exemplify those of a minister.

Children’s ministry workers and those supervising Christian education (e.g., Sunday school classes or small groups) may be recognized as spiritual leaders in a church, but may be excluded from leading worship and performing sacerdotal functions. Worship leaders would appear to be in position where they can claim at least some role in conducting

worship services, but in many churches they would not be recognized as spiritual leaders unless they perform sacerdotal functions or preaching duties. Thus, it is more difficult for those involved in these areas of ministry to claim the housing allowance exclusion.

These employees can take the position that they qualify as ministers if their duties include key ministerial functions. Regular involvement (at least quarterly) in preaching and sacerdotal functions substantiates a position as a spiritual leader. Assuming the employee is ordained, commissioned, or licensed, involvement in these key duties can provide evidence that they meet four of the five factors described in *Wingo*. Church management should assist in this area by specifying the required ministerial duties prior to the year that an employee is granted a housing allowance. In addition, it is important to produce job descriptions and schedules documenting that those individuals leading children's and music ministries and supervising education are regularly performing the duties of a minister.

In some cases, employees have been assigned a dual role. An individual's employment may specifically allocate time between ministry and non-ministry duties. This approach allows churches to control payroll costs while assuring that necessary functions are carried out. For example, employees with expertise in nonministry areas, such as marketing or computers, may be assigned these secular duties along with ministry responsibilities.

If more than 50% of an employee's time is devoted to non-ministry duties, granting a housing allowance is a tenuous position. At the same time, it seems unfair to exclude employees from the benefits of a housing allowance if part of their job involves performing the typical duties of a minister. In the eyes of a court, it appears that all employees are measured under the same standard; if most of their duties are secular, they probably fail to meet the definition of a minister. This assignment of employees to dual roles is becoming more common. Future legislation should consider whether employees in this situation should be granted a limited housing allowance for the ministry portion of their jobs.

Other Issues Unique to Ministers

For qualified ministers, other issues make compliance with tax law complex and cumbersome. Because these issues are unique, ministers and even practitioners may be unfamiliar with them. Two key issues encountered by ministers are the documentation of housing expenses and the impact of self-employment tax.

Documenting housing expenses. IRC section 265(a)(6) provides that mortgage interest and real estate taxes qualify as itemized deductions even though these expenses are paid out of funds from the minister's housing allowance. Thus, ministers derive a double benefit by

excluding housing allowance income under IRC section 107 while receiving a deduction for interest and taxes paid with funds from the allowance.

Like other taxpayers, ministers that itemize deductions must maintain documentation to support them. Ministers must also maintain documentation showing that the housing allowance claimed was actually used to maintain a home. In addition to statements supporting property tax and mortgage-interest payments, ministers must track mortgage principal payments, the cost of maintenance and repairs, utilities, insurance, furnishings, cleaning supplies, and amounts spent on home improvements. Thus, the recordkeeping burden required to support the housing allowance exclusion is beyond that required of the typical homeowner.

Ministers are well advised to take advantage of electronic recordkeeping programs to aid in documenting itemized deductions and housing allowance expenses on a contemporaneous basis. Because expenses related to home maintenance are incurred frequently, meticulous recordkeeping is necessary. Records should contain the amount, date, location, and purpose of the expense. The benefits of maintaining timely and detailed records are time saved when filing tax returns, assurance that all material expenses have been included, and avoidance of IRS adjustments if returns are subject to audit.

Self-employment tax. Perhaps the most confusing aspect of tax law for ministers is that most qualify as employees for federal income tax purposes while being classified as independent contractors for self-employment tax purposes. A minister meets the definition of an employee when the employer has the right to direct and control how the work is performed (e.g., setting work hours and location), not just the end result. Under common law, an employer typically exercises enough control over a minister to classify him as an employee for federal income tax purposes. Thus, withholding on taxable compensation is required, and the minister receives Form W-2 for tax-return filing purposes.

As an independent contractor, a minister's housing allowance and other compensation for ministry duties are subject to self-employment taxes at a 15.3% rate. This represents a substantial increase in payroll taxes for those entering the ministry. Planning is required so that the minister's tax withholding is increased or quarterly estimated payments are established to meet the higher employment-tax liability.

Another employment-tax issue is the option for ministers to request exemption from self-employment tax under Treasury Regulations section 1.1402(e)-2A(a)(1). By requesting exemption, the minister asserts opposition to the acceptance of public insurance payments for retirement, disability, death, or medical care. Form 4361 must be filed before the due date (including extensions) of the tax return for the second year in which the minister has at

least \$400 of net self-employment earnings. If the exemption is granted, all compensation for ministry is excluded from self-employment tax.

Meeting the Challenge

In the current legal climate, any hint of government endorsement of religion is viewed suspiciously. The removal of the Ten Commandments from courthouses, the elimination of prayer at school events, and challenges to the mention of “God” on currency and in the Pledge of Allegiance reflect an environment that seeks to sever all ties between government and religion. The question of whether providing tax benefits to ministers is an unconstitutional subsidization of religion is a contentious issue.

Litigation attacking the constitutionality of IRC section 107 may well be forthcoming. Strong opinions against providing benefits to ministers have been voiced in the past [see Taft, “Tax Benefits for the Clergy: The Unconstitutionality of Section 107,” *Georgia Law Journal* 1261 (1974)]. Recently, the Ninth Circuit Court questioned the constitutionality of the housing allowance (*Richard D. Warren*, 282 F3d 1119). The court appointed law professor Erwin Chemerinsky to serve as amicus curiae. His brief argued that the housing allowance violated the Constitution’s establishment clause. Congress responded quickly to this challenge, endorsing the constitutionality of the housing allowance in the Clergy Housing Allowance Clarification Act of 2002. Future legislators and presidential administrations may be less willing to take such a strong stand on this issue.

Those involved in granting and claiming housing allowances should be aware of increased risk in this area and take steps to “audit-proof” this benefit. Parties that can assist in this process include church administrators and leadership boards, and those serving as advisors to churches and ministers.

Recommendations for Church Administrators and Church Boards

Church administrators and leadership boards should be aware that this benefit may be subject to closer examination in the future and that the IRS may attack cases where individuals have been more aggressive in claiming the housing allowance without facts that are convincingly in their favor. In the past, ministers in the areas of education and music have been prime targets, because their duties place them outside traditional minister roles. This trend toward nontraditional roles will continue as churches seek innovative approaches to ministry.

Administrators can preserve this benefit for qualified employees by educating staff on the requirements for claiming a housing allowance. Strict adherence to guidelines, such as

documenting the amount of the allowance and approving the allowance prior to the year in which it is paid, is crucial. Ensuring that ministers continue to perform ministerial duties, and documenting this, would be ideal.

A closely related issue for church leadership is determining the appropriate amount of compensation. The total compensation amount is usually set first, followed by designating a portion of the total as housing allowance. Underpaying staff can undermine employees' personal finances and cause morale problems. Paying excessive compensation to a minister can threaten the church's tax-exempt status. Loss of tax-exempt status has onerous consequences. The church's net income is subject to income taxes, and donors' contributions are no longer deductible. In addition, the church could lose benefits such as preferential postage rates, exemption from sales and property taxes, and housing allowance exclusions for ministers.

In determining compensation, church leaders should take advantage of surveys that provide compensation levels paid by other churches (e.g., 2005 *Compensation Handbook for Church Staff*, Christian Ministry Resources, July 2005). These surveys provide compensation ranges based on minister qualifications such as experience, education, and tenure, as well as church characteristics such as revenues and number of members. This information can be used to develop objective benchmarks for compensation, so that employees are treated equitably. In addition, the use of survey data protects against the accusation of excessive compensation.

Recommendations for Tax Preparers

It is important for tax preparers to ascertain whether individuals that claim the benefits of a housing allowance are qualified to do so, because disallowance of the benefit in an IRS audit can result in substantial tax liabilities at both the federal and state level, along with interest and potential negligence penalties. At a minimum, ministers should be commissioned, ordained, or licensed. Ministers should be made aware that their housing allowance is dependent on regular performance of duties as defined in IRC section 1402. If the minister does not have the strongest evidence in support of her claim to the housing allowance, the performance of ministerial activities during the year should be documented. Documentation may be the one factor preventing adjustments in an IRS audit that occurs years later.

Church finances are frequently as complex as those of for-profit entities. Churches are now more likely to have a person with accounting expertise as a board member or an outside consultant. Addressing the housing allowance and other compensation issues is an opportunity to provide valuable advice that can protect the church and its employees from

IRS examinations, and may present opportunities to generate consulting revenues. Church administrators may be open to enlisting an outside advisor's expertise to address housing-allowance issues in instances where employees perform duties outside the traditional minister role.

Even though the benefits of tax-free housing provided under IRC section 107 have been a fixture of the tax law for over 50 years, the changes in church operations that have placed ministers in nontraditional roles make complying with the provisions of this tax law more challenging. Church administrators and leadership boards should be aware of key issues that determine which employees should be granted a housing allowance. Accounting professionals and tax advisors have an opportunity to use their expertise in this area to enhance tax-law compliance and to ensure that valid housing-allowance claims withstand IRS challenges.

Paul G. Schloemer, PhD, CPA, is an associate professor at Ashland University, Ashland, Ohio.

Ryan Wilson is an interdisciplinary studies major, also at Ashland University.

**Moravian
Pastoral
Salary Guidelines
used for Comparison**



**MORAVIAN
CHURCH
WESTERN
DISTRICT**

October, 2009

TO: Joint Board Members of Congregations in the Western District

FROM: Western District Executive Board
James T. Hicks, President

SUBJECT: **Guidelines for 2010 Pastor's Compensation**

Dear Beloved Sisters and Brothers in Christ,

Greetings and peace to you!

It was a joy to participate in the celebration of Marquardt Village's 40th Anniversary last month. Asked to share a few words from the Western District, I prepared by listening to several Psalms which put into words that which is timeless; "I will sing to the Lord as long as I live; I will sing praise to my God while I have being" (104:33). It then occurred to me that singing praise to God takes more forms than I had previously considered. There is "Sing Hallelujah, Praise the Lord," and there is the touch of a loved one or assistance with "personal cares" by a Marquardt staff person. God is praised in such simple important acts of love. The smile on Marquardt staff members' faces revealed a wonderful understanding of praise!

The ministries at Marquardt, as well as the ministry at Moravian Care Ministries and Mt. Morris Camp & Conference Center, to name a few, are rooted in congregations that sing God's praise. I encourage you to take a few moments to give thanks for "elders" who taught you to sing and to praise God. In that gratitude we will find our way as Christ's church.

Among the list of saints entrusted with vision that resulted in our shared Western District Ministries were pastoral leaders encouraging and leading congregations. As these pastors listened to the Psalms they pointed to the Creator and Provider. The encouragement of our pastors continues to guide the church today. It is a joy to see many pastoral leaders seeking the counsel of our bishops and spiritual guides. Many are working with leadership mentors while others are meeting with peer groups seeking to strengthen their preaching. Seven of our newer Western District pastors, along with 4 from other districts, are meeting together as a BARNABAS (encourager) group several times a year. I think it is significant, that as pastors are engaged in these activities they are increasingly focused on those outside the church. I'm excited to think about what this means for the future.

As you turn your attention to the matter of your pastor's compensation package for the coming year, I want to thank you for your leadership. I hope the paragraphs that follow will assist you as you seek to be in conversation with each other and with your pastor regarding salary and other compensation issues.

PASTORAL SALARIES

In discussing the matter of pastoral salaries for 2010, the District Board was mindful of the difficult financial circumstances facing many, if not most of our congregations. Your District Board is charged by Synod with the responsibility of making salary recommendations for each new budget year. As a Joint Board, you have the responsibility of setting the amounts that become a part of the budget that you present to your Church Council.

**WESTERN
DISTRICT
EXECUTIVE
BOARD**

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In recent years the District Board made a recommendation for a 3-5% increase in salary. Last year we did not make a percentage increase recommendation. **Again this year, we do not make a percentage increase recommendation.** If you feel led to hold salaries at their current level, we urge you to find other ways to offer your pastor encouragement and affirmation. Please do not allow tough economic times to create a silence between pastor and leaders at the very time that each leader needs encouragement to remain committed to excellence.

CONTINUING EDUCATION

Financial support for the on-going education of your pastor(s) is a very important consideration as she/he seeks to grow in his/her understanding of "call." At the time of ordination our pastors are asked: "Do you freely accept the obligations of an ordained minister to study, pray, care for souls, preach and administer the sacraments in Christ's church?" Their reply: "I freely accept them."

We're struck by how "study and prayer" lead our pastors into the work of "care for souls, preaching and administering the sacraments in Christ's church." Your pastor freely accepted the obligation to "study and pray." Providing funding for your pastor's continuing education and spiritual formation encourages her/him to honor her/his ordination vows and makes deepening faith a congregational matter! Significant educational experiences typically require travel, room, board and tuition in the range of \$1,000 to \$2,000. In addition, many of our pastoral leaders seek the guidance of other resource persons including spiritual guides who help them consider God's claim upon their life and mentors who assist them with leadership opportunities and challenges.

HOUSING

The *Book of Order* requires that housing be provided for a pastor. If a parsonage is provided, you will want to determine what repairs should be made during this year and include a line item to provide for these repairs and/or upgrades. If a housing allowance is provided in lieu of a parsonage and utilities, be mindful of the fact that there are increases in this line item that should be considered as well.

HOUSING EQUITY

Since 1994, Synod has required a housing equity allowance in the amount of at least \$1,000 per year for pastors living in a church provided parsonage. The money must be invested in a tax-deferred investment under the U.S. Internal Revenue Code, as provided in Section 403(b) of the Code. If you need any assistance in this matter, please contact Tina Giesler, Provincial Comptroller, in Bethlehem, Pennsylvania, either by telephone (610-867-7566) or mail. This allowance is meant to provide the means for a pastor to purchase a home in which she/he can live in retirement years.

TRAVEL REIMBURSEMENT

Your congregation is required to reimburse your pastor for the use of his or her auto for all church work upon the submittal of vouchers. We recommend you stay current with the IRS rate for mileage reimbursement, which is currently at \$.55/mile.

PENSION ASSESSMENT

In preparation for your budget, please note that the Pension Assessment for 2010 will be based on your pastors' compensation for 2010. In accordance with the information you will receive from the Provincial Elders' Conference, your assessment will be based on the total paid for pastors' salary in 2010, the actual allowance for housing/utilities if the pastor rents or owns his or her own home, or 30% of cash salary for those who live in a church provided parsonage, and any housing equity allowance, Social Security allowance, annuities, and unreimbursed medical expenses which are provided (all of this based on your 2010 figures). Billing information concerning pension assessment for 2010 will be sent from the Provincial Elders' Conference later this year. The rate will remain at 11% for 2010.

**HEALTH CARE INSURANCE, LONG TERM DISABILITY,
DECLINING TERM LIFE INSURANCE ASSESSMENT**

The rate for Medical/Long Term Disability/Life Insurance for 2010 will remain unchanged from 2009 (\$18,829). Please remember that this assessment funds not only major medical coverage and general health care, but also long term disability insurance and declining term life insurance for your pastor and family, as well as helping our retirees with their Medical premiums. Further information regarding this item will be mailed from the Northern Province office in the coming weeks. This assessment is per congregation and covers the large geographic spread that is the Northern Province – from New York to California, and from North Dakota to Washington, DC. Canadian congregations are not assessed this amount but, in turn, are expected to cover the cost for insurance that supplements the basic Canadian plan. The Canadian congregations are, however, assessed the amount for LTD and Life insurances.

MINIMUM SALARY GUIDELINES

We continue to bring to your attention the following minimum cash salary guidelines, recently revised and approved by the Provincial Elders' Conference, *Effective January 1, 2004*.

Years of Service	Minimum Salary
0 - 5.	\$28,000
6 - 10.....	\$33,000
11- 15.....	\$40,000
16 plus.	\$45,000

We ask that the **TRUSTEES PRESIDENT** be responsible for completing and returning the enclosed pink report form to the Western District Office by no later than **Thursday, January 28, 2010**. This will give us your proposed budget figures which you have or will be presenting to your Church Council.

Please mail this form to:

Western District Executive Board — PO Box 386 — Sun Prairie, WI 53590

If you prefer, you may **FAX** the white copy of the form to the District Office: **608.825.6610**.

If you received a PINK report form with this letter and you are NOT the Trustees President, please give this form to the current President of the Board of Trustees or to your pastor.

853. Minimum Salary Scale for Ministers

The following table shall determine the minimum salaries for ordained ministers:
Salary Guidelines

Years of Service	2007	2008	2009	2010
0	\$31,200	\$32,448	\$33,746	\$35,096
1	\$31,500	\$32,760	\$34,070	\$35,433
2	\$32,603	\$33,075	\$34,398	\$35,774
3	\$33,744	\$34,233	\$34,729	\$36,118
4	\$34,925	\$35,431	\$35,944	\$36,465
5	\$36,147	\$36,671	\$37,202	\$37,741

See attached supplemental page 28a for the full salary schedule.

In addition to the minimum salary, the following shall be paid as allowances or benefits

- a. A housing allowance of at least \$15,000, in addition to salary, will be provided annually for ministers who are not provided a parsonage.
- b. An equity allowance, for ministers living in parsonages, on behalf of the minister and vested in his/her name in the Provincial Housing Equity Plan administered by the Provincial Financial Board. The minimum annual amount of the equity allowance shall be \$2,000 in 2007 and 2008, \$2,500 in 2009 and 2010.
- c. All reasonable parsonage utility expenses, either directly to the utility companies or to the minister through a utility allowance. The amount is to be based on past experience and is to be agreed upon by the responsible board of the congregation and the minister.
- d. Pension payments and health, dental, life, and disability insurance premiums in compliance with the plans as established by the province.
- e. A travel allowance based on the Internal Revenue Service's cents-per-mile formula. It is recommended that ministers be reimbursed upon submission of vouchers to the congregational treasurer.
Book of Order (revised 2006) 36
- f. An amount for the minister's continuing education of at least \$500.
- g. Payments made to ordained ministers by the Clergy Pension Plan of the Southern Province may be designated as housing allowance by the Provincial Financial Board. Congregations are strongly encouraged to consider merit raises as well as increases based on the Consumer Price Index at the end of June each year.

The board(s) of a congregation may establish other benefits, such as a Social Security allowance, as are deemed appropriate.

Unity of the Brethren Pastoral Salary Guidelines

Using the Salary Recommendation Form

To use the salary recommendation form, first gather the following information concerning your pastor and church budgets/expenditures for past two years:

- Level of education and copies of transcripts and/or degrees conferred;
- Resume and documentation on years of ministerial service;
- Copies of all licenses and or ordination certificates;
- Housing expenses from the previous year;
- Job description;
- Annual objective assessment based on job description and directives from the Board of Elders;
- Current size of congregation as either reported to the Unity of the Brethren or by an average weekly attendance;
- Mileage expenditures/allowances for the past two years;
- Professional expenditures for the past two years; and
- Costs concerning added benefits (retirement, health plan, etc) for the past two years.

NOTE:

1. Some pastors have negotiated additional benefits in their compensation packages. Most items are listed. If your pastor has negotiated an item not listed, please include it.
2. Bi-Vocational Ministers often serve as FULL TIME (40+ hours/week) ministers to churches. If they do, use the full time salary schedule. If they are more part-time employees, please use the part time schedule.
3. Ministers who serve more than one church should declare to each church the average number of hours that he spends each week serving each congregation. Some activities such as sermon preparation and individual prayer growth can be shared services, but each congregation would not need to pay for the entire activity.
4. The Part Time schedule is based on a per hour basis. Congregations need to be respectful of the fact that **PASTORS ARE NOT HOURLY EMPLOYEES**. This is given as a guide only. Remember that for pastors serving more than one church and those that are part time, travel time to one church from another should be accounted for. In addition, the total compensation that you offer a part time pastor may need to be elevated from the totals recommended due to the fact that many pastors may not find the value in serving your congregation for severely limited numbers of hours/pay.

FULL TIME SALARY RECOMMENDATION

1. Salary + Housing Based on Education and Congregation Size

	High School Only	BS (20%)	Masters (25%)	Masters Div (35%)	Masters of Theology	PhD (50%)	Doctorate of Divinity
0-49	\$ 30,000.00	\$ 36,000.00	\$ 37,500.00	\$ 40,500.00	\$ 40,500.00	\$ 45,000.00	\$ 45,000.00
50-99	\$ 33,000.00	\$ 39,600.00	\$ 41,250.00	\$ 44,550.00	\$ 44,550.00	\$ 49,500.00	\$ 49,500.00
100-299	\$ 36,000.00	\$ 43,200.00	\$ 45,000.00	\$ 48,600.00	\$ 48,600.00	\$ 54,000.00	\$ 54,000.00
300-399	\$ 42,000.00	\$ 50,400.00	\$ 52,500.00	\$ 56,700.00	\$ 56,700.00	\$ 63,000.00	\$ 63,000.00
400+	\$ 48,000.00	\$ 57,600.00	\$ 60,000.00	\$ 64,800.00	\$ 64,800.00	\$ 72,000.00	\$ 72,000.00

2. License/Ordination

	Non Commissioned	Licensed	Ordained w/o Masters	Ordained w/ Masters
0-49	\$ -	\$ 1,000.00	\$ 1,500.00	\$ 3,000.00
50-99	\$ -	\$ 1,250.00	\$ 1,750.00	\$ 4,000.00
100-299	\$ -	\$ 1,500.00	\$ 2,000.00	\$ 5,000.00
300-399	\$ -	\$ 2,000.00	\$ 2,500.00	\$ 7,500.00
400+	\$ -	\$ 3,000.00	\$ 3,500.00	\$ 10,000.00

3. Experience

	0-4 years	5-9 years	10-14 years	15-19 years	20-24 years	25-29 years	30 years or more
0-49	\$ -	\$ 4,000.00	\$ 7,500.00	\$ 10,000.00	\$ 12,500.00	\$ 15,000.00	\$ 17,500.00
50-99	\$ 250.00	\$ 5,000.00	\$ 9,000.00	\$ 12,500.00	\$ 15,000.00	\$ 17,500.00	\$ 20,000.00
100-299	\$ 500.00	\$ 6,000.00	\$ 10,000.00	\$ 15,000.00	\$ 17,500.00	\$ 20,000.00	\$ 22,500.00
300-399	\$ 1,000.00	\$ 7,000.00	\$ 12,000.00	\$ 17,500.00	\$ 20,000.00	\$ 22,500.00	\$ 25,000.00
400+	\$ 1,500.00	\$ 9,000.00	\$ 15,000.00	\$ 20,000.00	\$ 22,500.00	\$ 25,000.00	\$ 27,500.00

4. Professional Reimbursements: Cell Phones, Books, References, Workshops, Mileage etc.

0-49	\$ 7,500.00
50-99	\$ 10,000.00
100-299	\$ 12,000.00
300-399	\$ 14,000.00
400+	\$ 17,500.00

PART TIME SALARY RECOMMENDATION

1. Salary + Housing Based on Education and Congregation Size

	High School Only	BS (20%)	Masters (25%)	Masters Div (35%)	Masters of Theology	PhD (50%)	Doctorate of Divinity
0-49	\$ 11.75	\$ 14.10	\$ 14.69	\$ 15.86	\$ 15.86	\$ 17.63	\$ 17.63
50-99	\$ 12.82	\$ 15.38	\$ 16.03	\$ 17.31	\$ 17.31	\$ 19.23	\$ 19.23
100-299	\$ 14.95	\$ 17.94	\$ 18.69	\$ 20.18	\$ 20.18	\$ 22.43	\$ 22.43
300-399	\$ 17.09	\$ 20.51	\$ 21.36	\$ 23.07	\$ 23.07	\$ 25.64	\$ 25.64
400+	\$ 20.00	\$ 24.00	\$ 25.00	\$ 27.00	\$ 27.00	\$ 30.00	\$ 30.00

2. License/Ordination

	Non Commissioned	Licensed	Ordained w/o Masters	Ordained w/ Masters
0-49	\$ -	\$ 0.43	\$ 0.64	\$ 1.28
50-99	\$ -	\$ 0.53	\$ 0.74	\$ 1.70
100-299	\$ -	\$ 0.64	\$ 0.85	\$ 2.13
300-399	\$ -	\$ 0.85	\$ 1.06	\$ 3.20
400+	\$ -	\$ 1.28	\$ 1.49	\$ 4.27

3. Experience

	0-4 years	5-9 years	10-14 years	15-19 years	20-24 years	25-29 years	30 years or more
0-49	\$ -	\$ 1.70	\$ 3.20	\$ 4.27	\$ 5.34	\$ 6.41	\$ 7.47
50-99	\$ 0.10	\$ 2.14	\$ 3.84	\$ 5.34	\$ 6.41	\$ 7.47	\$ 8.54
100-299	\$ 0.20	\$ 2.56	\$ 4.27	\$ 6.41	\$ 7.47	\$ 8.54	\$ 9.61
300-399	\$ 0.40	\$ 2.99	\$ 5.12	\$ 7.47	\$ 8.54	\$ 9.61	\$ 10.68
400+	\$ 0.60	\$ 3.84	\$ 6.41	\$ 8.54	\$ 9.62	\$ 10.68	\$ 11.75

4. Professional Reimbursements: Cell Phones, Books, References, Workshops, Mileage etc.

0-49	\$ 3.90
50-99	\$ 5.20
100-299	\$ 6.25
300-399	\$ 7.30
400+	\$ 9.10

FULL TIME/BI-VOCATIONAL SALARY WORKSHEET

Pastor's Education in relation to congregation size:		\$
Pastor's ministerial license or ordination in relation to congregation size:	+	\$
Number of years of pastoral/ministerial experience in relation to congregation size:	+	\$
Addition Merit/Base/Hardship Funding	+	\$
SALARY SUBTOTAL		\$
Portion to be set aside as a housing allowance or value of parsonage use	-	\$
SALARY TOTAL		\$
Benefits		
Professional Reimbursements in relation to congregational size:		\$
Contributions to Social Security if negotiated by pastor	+	\$
Contributions to Health Insurance	+	\$
Contributions to Life Insurance	+	\$
Contributions to Disability Insurance	+	\$
Contributions to Retirement – as negotiated by pastor	+	\$
Unity of the Brethren mandatory contributions	+	\$
Additional contributions, if any, negotiated by pastor to Unity of the Brethren	+	\$
Home Savings Benefit Package	+	\$
Fringe Benefits Total		\$
TOTAL COMPENSATION PACKAGE		
Salary Total		\$
Housing/Parsonage Subtotal	+	\$
Fringe Benefits Subtotal	+	\$
TOTAL COMPENSATION		\$

PART TIME/BI-VOCATIONAL SALARY WORKSHEET

Pastor's Education in relation to congregation size:		\$
Pastor's ministerial license or ordination in relation to congregation size:	+	\$
Number of years of pastoral/ministerial experience in relation to congregation size:	+	\$
Addition Merit/Base/Hardship Funding	+	\$
SALARY SUBTOTAL		\$
Portion to be set aside as a housing allowance or value of parsonage use	-	\$
SALARY TOTAL		\$
Benefits		
Professional Reimbursements in relation to congregational size:		\$
Contributions to Social Security if negotiated by pastor	+	\$
Contributions to Health Insurance	+	\$
Contributions to Life Insurance	+	\$
Contributions to Disability Insurance	+	\$
Contributions to Retirement – as negotiated by pastor	+	\$
Unity of the Brethren mandatory contributions	+	\$
Additional contributions, if any, negotiated by pastor to Unity of the Brethren	+	\$
Home Savings Benefit Package	+	\$
Fringe Benefits Total		\$
TOTAL COMPENSATION PACKAGE		
Salary Total		\$
Housing/Parsonage Subtotal	+	\$
Fringe Benefits Subtotal	+	\$
Compensation /Hour		\$
# Hours per month	X	
12 months/year	X	12
TOTAL COMPENSATION/YEAR		\$

Again, the Pastoral Relations Committee would like to stress just a few points:

1. If your church is being well served by your pastor and he or she is a leader in your community who is increasing your membership's spiritual growth.... **PAY THEM WELL. The minimum recommendations above are just that -- MINIMUM.** If you intend to continue a strong and Christian relationship with your pastor, and his or her family, then please, please use the "Additional Merit/Base/Hardship Funding" category to boost your congregation level of monetary support.
2. If you believe that you are paying your pastor more than what the services being delivered are worth, enter into a dialogue immediately. These minimum salary recommendations are not to be used to tell pastors that they are being paid too much money. They are for guidance only. The negotiated services and compensation packages are unique to each pastor and each congregation.
3. If your Board of Elders would like a member of the PRC to visit and give a workshop on how these recommendation were arrived at, please contact Dawn Marie Baletka at 979-777-9940.
4. For those churches using a parsonage, PLEASE seriously consider the Home Savings Benefit Package or discontinuing mandatory parsonage use. Pastors must make plans for retirement, just like all of us. Without adequate compensation and equity building during their long and faithful periods of service to God's ministry, he or she may not be able to afford an adequate retirement existence.
5. Lastly, make decisions based on your own congregational needs and desires. Trust that God will provide for your needs if you bring Him into your decision processes through prayer.
6. The Unity of the Brethren Pulpit Supply Guidelines:

Ordained and Licensed Pastors	\$200 - \$250/ Service + IRS Mileage Rate
Ministerial Students	\$150 - \$200/ Service + IRS Mileage Rate
Lay Ministers	\$150 - \$200/ Service + IRS Mileage Rate

Respectfully Submitted by:

Pastoral Relations Committee – June 2011

Dr. Dawn Marie Baletka

Chairperson

Dr. Larry Koslovsky

Synodical Board Advisor

Mrs. Kim Ulmer

Member

Mr. Jon Farrow

Member

Mr. Chris Kelarek

Member

