

## **PRESBYTERY INLAND NORTHWEST GUIDELINES FOR COMPENSATION REVIEW**

STIPULATIONS OF THE BOOK OF ORDER - Refer to G-3.0303

At the time a pastor is called by a church, a call form is signed by the pastor and representatives of both the Church and the Presbytery. Included in this call form are the following statements:

“That you may be free to devote yourself full time (part time) to the ministry of the Word among us, we promise and obligate ourselves to pay you the sum of \$\_\_\_ a year in regular monthly payments.

We further promise and obligate ourselves to review with you annually the adequacy of this compensation.”

In order to faithfully exercise its responsibility for annual review of compensation, the session, not later than 2 months prior to the adoption of the annual budget, either directly or through its established personnel committee, should initiate discussion with the pastor(s) relative to the matter of “adequacy of compensation” for the coming year.

Honoring this process is important because it will relieve the pastor either from wondering what can be expected or from feeling that he or she must initiate this process himself or herself.

### **THE REVIEW PROCESS**

Following are some questions that the pastor will greatly appreciate being asked and which will facilitate the conducting of a productive compensation review.

1. Do you and your family feel you are under financial pressure?
2. If so, what are some of the financial pressures that you feel?
3. Do you feel that your ministry is being hindered by financial pressure? If so how?
4. Is the church’s compensation adequate for your family’s needs or are you dependent upon income from your spouse’s employment?
5. Do you feel that your compensation package is adequate and fair as compared to comparative positions and responsibilities of other pastors in the Presbytery?

6. Is your compensation package structured to take the best advantage of the tax laws?
7. What do you hope to be making in five years?
8. Do you have any insights as to how the church can more adequately provide for your family's needs?

### **PRESBYTERY MINIMUM T.E. COMPENSATION GUIDELINES**

(for the current Presbytery minimum see the Presbytery Directory (lilac sheets))

Annual Cash Salary refers to compensation paid directly to the teaching elder on a regular basis (monthly, semi-monthly, or weekly).

Housing/Utilities Allowance includes the actual costs of housing and utilities for the teaching elder in a completely furnished manse. If the teaching elder is renting or purchasing a home, all of the following expenses can be tax sheltered as a housing allowance: mortgage principal and interest, maintenance expenses, real estate taxes, insurance, household furnishings, cleaning and repair supplies, etc. Utilities may be included in housing allowance and need not be listed separately. The Housing/Utilities Allowance is determined by the teaching elder and based on anticipated housing expenses—not based on a percentage of salary. For IRS purposes, the amount considered a Housing/Utilities Allowance by the teaching elder must be designated by the session in advance of payment. The teaching elder must keep strict records to show it was all used for housing. OR:

Fair Rental Value of the Manse is defined as what the open market would charge for rent in similar accommodations. The church should pay all manse utilities, and a budget amount should be included as a Housing/Utilities Allowance. For Board of Pension purposes, fair rental value may not be less than 30% of the sum of annual cash salary, deferred income or annuities (like tax-deferred annuities), and self-employment tax (Social Security) supplemental salary.

Deferred Income or Annuities (like Tax-Deferred Annuities) are retirement benefits offered by some congregations. Teaching Elders whose current expenses permit may find this a very helpful shelter.

Self-Employment Tax (Social Security) Supplemental Salary is offered by some congregations to help offset the FICA tax obligation of clergy. Amounts paid to clergy for reimbursement of Social Security contributions should be included in Total Annual (Effective) Salary for Medical/Disability/Pension/Death Plan and Income Tax purposes.

Total Annual (Effective) Salary is the total of the above and is the amount on which the minister will pay Social Security tax and on which the Board of Pensions Medical/Disability/Pension/Death dues are computed. This Total Annual (Effective) Salary is the minimum “salary”

required by the Presbytery for full-time positions. Part-time positions must be proportional to this minimum “salary” required by the presbytery for full-time.

Continuing Education Expenses include items such as tuition, room, board, and travel to study events, etc., and should be reimbursed as spent by the minister, as required by IRS. Continuing Education expenses should not be paid in regular monthly amounts. They are not part of the teaching elder’s income. Unless these expenses are reimbursed by voucher, all compensation of this sort is subject to income and Social Security taxes.

Professional Expenses include items such as books, subscriptions, business meals, and should be reimbursed as spent by the teaching elder as required by IRS. Professional expenses should not be paid in regular monthly amounts. They are not part of the teaching elder’s income; they are part of the congregation’s cost of ministry. Unless these expenses are reimbursed by voucher, all compensation of this sort is subject to income and Social Security taxes.

Automobile and Travel Expenses should be reimbursed at a rate no less than the prevailing federal rate as determined for the IRS per vouchered mile. “Lump sum” amounts are not in accordance with this minimum policy.

However, churches should anticipate \$2,000-\$3,000 per year for budget purposes. Automobile expenses should not be paid in regular monthly amounts. They are not part of the teaching elder’s income; they are part of the congregation’s costs of ministry. Unless these expenses are reimbursed by voucher, all compensation of this sort is subject to income and Social Security taxes.

Medical/Dental Expenses reimbursement is offered by some churches. Some churches pay the Board of Pensions medical deductible. Others pay premiums for “wrap-around” medical insurance that covers the deductible and the 20% of medical expenses that is not covered by the Major Medical Plan of the Board of Pensions. Some churches also pay for supplemental dental insurance coverage. Medical expenses should not be paid in regular monthly amounts. They are not part of the teaching elder’s income. Unless these expenses are reimbursed by voucher, all compensation of this sort is subject to income and Social Security taxes.

Annual Review. Churches will annually review the adequacy of ministerial compensation and will follow the Minimum Compensation Guidelines established by the Presbytery of the Inland Northwest.

Honoraria for Pulpit Supply. Whenever a pastor leads worship and preaches for a congregation as a visiting guest, the church ordinarily shall pay no less than \$150 per Sunday for a single service and \$200 for two or more services. In addition to the honorarium, travel shall be reimbursed at the prevailing federal rate as determined for the IRS per vouchered mile. When a teaching elder is invited from a remote area, lodging should be provided by the church.

If a Temporary Pulpit Supply or other teaching elder is contracted to provide additional pastoral services beyond leading worship and preaching, additional compensation must be negotiated with the teaching elder, the church being served, and the Commission on Ministry (COM). The minimum policy for these services is \$20.00 per vouchered hour (including preparation time and travel time for distances greater than 15 miles), plus the prevailing federal rate as determined for the IRS per vouchered mile for travel, plus meal expenses.

Session Moderator's Honorarium. Moderators of churches without installed pastors, or temporary pastors shall be given an honorarium of \$100 for each meeting of the session or congregation, plus the prevailing federal rate as determined for the IRS per vouchered mile for travel. Sessions without installed pastors are reminded that the Form of Government, G-3.0307 and G-2.0504, requires churches to meet with the Commission on Ministry (COM), and with its aid, advice and consent, secure the services of temporary supply pastors. (See Job Description for Moderator of Vacant Session).

Pastor Nominating Committee Expenses. Teaching Elders being considered for a pulpit in a particular church in the area shall have their expenses reimbursed by the Pastor Nominating Committee of that church—not the host church of the “neutral pulpit.”

Part-time Positions are subject to the Presbytery Minimum Compensation Guidelines. Part-time positions are entitled to the full period of vacation (30 days) and Study Leave/Continuing Education (2 weeks) for all full-time pastors. All part-time position descriptions will specify what proportion of full-time Minimum Compensation guidelines will be applied to the part-time position. (For example, a half-time position must be compensated at fifty percent of the full-time minimum).

Commissioned Ruling Elders are those who have fulfilled Presbytery requirements and been commissioned by the Presbytery to serve in a particular setting. Because the scope of commissions can vary widely, contracts should be negotiated individually, in consultation with the CRE committee and subject to COM approval. As a rule, full-time CREs should not be paid less than the minimum CRE cash salary. Full-time means worship preparation, Sunday worship leadership and preaching, and four days of pastoral service per week.