

APPENDIX A – Detailed Explanation

DEFINITION OF COMPENSATION, BENEFITS, AND RESPONSIBILITIES OF THE PASTOR

HOUSING ALLOWANCE DECLARATION FOR IRS (PASTORS ONLY)

Under the IRS tax code, Clergy are allowed a tax advantage by declaring a portion of their income to be a Housing Allowance. The Baseline Salary for Clergy in the Compensation Worksheet includes both Salary and Housing Allowance. Each Clergy person must determine what portion of their income should be designated as their Housing Allowance. This amount must be designated in a church council meeting prior to the beginning of the year. (See box below). The amount allocated as housing allowance is limited by the actual costs, the amount designated by the congregation, or by the fair rental value in the community. Clergy are strongly urged to consult with a tax professional to determine their Housing Allowance and should keep abreast of the latest IRS regulations.

Annually, a housing allowance designation statement should be included in the minutes of the Congregational Council. A sample housing allowance designation form follows:

Designation of Housing and/or Furnishings Allowance by Congregational Council	
Upon motion duly made and seconded, it was voted to designate \$_____ of the cash salary for 20____ to be paid to the Rev. _____ as a housing/furnishings allowance in response to the pastor's request and acknowledgement that the allowance so designated does not exceed the fair rental value of his/her home, furnished, plus the cost of utilities (or the fair rental value of the furnishings where a parsonage is provided). Therefore, cash salary shall be \$_____ and the housing allowance shall be \$_____.	
_____ Date: _____	_____ Date: _____
<i>Signed by an officer</i>	<i>Signed by the pastor</i>

PLEASE NOTE: The Housing Allowance is NOT the same as Box B in the Clergy Compensation Worksheet entitled "COMMUNITY HOUSING COST ADJUSTMENT". Please read the instructions for each carefully. Mis-stating one's Housing Allowance can have tax complications.

CLERGY COUPLES

If one spouse does not have a parsonage or housing allowance, that person's pension contribution should be based on the pastor's salary plus a minimum of 30%.

PARSONAGE PROVISIONS FOR PASTORS

Where a congregation provides a parsonage, the congregation should assume all costs for maintenance, heat and utilities. They may pay these costs directly or give an allowance to the pastor sufficient to cover the expenses. In addition to these costs, the congregation should provide and maintain major appliances in the parsonage.

If a parsonage is provided, the congregation is encouraged to provide the pastor an annuity for future housing needs of its pastor. For this purpose, the congregation may want to establish a "Housing Equity Account" by making additional employer contributions to the ELCA Optional Pension Plan. It is recommended that these contributions total at least 3% of the defined compensation (Salary & Cash Value of Parsonage).

OTHER INSURANCE OR BENEFITS (B-3)

It is suggested that a reimbursable plan be put into effect to help reduce the deductible and co-insurance payment for the pastor. Congregations may wish to consult with an insurance company to arrange this coverage or establish a reserve account for this coverage.

AUTOMOBILE EXPENSE REIMBURSEMENT (C-1)

Automobile expense and other work-related travel are a business expense for the congregation and should not be reported to the congregation as part of salary. Some examples of reimbursement are:

1. The congregation reimburses for actual business miles traveled at a specified rate per mile that shall be based on the current IRS automobile mileage allowance. (In order for this not to be income, a record of expenses must be submitted for reimbursement.)
2. The congregation purchases or leases a car and assumes the total automobile expenses. Pastor will need to keep track of business mileage and personal mileage.
3. An allowance is provided (Please Note: This option may have tax implications.)

PROFESSIONAL EXPENSES (C-2, 3)

The congregation should provide for professional expenses incurred in the performance of the duties of the pastoral office. It is recommended that a minimum of \$200 be granted annually. In addition, the congregation should pay all expenses incurred by the pastor for attending required meetings and events (i.e., synod assembly, professional leaders' conference).

CONTINUING EDUCATION (C-4, D-2)

Continuing-education time should be provided for pastors for updating skills and for professional growth in order to strengthen their ministries. This time should be considered as necessary for improving and building ministry - it is not vacation time. It is recommended that a minimum of two weeks and \$1,000 be granted annually, accumulative up to three years. *The ELCA expects a minimum of 50 contact hours annually in continuing education. A contact hour is defined as a typical 50-minute classroom instructional session or the equivalent.* Continuing education may be courses, seminary classes, workshops, or independent study, when directed toward a specific goal.

Each year the pastor's continuing-education plan should be developed in consultation with the congregation's council or appropriate ministry team.

FIRST CALL THEOLOGICAL EDUCATION (FCTE) (D-3)

New seminary graduates are required to participate in First Call Theological Education, which means they must take at least 50 continuing-education hours per year for the first three years of their ministry. The congregation that calls a new graduate will submit \$400 (of the \$1,000 total) annually to the Region 2 Office for the cost of the program, as well as grant the pastor the time for the two Core Events each year and Colleague I meetings (once every 4-6 weeks). This cost is a part of the continuing-education money granted a pastor when a Letter of Call is issued.

PERIODICALS, BOOKS AND PUBLICATIONS (C-5)

Expenses acknowledged by the IRS such as periodicals, books and publications shall be shared by the congregation. It is recommended that a minimum of \$250 be granted annually.

VACATION (D-1)

A paid vacation of at least four weeks, including four Sundays, shall be granted to the pastor and the cost of pulpit supply for these absences shall be borne by the congregation. Time spent in outdoor ministries or retreats with congregational youth, adults, or family groups should not be considered as vacation time when it is part of the church program/job-related activity.

HOLIDAYS

When a Federal Holiday falls on a Pastor's regular day off, the Pastor in consultation with the Church Council may schedule additional time off during that week.

SICK LEAVE (D-5)

Congregations are to provide sick leave up to 60 days with full salary, housing and benefits, and provision for partial disability thereafter as agreed upon, coordinated with ELCA pension and benefit guidelines.

DISABILITY (D-5)

In order to avoid awkward and hardship situations, both for clergy families and for the congregation, it is recommended that each congregation develop an explicit written policy relating to permanent disability. In case of disability, it is expected that the congregation continue to pay full salary, housing and benefits contributions for the first 60 days of disability, until the disability benefits of the ELCA Pension Plan go into effect. Any period of disability (beginning date, length, and return to active duty) should be based on a physician's recommendation. Congregations may wish to consult with an insurance company to arrange this coverage for the first 60 days at a minimal annual cost rather than being faced with major expenses should disability occur.

(All ELCA pension benefits coordinate with the benefits of Social Security or other governmental benefits. Disability benefits for pastors who have chosen to opt out of Social Security would be reduced by the amount of benefits Social Security would have paid.)

FAMILY LEAVE (D-6)

Caring for children and parents is a high priority. Where applicable, parental leave up to six weeks, with full salary, housing, and benefits, is standard ELCA policy. In the event of a medical emergency or death within the pastor's family, up to three weeks of paid leave is recommended.

Additional information can be found in the Treasurer's Packet from the Board of Pensions.