

COMPENSATION GUIDELINES FOR ROSTERED MINISTERS IN THE GRAND CANYON SYNOD

2021-2022

Introduction

These guidelines are provided to assist congregations in determining the recommended amount of compensation and benefits to be offered to rostered ministers when issuing a new call. They also may be used in the annual review of the compensation and benefits of its rostered ministers. Finally, they are provided to assist both rostered ministers and congregations in understanding the many parts of benefits and compensation.

The congregation is too large a body to be deliberative in matters such as compensation packages. Rostered ministers should have the privilege of discussing salary and related matters with the Mutual Ministry Committee or the Executive Committee of their congregation. Either committee (see C.13.04 of the ELCA Model Constitution for Congregations) may set and recommend salaries and benefits to be presented to the Congregation Council. Information about Mutual Ministry Committees and their function in the congregation is available through the Synod office.

In providing these guidelines, the Grand Canyon Synod is not offering accounting or legal advice on how the various components of these recommendations for compensation are to be treated for income tax and/or Social Security/Medicare taxes purposes. The congregation's Treasurer is encouraged to obtain such advice from the appropriate sources. (See "**Congregational Treasurers Financial & Accounting Guide**" on the ELCA website for more information about accountable plans or go to IRS Publication 463 or Publication 15, Employer's Tax Guide – available at www.irs.gov.)

Ministers of Word and Sacrament

BASELINE COMPENSATION

Baseline compensation includes both salary and housing allowance. For rostered Ministers of Word and Sacrament baseline compensation begins at \$55,000 per year (updated 1/1/2024). This amount may be increased, based on comparisons with local professionals with similar educational requirements and responsibilities (e.g., high school principals).

If a parsonage **IS** provided by the congregation, baseline compensation should be reduced by 30%. In addition, however, congregations are encouraged to set aside an additional amount of at least 3% of baseline compensation in an account (to be used at a future time for the purchase of a home) under a written plan. This account is to be held in the rostered minister's name and remains with the rostered minister. Rostered ministers are encouraged to consult IRS regulations to determine if the funds placed in this account constitute taxable income for income tax or Social Security/Medicare tax purposes.

If a parsonage is **NOT** provided by the congregation, baseline compensation is to be increased by 0.5% of the average or median cost of homes in the zip code(s) served by the congregation. A portion of the baseline compensation may be designated as a non-taxable housing allowance for Ministers of Word and Sacrament. Details of the IRS requirements are provided in Appendix A.

OTHER SALARY ADJUSTMENTS

1. Continuing and Advanced Education Adjustments (\$1300 per point)

Each 150 hours of continuing education will earn 1 point, up to a total of 3 points **OR** the award of a graduate degree in a ministry-related field beyond the Master of Divinity degree. (3 points).

2. Experience Adjustments (\$1300 per point)

Each year of pastoral experience shall be awarded 1 point per year up to a maximum of 30 years. Each year of non-pastoral, but relevant, experience shall be awarded 0.5 points, up to a total of 8 years.

3. Educational Debt Allowance

If the congregation calls a first call candidate, it is recommended that the Executive Committee (or Congregation Council) engage the pastor in a conversation about educational debt. If such debt exists, congregational support (as the congregation is able to provide) or assistance to the pastor in finding programs that might reduce the debt is recommended.

4. Other

Congregations are also encouraged to make compensation adjustments based on factors such as the following:

- A. Special skills the pastor brings to the call.
- B. New and significant responsibilities to be assigned.
- C. Significant and stressful financial circumstances.

BUSINESS EXPENSES AND BENEFITS

Business expenses are the responsibility of the congregation and not the responsibility of the rostered minister. As stated by the Office of the ELCA Treasurer on their website, “Generally, (business expense) reimbursements constitute taxable income unless they are made under an accountable plan as defined by the IRS and documented under IRS regulations.” When an accountable plan is properly used, there are no tax consequences to the rostered minister or the congregation. If a accountable plan is NOT used, then the congregation must report any payments to the rostered minister as wages.

Automobile Expenses

Two examples of reimbursement are provided below:

1. Reimburse actual business miles traveled at a specific rate per mile. This reimbursement may be based on the IRS standard mileage rate for business miles available on the IRS website at www.irs.gov. This will require that the guidelines of an accountable plan, as defined by the IRS, be followed. This is the preferred option.
2. Pay a flat rate (such as \$3,000 per year), which must be reported to the IRS and considered taxable income. IRS regulations must be consulted to determine if the rostered leader is able to file additional tax forms to deduct actual, and documented, expenses in determining taxable income.

Self-Employment Tax Allowance

Ministers of Word and Sacrament are considered to be self-employed taxpayers for the purpose of computing Social Security and Medicare taxes. It is recommended that congregations pay one-half of these expenses. Congregations are encouraged to consult IRS regulations to determine whether the payment of these expenses constitutes taxable income for income tax or Social Security/Medicare tax purposes.

Assemblies and Conferences

Rostered ministers are expected to attend official assemblies, conferences meetings, board and council meetings, commissions, and synod-mandated continuing education events. Expenses incurred for such events are the responsibility of the congregation. Reimbursement by the congregation should occur under an accountable plan, as prescribed by the IRS.

Continuing Education Expenses

In order to enhance professional skills, and thereby strengthen their ministries, rostered ministers are urged to take advantage of continuing education opportunities. Since such activities improve and build ministry capabilities, and are not to be considered as vacations, a congregation is

encouraged to engage in mutual planning with its rostered personnel regarding participation. ELCA guidelines recommend the following. Under an accountable plan, the congregation should provide up to \$700 in reimbursement and two weeks per year for its rostered personnel for this purpose. Expenses beyond this amount are to be paid by the rostered ministers. If all funds in the continuing education account are not used within the calendar year, they shall accumulate for use in subsequent years. Congregations, however, may establish a maximum accumulation of these funds. If the rostered minister resigns or retires, all unexpended contributions to the continuing education account shall revert back to the congregation.

First Call Theological Education Expenses

Rostered ministers entering their first calls are REQUIRED to participate in the First Call Theological Education program. FCTE, a three-year continuing education program for rostered leaders in their first call, was mandated by action of the 1995 Churchwide Assembly. The Synods of Region 2 have developed a program for rostered leaders in our region to fulfill this mandate. The congregation should provide reimbursement under an accountable plan for FCTE expenses up to \$800 per year for each of the first three years of the call. Additional expenses are to be paid by the pastor. The synods in Region 2 provide program and supplemental funds.

Sabbatical Leave Expenses

A sabbatical leave is recognition by congregations that the demands of spiritual leadership require periodic times for rejuvenation. A congregation is encouraged to consider a sabbatical for its long-term rostered ministers. A recommended period would be two months after four years of service or four months after six years. The Congregation Council should grant sabbaticals after consultation with the bishop or the synod office to provide guidance and interim pastoral care.

It is expected that the rostered minister's salary and housing allowance (as well as other compensation allowances and benefits) would be continued to be paid during the sabbatical period. In order to make a sabbatical financially feasible, the Congregation Council should plan well in advance of the actual granting of a sabbatical for the financing of an interim pastor and other costs. Such planning usually includes a monthly reserve of funds built into the congregational budget for future sabbatical purposes. Additional material on sabbaticals is available from the synod office.

Parental Leave

Parental leave, before and after birth or adoption, for rostered personnel is recommended to be up to six weeks with full compensation and benefits. Specific details should be negotiated in advance.

Professional Expenses

Expenses incurred as necessities of the profession are also business expenses. Professional expenses may include books, journals, dues and memberships in professional organizations,

etc. Any reimbursement of the rostered minister by the congregation should occur under an accountable plan, as prescribed by the IRS.

Vacations

The need for an annual vacation is self-evident. Four weeks (28 days, including a minimum of four Sundays) is recommended. Assemblies and conferences, continuing education, first call theological education (FCTE), and sabbatical leaves are not to be considered a part of vacation.

Pensions and Medical Benefits

The congregation will follow the ELCA Portico Benefits program scope regarding health, disability, and pension coverage. For further information, contact Portico Benefits, 800 Marquette Ave., Suite 1050, Minneapolis, MN 55402-2892, 1-800-352-2876 or www.porticobenefits.org. The congregation may establish a separate fund to provide compensation for unreimbursed medical expenses.

Additional Benefits

Additional retirement and other benefits may be developed in consultation with Portico and/or other government-approved plans.

TOTAL COMPENSATION CALCULATOR

A Compensation Worksheet for Ministers of Word and Sacrament is provided in Appendix B.

In the event that a congregation is unable to provide the total compensation recommended above, a plan should be developed by the congregation's Mutual Ministry Committee or Executive Committee, in consultation with the pastor, to enable total compensation to reach these Guidelines within a three-year period.

Pastors serving part-time calls should receive total compensation in proportion to the percentage of a full-time call they are serving. The composition of this compensation should be determined by the congregation in consultation with the pastor.

Ministers of Word and Service

The compensation guidelines for Ministers of Word and Service are similar to those established for Ministers of Word and Sacrament. The following differences should be noted:

1. The baseline compensation for those with a Bachelor' degree is \$41,500. This consideration does not arise for Ministers of Word and Sacrament.

2. The congregation is required by law to pay the employer's share of Social Security/Medicare taxes because Ministers of Word and Service are considered by the IRS to be employees of the congregation. This amount is not negotiable as it is for the recommendation, provided above, that congregation pay such taxes on behalf of Ministers of Word and Sacrament.
3. Ministers of Word and Service do not qualify under IRS regulations to receive a tax-free housing allowance. Details are provided in Appendix A.

After accounting for these adjustments, the Worksheet utilized for Ministers of Word and Sacrament in Appendix B may also be used for calculating the recommended compensation amounts for Ministers of Word and Service.

Supply Pastors

A supply pastor should receive the following compensation:

1. Preaching one service: \$200, and \$50 for each additional service that same weekend.
2. Mileage reimbursement at the current IRS rate.
3. Reimbursement for other travel-related expenses.

Interim Pastors

The synod office, in consultation with the Congregation Council, appoints transitional pastors. Interim Ministry Guidelines are available from the synod office.

As a general rule, an interim pastor should receive:

1. If serving full time, the pastor should receive the same total compensation as was paid to the former pastor. The allocation of this compensation between salary, housing and other benefits is to be determined by the congregation and the pastor.
2. If serving part time, the pastor should receive total compensation in proportion to the percentage of the full-time call to be served by the pastor. The composition of this compensation should be determined by the congregation in consultation with the pastor.

Rostered Lay Personnel

It is assumed congregations that employ rostered lay personnel would use the same professional criteria of education, experience, scope of responsibility, and performance history as it would for its rostered ministers in determining compensation and benefits.

Income, Social Security, and Medicare taxes must be withheld from the salaries of rostered lay leaders unless it is determined the leader is a “minister” as defined by the IRS. Then the rules that apply to a pastor would also apply to a lay leader. The ELCA recommends that you seek a tax advisor who can help you discern your situation. See Appendix A.

Recommended benefits include:

1. Portico Pension and Other Benefits Program.
2. Adequate auto and mileage reimbursement, where appropriate.
3. Provision for continuing education.
4. Vacation of four weeks (28 days, including a minimum of four Sundays).

Seek Professional Tax Advice

Please note that by providing the information contained in this document the Grand Canyon Synod is not acting in any manner as a legal, accounting or tax advisor. Congregations and rostered ministers should discuss these matters with appropriate professional advisors. Christian Ministry Resources publishes an annual “Church and Clergy Tax Guide” that provides helpful information about these topics. Go to **www.churchlawtoday.com** to order the guide. We also recommend contacting Portico Benefits at 1-800-352-2876 or go to **www.porticobenefits.org** for additional material.

Appendix A:

Non-Taxable Housing Allowance

If a parsonage is NOT provided by the congregation, a portion of the salary of a Minister of Word and Sacrament may be designed as a non-taxable housing allowance.

As stated by the Office of the ELCA Treasurer on their website “One of the few significant tax advantages left for clergy is the ability to exclude from federally taxable income the rental value of a parsonage or that part of compensation that is used to provide a home (Internal Revenue Code section 107).” This tax advantage is also available to retired clergy in most circumstances. Contact Portico Benefits for more information.

In order for the pastor to qualify for the Housing Allowance, he or she must:

1. be employed by a church (or an agency of the church
2. be ordained, commissioned, or licensed;
3. have management responsibilities in the church;
4. administer the sacraments;
5. conduct religious worship; and
6. be considered a spiritual leader.

The second item listed above is required while the other factors combine to support the fact that the pastor is a “minister” for tax purposes and therefore qualifies for the allowance. While the housing allowance is approved by the Congregation Council, the amount is generally requested by the pastor and must be the lowest of the following:

1. the amount actually used to provide a home;
2. the amount officially designated as a housing allowance, or fair market rental value of the home, including furnishings, utilities, etc.

The housing allowance must be designated each year for the following year by Council resolution and recorded in the Council minutes. In addition, please note:

1. The Internal Revenue Service code does not extend the housing allowance to surviving spouses or beneficiaries. If substantiation is required, the pastor bears the burden of proving or justifying the housing allowance to be excluded from taxable income. Any unused housing allowance must be reported as additional income on his/her tax return.
2. It is recommended that the pastor seek the advice of a real estate professional regarding the fair market rental value of their home. It is further recommended that the information provided by the real estate professional be in writing.
3. The housing allowance is excluded from taxable income when calculating federal income taxes, but must be included when calculating gross income for self-employment taxes.

Appendix B:

Compensation Worksheet For Ministers of Word and Sacrament

Step 1: Enter the Pastor's baseline compensation (salary plus housing allowance) of \$50,000 or more here..... _____

Step 2: If a parsonage **IS** provided:

A. Enter 70% of the amount entered in Step 1 here..... _____

B. Add 3% of the amount entered in Step 1 to be placed into a fund maintained by the congregation for the Pastor's future purchase of a home here..... _____

C. Sum the amounts shown in 2A and 2B above and enter here..... _____

This is the amount of BASELINE compensation for a pastor for whom a parsonage IS provided by the congregation.

Step 3: If a parsonage is **NOT** provided:

A. Enter 0.5% of the median or average cost of homes in the Zip codes served by the congregation and enter here..... _____

B. Enter the amount shown in Step 1..... _____

- C. Sum the amounts entered above for Steps 3A and 3B and enter here....._____
- This is the amount of BASELINE compensation for a pastor for whom a parsonage is NOT provided.**

Step 4: Additions to baseline compensation based on points.

Each point is worth \$1300 in annual compensation.

- A. Years of pastoral service. Count 1 point for each year up to a maximum of 30 points. At \$1300 per point enter the additional compensation here:_____.
- B. Years of non-pastoral but relevant experience in related fields. Count 0.5 points for each year up to a maximum of 8 points. At \$1300 per point enter the additional compensation here....._____
- C. Add 1 point for each 150 hours of continuing education (up to 3 points) **OR** 3 points for the award of a graduate degree (e.g., M.A., M.Th., Ph.D., Th.D.) beyond the M.Div. degree. At \$1300 per point enter the additional compensation here....._____.
- D. Sum the amounts shown in steps 4A, 4B and 4C above and enter the total here....._____.

Step 5: Compensation for additional factors such as those listed below. The total of such additional compensation should be entered here:_____.

- A. Special skills the pastor brings to the call.
- B. New and significant additional responsibilities to be assigned.
- C. Compensation to address significant, unique and stressful financial circumstances.
- D. Assistance with student loan indebtedness (first call pastors)

Step 6: Calculate **TOTAL COMPENSATION** as the sum of the items below:

- A. Enter the amount show in Step 2C **OR** Step 3C..... _____.
- B. Enter the amount shown in Step 4D _____.
- C. Enter the amount shown in Step 5 _____.
- D. Enter the sum of the entries in Steps 6A, 6B and 6C above..... _____.
THIS IS THE PASTOR’S TOTAL COMPENSATION

If the amount shown in 6D above is greater than the pastor’s compensation for the previous year, the congregation, in conjunction with the pastor, should develop a three-year plan for compensation to be increased to the recommended level.

Step 7: Other expense items related to congregational budgeting for rostered minsters:

- A. The congregation’s contribution to the pastor’s Social security/Medicare taxes.
- B. The congregation’s contribution to Portico premiums, including premiums for health insurance and disability, and retirement contributions.
- C. Payments made directly by the congregation including, but not limited to, the following:
 - (1) Auto expenses.
 - (2) Periodicals, books, publications.
 - (3) Assemblies and Conferences.
 - (4) Technology expenses.
 - (5) First call theological education expenses.
 - (6) Continuing education expenses.
 - (7) Expenses related to vacations, sabbatical leaves and parental allowances.
 - (8) Other business-related expenses.

Note: If reimbursement payments are made to the pastor for these expenses, rather than direct congregational payment of these expenses, such payments must be made under an “accountable plan” which meets IRS requirements. Otherwise, these payments may be considered taxable income to the rostered minister. Any unreimbursed payments made by the pastor may or may not be deductible expenses in calculating taxable income. Consultation with an accounting or tax professional is advised.

**Office of the Bishop
 Grand Canyon Synod
 April 27, 2021**

