

Definition of Compensation and Benefits for Rostered Ministers

Rocky Mountain Synod • Evangelical Lutheran Church in America

Now to one who works, wages are not reckoned as a gift but as something due. (Romans 4:4)

PLEASE NOTE: *The Rocky Mountain Synod cannot provide specific tax or legal advice to rostered ministers, congregations, or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations, and specialized ministries. Information provided by the IRS specifically for churches and religious organizations can be found on IRS Publication 1828.*

Appropriate Compensation

Rostered Ministers (deacons and pastors) are considered professional workers due to the education, responsibility, and personal requirements of these positions. Their experience and training are highly specialized. Rostered Ministers are to be paid a livable wage with needed benefits, providing for their ability to serve well. As 1 Timothy 5:18 reminds us, “The laborer deserves to be paid.”

Congregations or specialized ministries should carefully craft their annual budgets and compensation packages. Spending more than they can afford is not responsible; at the same time, stinginess is not what faith communities are called to be. Compensation should reflect the values, vision, and mission of the congregation. Congregations that cannot compensate at the minimum rates outlined here should consider offering a part-time call or offering other benefits.

The entire Definition of Compensation form should be assessed annually by the congregation council or the governing board of the specialized ministry. This includes the salary, benefits, and mutual expectations. Annual reviews of the rostered minister and the ministry should be completed. Both reviews and compensation assessment should be completed in a mutual manner. Annual reviews and fair compensation are essential to the healthy functioning of the body of Christ.

These guidelines apply to Rostered Ministers. The principles of these guidelines should be followed for all congregational and specialized ministry workers. Compensation is salary and benefits. Defined compensation (a term used by Portico Benefit Services) is salary inclusive of housing allowance and social security tax offset.

It is possible to pay a rostered minister above the worksheet determination of the salary range, especially due to special circumstances such as high cost of living or significant workload. When rostered ministers are below the salary range, organizations are encouraged to increase compensation significantly each year to arrive within the compensation range in fewer than three years. During those years of transition, the organization will consider other non-financial benefits, such as extra vacation.

A. Compensation

1. Base Cash Salary

The full-time base salary is \$55,000 for all rostered ministers in the Rocky Mountain Synod.

2. Housing Allowance

The IRS allows clergy to designate a portion of their salary as “Housing Allowance.” This tax-advantage does not change the salary of clergy or what the congregation or specialized ministry pays. The clergy must be able to

prove to the IRS the allotted amount was used for housing. This tax designation allows clergy to exclude from their federally taxable income the portion of their income that is used to provide for a home.

3. Self-Employed Social Security Payment Allowance for Rostered Ministers

Rostered ministers are considered employees for federal income tax purposes but are self-employed for Social Security purposes. As such, rostered ministers are not subject to regular FICA taxes. Generally, employees pay 7.65% of wages as FICA taxes, and the employer pays FICA taxes of 7.65%. Rostered ministers instead pay the self-employment tax of 15.3%. Because congregations and specialized ministries pay the employer portion (7.65%) of lay employees FICA taxes, it is recommended for the sake of fair compensation that organizations pay this 7.65% of salary to the rostered minister as a “Social Security Allowance.” This allowance is taxable.

4. Ministry-provided housing or parsonage

Congregations or ministries providing a parsonage assume all costs associated with upkeep on the building, such as regular maintenance, utilities, and upkeep of major appliances. The costs for these can be paid directly or via reimbursement to the rostered minister.

Living in a parsonage does not build home equity for retirement. When a parsonage is provided, the congregation provides the clergy with a “Housing Equity Account.” The account is a tax-deferred plan that delays tax until the funds are withdrawn for use. This can be created by the organization contributing extra funds to the ELCA pension plan or by creating another annuity account. The recommendation is that these contributions from the organization be no less than 3% of salary plus cash value of the parsonage.

B. Pension and Other Benefits

The congregation or specialized ministry pays for the health insurance, pension, and other benefits for the rostered minister. The rostered minister’s spouse and children (if applicable) will be covered by the congregation unless some other employer-provided group medical insurance is available (such as through a spouse’s place of employment). For clergy utilizing a non-ELCA insurance plan, organizations should consider paying part or all of what it would cost to provide health insurance to the rostered minister.

For those participating in the ELCA’s Portico Benefits plan, health insurance costs are calculated based on salary, age, level of coverage, and number of people covered. The Rocky Mountain Synod recommends either the Gold+ or Silver+ plans via Portico Benefit Services. The Pension contribution recommendation is at least 10% of salary. ELCA benefit calculator:

https://employerlink.porticobenefits.org/~/link.aspx_id=A8702392AA364983B0C71AEA21F576A7&z=z

C. Expenses

1. Automobile Expense

The cost of operating a vehicle for the purpose of the ministry is not compensation, but reimbursement of expenses incurred to perform work duties. It is recommended organizations reimburse actual miles travelled for the purpose of work according to the [current IRS business rate](#) for mileage reimbursement. This is called an “accountable plan.” Organizations may choose a “non-accountable plan” in which a set amount is paid monthly to the rostered minister. See Appendix C for more details.

2. Other Professional Expenses

Suggestion: \$200 annual minimum. This includes items necessary to perform the duties of their role.

3. Conferences and Synod Assembly

The ministry pays for the rostered minister to attend required events (Synod Assembly and Theological Conference, and First Call Theological Education as applicable). In the case of a non-ELCA minister serving an ELCA congregation, the rostered minister and congregation should discuss which events of both denominations the minister will attend.

4. Continuing Education/Professional Development

Suggestion: \$1000 annual minimum

A minimum of 50 annual contact hours is required of ELCA rostered ministers. A contact hour is a 50-minute session in a classroom or equivalent situation. These hours may or may not be directly related to the roles and tasks outlined for a rostered minister. Organizations annually provide two weeks for continuing education. The organization continues to pay salary and benefits while the rostered minister is away, and the organization provides for pulpit supply or other regular ministerial expenses.

5. Other (Such as Spiritual Renewal, Sabbatical Leave, and Periodicals, Books, and Publications)

Per the Continuing Resolution adopted at the 2013 Synod Assembly, it is recommended that clergy be allowed 1 day a month (paid time) for prayer and spiritual renewal.

A congregation or specialized ministry should create a sabbatical policy. Sabbaticals are intentional time away for renewal, reflection, growth education, and rest. Organizations that do not have a sabbatical policy should work to create one.

Periodicals, books, and publications that enhance the minister's work: \$250 annual minimum.

D. Agreement

1. Vacation and Holidays

Minimum annual vacation is 4 weeks, including 4 Sundays. The cost of pulpit supply for these vacation periods is borne by the congregation. Time spent in outdoor ministries or retreats with congregational youth, adults, or family groups is not vacation time when it is part of the church program or a job-related activity. Congregations are encouraged to follow Holiday standards as outlined and observed by the Rocky Mountain Synod. When a Holiday falls on a rostered minister's day off, additional time off should be scheduled in consultation with the Council.

2. Continuing Education (see above)

3. First Call Theological Education (FCTE)

Rostered ministers in their first three years of ordained ministry participate in First Call Theological Education. The expense for this is paid for by the organization, not the rostered minister. For information about the annual cost of FCTE, contact the Pastor Diana Linden-Johnson in the Office of the Bishop. FCTE is considered part of Continuing Education/Professional Development.

4. Mutual Ministry Committee (see congregation constitution and/or bylaws)

5. Medical Leave and Disability Leave

Congregations and specialized ministries are to develop a disability leave policy. Organizations are to provide medical leave of up to 60 days with full compensation. Provision for partial disability thereafter should be provided as agreed upon and coordinated with the benefits provider. Organizations are to provide disability leave of up to 60 days with full compensation, until Portico or other Benefits Plans come into full effect. Disability periods are based on a physician’s recommendation.

6. Family Leave

Congregations and specialized ministries are to develop a family leave policy. Rostered ministers on parental leave still all normal compensation. A minimum of six weeks of parental leave is recommended at the birth or adoption of a child. In the event of a difficult pregnancy or birth, refer to the sick leave and disability notes above. When a medical emergency or death within the rostered minister’s family occurs, up to three weeks of paid leave is recommended. If this leave is exhausted, unpaid leave may be granted.

Addendum A: Housing Allowance

Expenses that can be designated for Housing Allowance include mortgage and interest payments, rent payments, real estate taxes, property insurance, house down payment, utilities, furnishings and appliances, remodeling and repairs, maintenance and improvements, and other items.

The lowest of the following is utilized for Housing Allowance number: fair rental value of the home, the amount actually spent to provide a home, the amount designated as Housing Allowance. On the clergy’s W-2, Housing Allowance is excluded from Box 1; the remainder of the income is included in Box 1. The Housing Allowance amount is included in Box 14.

For clergy to claim this tax advantage, the council or board of directors must vote to designate a portion of the clergy’s salary as housing allowance annually. Organizations should use the following wording:

Upon a 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 clergy’s request and acknowledgment 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 \$_____.

Signed by an officer of the Congregation: _____ Date: _____
Signature, Title

Signed by the clergy: _____ Date: _____
Signature

(This resolution should be included in the minutes of the Congregation Council each year as soon as possible and compensation changes are approved/enacted. A copy should be made, signed, and titled by the President or Secretary of the Congregation. If this is agreement is amended during the year for any reason, it should be so noted in Congregation Council minutes.)

Addendum B: Housing Equity Allowance Agreement

(Use this form when the congregation does not make contributions to a housing equity allowance to the member's ELCA optional pension plan. When payments are made to the ELCA optional pension plan, the congregation uses the forms presented by the fund custodians.)

At a properly called meeting of the congregation of _____ Lutheran Church, held on _____ and with a quorum present, it was moved, seconded and voted to establish a housing equity allowance for the Rev. _____ with (1) an initial contribution of \$ _____ for the year 20__, and (2) with subsequent contributions to be determined each year thereafter by vote of the congregation.

The conditions of this agreement are as follows:

1. The annual contribution shall be placed in an interest-bearing account in the name of the congregation.
2. The fund shall not be available for use by the congregation or by the clergy except for the purchase of a house by the clergy or the clergy's spouse.
3. The fund shall be paid in full to the clergy or survivors in the event of the clergy's disability, retirement, or death.
4. Upon resignation as clergy from this congregation and acceptance of a call to another congregation or organization, the fund balance shall be transferred to the new employer or paid to the clergy, as the clergy may direct.
5. The funds shall be payable to the clergy's estate if there is no surviving spouse.

Signed by an officer of the Congregation: _____ Date: _____
Signature, Title

Signed by the clergy: _____ Date: _____
Signature

Addendum C: Expense vs. Allowance

The IRS allows organizations to choose between an accountable plan and a non-accountable plan for expenses. This applies to other items, but the most common one within congregations is vehicle mileage.

An accountable plan, also known as an expense plan, is one in which the rostered minister submits a log of actual miles driven, which are then reimbursed to the rostered minister by the congregation or specialized ministry at the current IRS mileage rate. A non-accountable plan, also known as an allowance, is one in which the rostered minister is given a specific amount of money monthly to cover the costs associated with operating their vehicle. The rostered minister does not submit a log of actual miles driven or vehicle expenses. The rostered minister is required to pay taxes on a non-accountable plan.