

## The Presbytery of Elizabeth Minimum Compensation Standards for 2019

Congregations provide compensation to their pastors to free them from the need for secular employment, allowing them to devote full time to ministry. In some cases, churches call a pastor on a part-time basis, recognizing that such arrangements may necessitate the pastor's pursuit of additional compensation. This is sometimes referred to as 'tent-making.'

When a pastor is called, the congregation promises to pay him/her fairly. Thus, the presbytery establishes a fair minimum and recommends regular increases commensurate with the pastor's experience and increases in the cost of living. Pastors serve in accordance with a three-way contract between the pastor, the congregation and the presbytery.

### I. MINIMUM TERMS OF CALL FOR FULL TIME ORDAINED PERSONNEL

The Committee on Ministry recommends the following minimum terms of call for teaching elders, serving full-time. The Committee recommends that churches consider higher levels of minimum compensation for pastors who come to a particular church with relevant experience and for pastors serving a particular church over a period of time.

For teaching elders serving part-time, the Committee on Ministry recommends that the effective salary be pro-rated on the basis of the number of hours per week. The cost of pension/medical may be determined by using the Dues Calculator found at [www.pensions.org](http://www.pensions.org). Vacation and continuing education time and compensation are the same for part-time and full time calls. Professional allowances are negotiable, based on the needs and expectations of the particular church.

EXPERIENCE/ YEARS IN POSITION	Mandatory		Recommended					
	0 to 1	2	3	4	5	10	15	20+
A.EFFECTIVE SALARY/PENSION BASE	56,100	56,900	57,900	58,900	59,700	62,300	65,400	68,700
B. PENSION/MED (37% OF A)	20,757	21,053	21,423	21,793	22,089	23,051	24,198	25,419
C. EXPENSE REIMBURSEMENT	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
D. PAID VACATION	1 MONTH	1 MONTH	1 MONTH	1 MONTH	1 MONTH	1 MONTH	1 MONTH	1 MONTH
E. CE LEAVE	2 WEEKS	2 WEEKS	2 WEEKS	2 WEEKS	2 WEEKS	2 WEEKS	2 WEEKS	2 WEEKS
F. CE ALLOWANCE	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
TOTAL	81,657	82,753	84,123	85,493	86,589	90,151	94,398	98,919

MINIMUM TERMS OF CALL FOR 2017, 2018 and 2019 (for reference).

	<u>2017</u>	<u>2018</u>	<u>2019</u>
A. EFFECTIVE SALARY/PENSION BASE	\$ 55,000	\$ 55,000	\$56,100
B. PENSION/MEDICAL (36.5/36.5/37% of A)*	20,075	20,350	20,757
C. EXPENSE REIMBURSEMENT	3,000	3,000	3,000
D. PAID VACATION	one month	one month	one month
E. CE LEAVE	two weeks	two weeks	two weeks
F. CE ALLOWANCE.	1,800	1,800	1,800
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TOTAL:	\$ 79,875	\$ 80,150	\$81,657

\* See PENSION/MEDICAL section below for details.

ELEMENTS OF CALL:

A. EFFECTIVE SALARY/PENSION BASE

1. Effective salary/pension base includes cash salary plus housing plus utilities. Housing is either the fair rental value of a manse owned by the church or a cash housing allowance negotiated between the pastor and the congregation. In no case shall the housing allowance be less than 33% of the cash salary. In order to allow for flexibility, no minimum is suggested for utilities but the total of cash salary plus housing plus utilities must equal or exceed the Effective Salary/Pension Base. The Effective Salary/Pension Base is the number used to calculate the pension dues payable to the Board of Pensions. Any increase in cash salary should be reflective of the Effective Salary/Pension Base regardless of whether the minister is paid a cash housing allowance or is provided a manse.
2. A pastor living in a church owned manse should have a minimum cash salary in 2019 (not including utilities) of:

	Mandatory	Recommended						
EXPERIENCE/ YEARS IN POSITION	0 to 1	2	3	4	5	10	15	20+
CASH SALARY (WITH MANSE)	38,300	39,100	40,000	40,800	41,600	44,300	47,500	50,800

plus full utilities.

3. Utilities (heat, electric, gas, water, sewer and trash disposal) may be paid by the pastor directly or by the church directly. If paid by the pastor the church shall provide a cash utility allowance that will meet or exceed the actual cost.
4. Pastors residing in a church owned manse may benefit by designating a portion of their cash salary as a "Housing Expense Allowance". This has no effect on a pastor's Total Effective Salary but will allow a pastor to exclude from income tax (but not from self-employment tax) specific housing expenses (furnishings, appliances and more) up to the amount of the allowance. This designation must be approved by Session. This is a very simple way that a Session can help a pastor reduce their taxes while costing the church nothing.
5. Housing must be determined prior to approval of the call by the Committee on Ministry.

6. Other financial benefits may be added and may or may not be included in pension calculations.
7. Deferred compensation held in the name of the church is not included in pension calculations.
8. Terms of call for Interim Pastors should be at least 90% of the prior pastor's terms of call provided they have comparable experience, with changes in hours adjusted proportionately.

#### B. PENSION/MEDICAL

1. In recognition of our theology of benefits, and in the spirit of caring for our clergy, we recognize that there are three main areas where benefits are needed: health insurance, disability coverage and retirement income. For installed teaching elders, the policy of the Board of Pensions requires enrollment in the Pastors' Participation plan, which includes medical, pension, death & disability, with option for dental, supplemental death, and supplemental disability. In order to ensure that all three benefit needs are met, non-installed teaching elders shall also ordinarily be enrolled in the Pastors' Participation plan. In cases of dual income families and part time tent making pastors, it is the expectation of the Presbytery of Elizabeth that all of the identified benefit needs will be accommodated in a mutually agreeable fashion either by the church or another employer.

#### C. TRAVEL/PROFESSIONAL REIMBURSEMENT

1. The Travel/Professional Reimbursement covers professional expenses paid by the church. Churches should adopt an *Accountable Reimbursement Plan* whereby the minister is reimbursed for properly documented professional expenses. An *Accountable Reimbursement Plan* describes a plan that reimburses the employee (pastor) for expenses incurred in the performance of his/her duties. The plan must be administered by the church. The pastor should submit receipts and/or contemporaneous records (mileage log) to the church's treasurer/bookkeeper for reimbursement. Professional travel (air/train fare, hotel and meals when out of town overnight) should be documented and reimbursed in a similar manner. IRS guidelines must be complied with. If in doubt consult a competent professional.
2. Reimbursement to the pastor for business use of a personal vehicle can be done by using the IRS standard mileage rate (54.5¢/mile beginning January 1, 2018) or by reimbursing actual vehicle expenses. In the *Accountable Reimbursement Plan* it is best to refer to the "standard IRS mileage rate" as this rate is changed periodically. If the church chooses to reimburse based on actual expenses they should consult a competent professional as substantial additional record keeping is required.
3. An income tax deduction may be possible for any documented unreimbursed travel/professional expenses incurred by the pastor. In this circumstance the pastor should consult their own tax advisor.
4. If the church does not adopt an *Accountable Reimbursement Plan* and chooses to instead pay the pastor a set agreed allowance and does not require the pastor to provide documentation to the church, by default, has adopted an *Unaccountable Plan* and must include these payments on the pastor's annual Form W-2.

#### D. PAID VACATION

1. One month vacation consists of thirty-one calendar days and includes five Sundays.

#### E. CONTINUING EDUCATION LEAVE

1. Two weeks Continuing Education Leave consists of fourteen calendar days and may include two Sundays.
2. Continuing Education Leave may be accumulated for multiple years for later use with approval by Session.
3. Continuing Education Leave is paid for as part of salary and does not extend or augment a call.

#### F. CONTINUING EDUCATION ALLOWANCE

1. The Continuing Education Allowance should be paid by the church in compliance with an adopted *Accountable Reimbursement Plan*. Reimbursable expenses incurred by the minister include tuition and fees for relevant continuing professional education, air/train fare and lodging and meals when necessarily away from home overnight.
2. Continuing Education Allowance may be accumulated for multiple years for later use with approval by Session.
3. If the church does not adopt an *Accountable Reimbursement Plan* and chooses to instead pay the pastor the budgeted amount (or other set, agreed to allowance) and does not require the pastor to provide documentation the church, by default, has adopted an *Unaccountable Plan* and must include these payments on the pastor's annual Form W-2.

#### G. SABBATICAL LEAVE

1. A Sabbatical Leave is separate and distinct from paid vacation or continuing education leave. See the *Guidelines for Sabbatical Leave*.
2. Though a Sabbatical Leave is separate from paid vacation or continuing education leave, they may be combined.
3. Travel/Professional expense allowance and Continuing Education may be provided during a pastor's Sabbatical Leave, but is not required.

### I. ADDITIONAL ELEMENTS OF THE TERMS OF CALL (OPTIONAL)

#### A. SOCIAL SECURITY OFFSET

1. Ministers are required to pay self-employment tax. This tax is assessed at a rate of 15.3% of their ministerial income including utilities and the cash housing allowance or fair rental value of a manse. To assist the pastor in paying this substantial tax many churches include in the terms of call a Social Security Offset. This is generally calculated as 7.65% of the pastor's cash salary, utilities and cash housing allowance or fair rental value of a manse. The social security offset is NOT included in the pension dues calculation but it IS included on the pastor's annual Form W-2. See Section IV for guidance on filing out the minister's annual Form W-2.

#### B. SUPPLEMENTAL RETIREMENT

1. Pastors can enter into a salary reduction agreement (a 403(b) plan) with their church to withhold a portion of their salary that is invested until their retirement. The church can also make contributions to this plan. There are limits on how much the pastor and the church can contribute. The church should consult with a competent professional and/or the Board of Pensions when considering this type of arrangement.
2. Other types of deferred compensation agreements have been considered and implemented by other congregations. The church should consult with a competent professional to explore the options available.

### C. SEMINARY DEBT ASSISTANCE

1. Seminary Debt Assistance for a minister is available under specific circumstances. The congregation must have fewer than 150 members, a budget of less than \$150,000, with the pastor in the first seven years of their call to a full-time position. The pastor may be eligible to receive a grant of up to \$1,500/year for four years. Funds are provided by the Board of Pensions and are limited. Application is made through the Presbytery.

### D. SUPPLEMENTAL MEDICAL COVERAGE

1. Several options are available to provide a pastor with supplemental medical coverage. Examples include self-insurance, Health Savings account, Flexible Spending account, Cafeteria Plan, Section 125 Plan, etc. Each of these possibilities has tax implications, may impact other church staff and must be implemented in compliance with regulations that are often complex. A competent professional should be consulted when implementing any of these plans.

### E. MORTGAGE ASSISTANCE

1. Mortgage assistance has been provided by some churches for pastors that will not reside in a church owned manse. These arrangements are generally not recommended, except for the purpose of providing a bridge loan where the pastor is in the process of relocating and selling a house.

Churches may also consider equity arrangements where pastors share ownership of a newly purchased property or a manse. These arrangements are not recommended, and have implications with respect to the pastor's personal tax return and Effective Salary/Pension Base used in calculating pension dues by the Board of Pensions. Churches considering such creative mortgage assistance should consult with a competent professional.

The Committee on Ministry and the Trustees of the Presbytery of Elizabeth should be consulted when considering loans or equity sharing arrangements.

### F. DEPENDENT CARE BENEFITS

1. A pastor can elect to withhold funds from their cash salary to pay for dependent care expenses. Circumstances that will allow this arrangement should be thoroughly understood prior to implementation. The church should consult a competent professional.

## II. PULPIT SUPPLY/MODERATOR

- A. The suggested fee for Pulpit Supply is \$200 for one service and an additional \$50 for a second service on the same day.
- B. The suggested fee for a minister or elder assigned or invited in accordance with the Book of Order, section G-10.0103 to moderate a Session Meeting or Congregation Meeting in the absence of the pastor shall be \$100 for each meeting.

## III. MINIMUM TERMS OF CALL FOR COMMISSIONED RULING ELDERS

- Establish CRE Effective Salary at 75% of a Teaching Elder's compensation.
- Maintain Elizabeth Presbytery's minimums for travel/business expense, vacation, and continuing education.

- Since there are a number of Benefit Plan options, this coverage should be negotiated based on the needs of the CRE and the specified ministry.

#### CRE Compensation Minimum Terms of Call

Effective Salary	75% of fulltime pastor*
Medical Benefit	Fulltime CRE - consideration should be given to providing medical insurance. This could be through the BOP menu plan or some other medical insurance that is mutually acceptable. Part-time CRE - negotiable
Travel/Professional Expenses	Up to \$3000.00 per year, payable through a reimbursable plan with automobile expenses paid at the current IRS rate
Continuing Education Allowance	Up to \$1800.00 per year, payable through a reimbursable plan.
Study leave	Two weeks including 2 Sundays
Paid Vacation	One month including 5 Sundays
Other negotiable benefits may include: Dental insurance, SECA, 403(b)	

\*Part-time compensation is calculated based on a percentage of fulltime hours worked. Vacation and continuing education time and compensation are the same for part-time and fulltime calls.

#### IV. GUIDANCE IN FILLING OUT FORM W-2 FOR A MINISTER

- Generally ministers are an employee of the church and their compensation is properly reported to tax authorities on a Form W-2.
- Withholding of Social Security Taxes and Medicare Taxes from a minister's salary is prohibited.
- Ministers are NOT subject to NJ unemployment taxes or disability taxes and these should not be withheld from a minister's salary.
- Federal and NJ Income Taxes may be withheld from a minister's salary but is not required. It is the minister's option to have taxes withheld from their paycheck or to be personally responsible for making estimated tax payments. If the minister chooses to have the taxes withheld they may want to consult with a competent professional to determine the appropriate amount to withhold. Reliance on the charts in IRS Circular E will almost always result in under withholding.

#### E. FORM W-2

- Box 1 – include cash salary + social security offset + any payments paid under an unaccountable plan less any amount withheld in accordance with a 403B plan.
- Box 2 – Federal income taxes withheld if any. If no taxes were withheld, leave blank.
- Box 3 – leave blank
- Box 4 – leave blank
- Box 5 – leave blank
- Box 6 – leave blank
- Box 7 – leave blank
- Box 8 – leave blank
- Box 9 – leave blank

- Box 10 – include any dependent care benefits withheld from the cash salary
- Box 11 – leave blank
- Box 12a – code C – value of term life insurance > \$50,000. This number can be obtained from the Board of Pensions.
- Box 12b – code E – amount withheld in accordance with a 403B plan
- Box 12c – code DD – cost of employer sponsored health coverage (the medical portion of the pension dues)
- Box 12d – leave blank
- Box 13 – check “Retirement Plan” box
- Box 14 – include when applicable
  - Fair rental value of the manse
  - Cash housing allowance
  - Cash utility allowance
  - Actual amount paid for the minister’s utilities
- Box 16 – include cash salary + social security offset + any payments paid under an unaccountable plan.  
Do NOT subtract 403B contributions withheld.
- Box 17 – NJ income taxes withheld if any. If no NJ taxes were withheld, leave blank.
- Box 18 – leave blank
- Box 19 – leave blank
- Box 20 – leave blank

22222		a Employee's social security number		OMB No. 1545-0008				
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld			
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld			
			5 Medicare wages and tips		6 Medicare tax withheld			
			7 Social security tips		8 Allocated tips			
d Control number			9 Verification code		10 Dependent care benefits			
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a
f Employee's address and ZIP code		13 Statutory employee		Retirement plan		Third-party sick pay		12b
		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		12c
		14 Other						12d
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax
								20 Locality name

Form **W-2** Wage and Tax Statement  
Copy 1—For State, City, or Local Tax Department

2017

Department of the Treasury—Internal Revenue Service

- F. The above guidance is general and should not be considered applicable to every church’s particular circumstances. Competent professional guidance should be sought when appropriate.
- G. FORM 1099MISC
  - 1. IRS regulations require a payer to issue a Form 1099-MISC to report payments in excess of \$600 in a calendar year to non-corporate payees. This would include pulpit supply, temporary supply and others. Churches may want to consult a competent professional.