

# INSTRUCTIONS FOR CLERGY COMPENSATION WORKSHEET

Updated August 2017

The Clergy Compensation Worksheet is a tool used to help our churches, pastors, and treasurers correctly and accurately compensate their pastor. In these instructions, there are links to specific forms. If you run into a broken link, you can find these forms and other resources online at <http://www.dakotasumc.org/resources/forms/>.

## SECTION I: INCOME

- A. BASE SALARY:** Enter the cash salary amount before any reductions or withholdings are made.
- B. OTHER:** List any additional income on Line B. Provide a description in the space provided for the purpose of this additional income. Below are the two most common:
1. **Social Security Allowance:** Because the Social Security Administration considers clergy to be self-employed, some parishes have chosen to provide additional funding to offset half of the pastor's Self Employment Tax.
  2. **Health Insurance Subsidy:** Some pastors that are not eligible for HealthFlex (the Conference's health insurance plan), receive a health insurance subsidy. This subsidy is taxable as a result of the Affordable Care Act.
- C. TOTAL COMPENSATION:** Add lines A and B.
- D. DESIGNATED HOUSING EXCLUSION:** According to Section 107 of the Internal Revenue Code, pastors may designate a portion of their salary for housing. This designation **MUST** be included in the official minutes of the Church or Charge Conference which approves it. There is no extra cost to the parish for this designation as it is for tax purposes only. Housing Allowance Resources:
- [Housing Allowance Q&A](#)
  - [Housing Allowance Resolution \(No Parsonage\)](#)
  - [Housing Allowance Resolution \(Parsonage\)](#)
  - [Housing Allowance Resolution \(No Parsonage\)](#)
  - [Housing Allowance Worksheet](#)

## SECTION II: SALARY REDUCTIONS

- A. BEFORE-TAX CONTRIBUTION TO UMPIP:** Pastors enrolled in the UMC Pension Plan may elect to have WITHHELD from the pastor's BASE SALARY (Section 1 Line A) an amount to be contributed into the pastor's 403(b) retirement account known as UMPIP. The amount entered here reduces the pastor's taxable income.
- B. AFTER-TAX CONTRIBUTION TO UMPIP:** Same as the previous line except that the amount entered here does NOT reduce the pastor's taxable income.

# INSTRUCTIONS FOR CLERGY COMPENSATION WORKSHEET

Updated August 2017

- C. ROTH CONTRIBUTION TO UMPIP (ROTH):** Same as the previous line in that the amount entered here does NOT reduce the pastor's taxable income.

We strongly encourage all pastors enrolled in the UMC Pension Plan to contribute a minimum of three percent (3%) of their compensation to UMPIP. Calculating 3% of Compensation depends on if the pastor has a parsonage or not:

<u>Parsonage</u>		<u>No Parsonage</u>	
	Total Compensation <i>(Section I Line C)</i>		Total Compensation <i>(Section I Line C)</i>
X	125%	+	Cash Allowance <i>(Section III)</i>
=	Pension Compensation	=	Pension Compensation
X	3%	X	3%
=	3% of Compensation	=	3% of Compensation

A pastor choosing to withhold a different amount for pension (UMPIP) needs to complete the form below.

- [Before and After Tax Contribution Form](#)

## SECTION III: HOUSING

Indicate if a parsonage is provided. If the pastor does not live in a parsonage, indicate the CASH HOUSING ALLOWANCE paid to the pastor to provide housing.

*\*\*NOTE: The CASH HOUSING ALLOWANCE is not the same as the DESIGNATED HOUSING EXCLUSION listed in Section I on Line D. Pastors with a CASH HOUSING ALLOWANCE paid in lieu of a parsonage may also take advantage of having a portion of their BASE SALARY designated as a DESIGNATED HOUSING EXCLUSION.*

## SECTION IV: LOCAL PARISH EXPENSES

Items in this section are NOT considered as income for the pastor. These are expenses paid by the parish in the course of providing ministry on behalf of the parish.

- A. PENSION DIRECT BILL:** This amount is calculated based on the pastor's compensation. The current pension program consists of four benefits: Defined Benefit Pension (CRSP-DB), Defined Compensation Pension (CRSP-DC), Death/Disability Insurance (CPP), and a parish contribution into the pastor's 403(b) retirement account (UMPIP). On the next page is a worksheet to help you calculate the amount or you can use the online [Pension Direct Bill](#)

## INSTRUCTIONS FOR CLERGY COMPENSATION WORKSHEET

Updated August 2017

[Calculator:](#)

- B. HEALTHFLEX DIRECT BILL:** This is the parish's portion of the pastor's health insurance costs. Each year, there is a standardized amount calculated per full-time United Methodist pastor which is on the Form. For clergy couples where both are appointed full-time to a church or the Conference, half of the amount is applied to each spouse.
- C. ACCOUNTABLE REIMBURSEMENT PLAN:** In determining this amount, a useful tool is the Accountable Reimbursement – Worksheet (link below). This worksheet indicates some of the many uses of an ARP, and to budget for them accordingly. Only the total on line K of the worksheet is to be reported on the compensation form. The reason for this is to allow flexibility in how the funds are spent. For example, if the pastor were to overspend the automobile expense in doing parish visits, expenses listed on the other lines could be shifted to compensate for the difference as long as the total expense does not exceed the amount listed on line K.
- [Accountable Reimbursement – Worksheet](#)
  - [Accountable Reimbursement – Short Form](#)
  - [Accountable Reimbursement – Long Form](#)
  - [Accountable Reimbursement – Examples of Proper & Improper Items](#)
  - [Accountable Reimbursement – Q&A](#)
- D. OTHER EXPENSES PAID BY THE PARISH:** Please describe what this expense is in the space provided. DO NOT put the pastor's portion of health insurance on this line.
- E. TOTAL EXPENSES PAID BY THE PARISH:** Add lines A through D.