

**GUIDELINES FOR ONGOING COMPENSATION
AND
MINIMUM COMPENSATION STANDARDS**
The Presbytery of South Alabama
Effective January 1, 2019

These Compensation Standards apply to all churches with full-time pastoral services of a Teaching Elder (G-2.0504). As provided by our constitution, terms of Call shall meet or exceed these Minimum Compensation Standards (G-2.0804 and G-3.0303c). These standards also provide guidance for prorated compensation for part-time calls, except that paid time off for vacation and continuing education leave shall not be prorated for part-time calls. These standards are written for congregations calling a minister to fill a vacancy and are recommended for use when churches review the adequacy of the Terms of Call for pastors. Calls, Terms of Calls and annual changes shall be approved by the Committee on Ministry (G-2.0503a). Upon approval by the Congregation in its Annual Meeting, changes in Terms of Call shall be communicated to the Presbytery of South Alabama (using the attached form) by the first day of February each year.

These Compensation Standards apply to all churches:

- with full-time pastoral services of a Teaching Elder (G-2.0504)
- prorating compensation for part-time calls (except that paid time off for vacation and continuing education leave shall not be prorated for part-time calls)
- calling a minister to fill a vacancy

All Terms of Call shall meet or exceed these Compensation Standards (G-2.0804).

Teaching Elders called by congregations are considered by the IRS to be “employees” for income tax purposes, and yet “self-employed” for purposes of Social Security taxation. Teaching Elders are not subject to withholding either for income taxes or Social security taxes. Instead, they are required to pay quarterly estimated income taxes and self-employment Social Security taxes (SECA). At the end of the year, one’s salary and certain cash allowances are reported in Block 1 of a W-2, upon which both income and SECA taxes must be paid. One’s housing allowance is reported in Block 14 of a W-2, upon which only SECA taxes must be paid (to the extent that the Housing Allowance is used specifically for this purpose). Both income and SECA taxes must then be paid on any Housing Allowance received in excess of what the IRS allows (*see Note 3 below*).

The following Four categories and annual amounts are essential parts of the minimum standards for Calendar Year 2019:

I.a Salary and Housing for Pastor with a Housing Allowance:

1. Salary \$26,760

NOTE: The minimum salary of \$26,760 shall be increased by 1% for each year of service *compounded* beyond ordination, up to 30 years of service.

2. Housing Allowance (when minister owns or rents) \$13,014

NOTE: The cash amounts for Salary plus Housing Allowance (using \$26,760 plus \$13,014 = \$39,433 minimum standard) may be adjusted so that the Pastor receives the maximum tax benefit of a housing allowance. For example (using the minimum standard); if the fair rental value of the owned or rented house (furnished) plus utilities is determined to be \$15,000 then the \$39,433 total cash remuneration package (Effective Salary) can be re-stated as \$24,433 for salary plus \$15,000 for housing allowance (still \$39,433 Effective Salary).

This is not an option when the Pastor lives in the manse.

Ib. Salary and Housing for Pastor when a Manse is Provided:

1. Salary \$30,333
 2. Manse Allowance (when church provides a manse) \$ 9,100
Effective Salary \$39,433

(Board of Pensions figures Manse Allowance at 30% of effective salary)

NOTE: The Manse Allowance is based on the Manse's Fair Rental Value and the cost of utilities (the church shall pay for utilities). Additionally, the church may provide cash Manse Allowance to cover the minister's expense for personal property insurance, furnishings, repairs and maintenance items not provided by the church.

II. Professional Expenses

These expenses should be disbursed under an Accountable Reimbursement Plan and substantiated by adequate documentation before reimbursement by the church. This is preferable for tax purposes since Professional Expense Allowances paid directly to ministers are reportable as income in Block 1 of a W-2, and deductible only to the extent they exceed 2% of adjusted gross income. Unlike salary and housing, these expenses are not required in the suggested amounts, but are strongly recommended.

1. Continuing Education and Professional Books (Reimbursable) up to \$ 1,500
 2. Church Business Travel Expenses up to \$ 3,000
(based on IRS .58 cents per mile – 2019)
 3. Church Business and Professional Expenses Negotiated

III. Benefits

1. Full Pension (including death and disability coverage) and Medical Benefits through the Board of Pensions on the Basis 37% of the total of Effective Salary (Cash Salary plus any deferred compensation (such as an equity allowance), and Housing/Manse Allowance. Professional Expenses above any other benefits below may be included.
2. At least one-half of Social Security based on Salary and Housing or Manse Allowance. Please note: This part of the package is not required, but it is strongly recommended because ordained ministers are considered self-employed and thus must pay both the employer's and employee's portion of the Social Security Tax which amounts to 15.3% of the total salary and housing. If this is paid to the pastor, by IRS rules the pastor must report this payment as salary.
3. For ministers living in a Manse, a Housing Equity Allowance equal to 2% of the total of Salary and Manse Allowance (computed annually) may be placed in an income-producing trust until retirement or until the minister moves to another position. This benefit is taxable to the minister in the calendar year it is received by the ministers. Deferred Compensation, it is also included in Effective Salary for purposes of calculating benefits dues.
4. Full dental insurance coverage by the Board of Pensions, or equivalent coverage through another policy, or reimbursement of actual expenses up to the cost of the dental insurance premium of the Board of Pensions. When paid by the church, this coverage may be included as part of Effective Salary for calculating benefits dues when the church does not provide dental coverage to all employees.
5. One month paid vacation.
6. Two weeks of Continuing Education per year, which can be accumulated up to six weeks. A "week" is defined as one Sunday and four weekdays.
7. Moving expenses actual.

IV. Annual Review (G-2.0804, G-1.0503)

1. Each year there shall be a formal opportunity for the Pastor and the church (through its Session and/or its Staff/Personnel Committee) to review the adequacy of the Pastor's compensation and performance of his/her responsibilities. This review shall include: Consideration of a merit increase, cost of living increase and changes in Fair Rental Value of the Manse.
2. Following this review, any changes in the Terms of Call shall be approved by the Congregation at a Congregational Meeting and reported to the Presbytery of South Alabama using the attached form by February 1st of each year.

V. Additional Standards

1. Any additional agreements shall be in writing and shall become part of the terms of call when reviewed and approved annually approved by the presbytery.
2. The designation for Housing or Manse Allowance shall be approved before the calendar year begins in order to meet Internal Revenue Service requirements.

- All non-church business use shall be reimbursed to the church or included as income to the minister. The IRS standard mileage rate for 2019 is .58 cents a mile. The IRS Standard may change at the beginning of each new year.

3. In summary, the Minimum Compensation Standard for 2019 is:

With Housing Allowance

Required:

Salary	\$ 26,419
Housing Allowance	13,014
Pension and Major Medical Dues (37% in 2019)	14,590

Recommended:

Social Security (7.65%)	3,017
Travel Allowance	3,000
Continuing Education and Books	<u>1,500</u>
Total	\$ 61,540

With Manse

Required:

Salary	\$ 30,333
Manse Allowance (With manse & utilities – The Board uses the figure 30% of effective salary)	9,100
Pension and Major Medical Dues (37%)	14,590

Recommended:

Social Security (7.65%)	3,017
Travel Allowance	3,000
Continuing Education and Books	<u>1,500</u>
Equity Allowance	
Total	\$ 61,540

Notes:

1. The Pension Dues and Social Security calculations are based on one's Effective Salary (Cash Salary plus Housing/Manse Allowance).
2. An amount for dental insurance is not listed above but is required (see III.4. above). It will vary depending on the minister's situation.
3. From *Church Treasurer Alert, October 2002*: "Relevance to church treasurers: The tax code now limits the nontaxable portion of a church-designated housing allowance for ministers who own their homes to the annual fair rental value of the home (furnished, plus utilities), beginning in 2002. As a result, ministers who own their home will not pay federal income taxes on the amount of their compensation that their employing church designates in advance as a housing allowance, to the extent that A) the allowance represents compensation for ministerial services; B) is used to pay actual housing expenses; and C) does not exceed the annual Fair rental Value of the home (furnished plus utilities)."

4. When a utilities allowance is paid directly to the pastor, such allowance is *not* included in the 30% manse amount but is to be reported separately. When a member resides in a manse and utilities are paid directly by the church these amounts do not have to be reported as part of the effective salary. However, these amounts may be included, but if reported are to be reported as an allowance separate from the 30% manse amount. In other words, utilities allowances then become a component of “all other income” on which the 30% manse amount is calculated.
5. Reimbursement through an accountable reimbursement plan also means that these expenses are not included as part of the Effective Salary for calculating benefits dues.
6. SECA amounts in excess of 50% must also be included as part of Effective Salary for calculating benefits dues.
For questions see <http://www.pensions.org> for publications.
7. The dollar amounts specified above **are valid for calendar year 2019 only**. The Committee on Ministry shall update these figures annually and provide them to all member congregations in a timely fashion.
8. The Minimum Effective Salary figure is taken from the State of Alabama minimum salary figures for a teacher with a Masters Degree and two years of work experience. This has been the bench mark for this Presbytery for over 30 years.
9. Questions about these standards or assistance in meeting them can be answered by contacting the Regional Presbyter or Stated Clerk at 251/626-1915.