2017 Salary Guidelines for Rostered Leaders in the NIS, ELCA

“The gift he gave were that some would be ... evangelists, some pastors, some teachers, to equip the saints for the work of ministry, for building up the body of Christ.” (Ephesians 4:11-12)

“Ministry of the Baptized People of God – This church affirms the universal priesthood of all its baptized members. In its function and its structure this church commits itself to the equipping and supporting of all its members for their ministries in the world and in this church. It is within this context of ministry that this church calls some of its baptized members for specific ministries in this church.” (ELCA Constitution 7.10 & 7.11).

“We believe ministry in Christ’s name is a gift. Therefore, we encourage the rostered leader and congregation to be in careful and prayerful deliberation when discussing aspects of these guidelines. The gift of ministry must be cherished and respected.” (Purpose Statement for Salary Guidelines, NIS Ministry Support Committee)

The 2017 Salary Guidelines for Rostered Leaders in the Northern Illinois Synod that follow are meant to assist congregations and other organizations in establishing appropriate compensation packages. They include information from a variety of sources. They deal with the general topics of compensation and are developed with awareness of various ministry settings in our synod. These are guidelines. They are not meant to address every situation in every congregation at every time.

As such, close attention and consideration should be paid to the current ministry context. If there are questions, the synod staff should be consulted for assistance and clarification. Although congregations may struggle to meet minimum guidelines, leaders who receive minimum pay are most vulnerable to current economic realities. Additionally, know that it is synod policy that the guidelines be met for all first call rostered leaders.

These guidelines consider the following factors: the economic climate in our synod, the national economy looking forward, and all Region 5 synods’ compensation guidelines, with special attention given to those synods that border Northern Illinois. For 2017, the guidelines include a 1.3% cost of living increase for rostered leaders on both the base salary and a year of experience. They also include revisions in Section II.B. ELCA Plan through Portico Benefit Services (“Portico”).

May God bless our work together! God’s Work. Our Hands.

Submitted by NIS Salary Guidelines Subcommittee

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Northern Illinois Synod, ELCA
2017 Compensation Guidelines

This document provides guidelines for congregations to use in determining a rostered leader’s compensation. This document has two (2) sections: Rationale and Appendices. Then, along with this document, use the interactive Worksheet for your specific rostered leader to develop your financial package.

Rationale

I. COMPENSATION

A. Salary

1. Base Salary – The suggested entry-level cash salary in 2017:

   For a rostered leader with a Master’s degree is $37,230; a year of service is valued at $765
   For a rostered leader with a Bachelor’s degree is $32,754; a year of service is valued at $694

   For additional years of service, use the tables in Appendix A.

   When computing Base Salary there are other factors to consider. The completion of annual continuing education can justify a rostered leader’s increase for adding a year of experience. Also, compensation beyond 25 years of experience should be agreed upon by the leader and congregation, taking into consideration factors such as retirement funding, additional vacation time, etc. In addition, it is recommended that compensation for part-time positions, such as interim ministry, should be pro-rated according to time contracted with the congregation. For instance, a leader serving one-half time with a congregation should be paid one-half the appropriate base salary.

   Additionally, when determining Base Salary, it is important to consider Previous Career Experience. As more “second career” people enter this ministry, the question of a fair and equitable salary takes on new ramifications. In many cases, previous experience is relevant to the work of the ministry. Therefore, leaders who enter the rostered ministry after years of work in other occupations should be compensated at a rate that recognizes the value of their work experience and maturity. Congregations are urged to consider giving experience credit for previous work. It is recommended for purposes of calculating cash salary, that for every two years of professional experience in another field, the minister be credited with one year of professional experience in the ministry.

   2. Annual Merit Increase – An annual salary increase for merit is encouraged. A merit increase in the range of 0-15% of the base salary can be justified by the following factors: attainment of advanced degrees, serving multiple point parishes, or fulfilling additional responsibilities, such as serving as a senior leader on a staff. We encourage the leader and the congregation to evaluate their ministry regularly, remembering that these forms are but one way to consider merit increases. Forms are available online at nisynd.org/resources/mutual-ministry

B. Housing (choose either 1 or 2) – FOR PASTORS ONLY

1. Pastor as Homeowner - If a pastor owns or rents his/her own home, it is recommended that the congregation grant a Housing Allowance. The Housing Allowance is applied to all the home’s expenses, such as mortgage, taxes, rent, insurance, utilities, etc. With this Housing Allowance, the pastor (and family) should be able to acquire and maintain adequate housing within the church’s service area.

   One way to begin to determine a figure for Housing Allowance is to use an annual fair market rental value of a home in the community by the comparable sales method. To begin, find the median cost of a home in the community. (One resource is at elca.org)
when you search “zip code report.” Then, to figure fair rental value, multiply the median cost by a generally accepted rate of return. For this example, we will use 12%. The two examples following show how these values might vary between counties within the synod:

(For these examples, county median home costs are used – specific city information is available)

**Example 1 – McHenry County:** 2009 Median Home Price $246,393
$246,393 x 12% (0.12) = $29,567.16 fair market rental value as guide for annual housing allowance

**Example 2 – Lee County:** 2009 Median Home Price $122,406
$122,406 x 12% (0.12) = $14,688.72 fair market rental value as guide for annual housing allowance

When the pastor receives a Housing Allowance, please note that there are complicated tax implications for both the congregation and the pastor that should be followed. For more information on these implications, please consult Appendices B and D.

2. **Parsonage provided by the congregation** - If the pastor lives in a parsonage, Portico states that the value of such housing must be determined to figure the pastor’s Defined Compensation. They use 30% of the pastor’s base salary.

In addition, the congregation may choose to pay a **Utilities Allowance** and/or a **Furnishings Allowance** reflecting a fair estimate of costs, directly to the pastor. Costs of the allowances are tax deductible up to the actual amount expended. The actual amount of these allowances is added to the value of the parsonage when figuring Defined Compensation.

However, when these accounts are set up for reimbursement, the pastor does not have to keep track of receipts for tax purposes and the receipts are not included in the Social Security Allowance calculation. Instead, they can submit receipts against a predetermined amount in the budget. If the pastor does not reach this amount, the additional funds are not paid. Similarly, if the account is exhausted no further receipts are paid.

In addition, the congregation is also encouraged to provide an **Equity Allowance**. An equity allowance compensates the pastor for the loss of equity associated with not owning a home. An equity allowance helps provide for a pastor and his/her family in the event of retirement, death, disability, or paying for housing later in ministry when a parsonage is no longer available. An annual equity allowance that would represent an annual principal payment in the midst of a mortgage is sufficient. Our recommendation is an allowance in the range of 3-10% of the pastor's annual cash salary.

Finally, please note the Synod Parsonage Guidelines in Appendix C for detail on the relationship between the pastor and congregation regarding the parsonage.

Unless the equity allowance is invested in a tax-sheltered account for the individual, it becomes taxable income and must be included when figuring Defined Compensation for Portico. However, when such payment is made directly to Portico’s Optional Pension Plan or other tax-advantaged account, it can be excluded. See note II.B.3. below.

When a congregation sells a parsonage, it is recommended that the assets be retained to assist in financing pastor-owned housing.

II. **BENEFITS**

A. **Taxes**

1. **For a pastor (Social Security Allowance for Self-Employment Tax)** – Providing for the retirement of a pastor is the responsibility of the congregation. Pastors are considered “self-employed” by the federal government. They must pay to the Social Security Administration 15.3% of their total annual cash salary and EITHER housing allowance OR
the fair rental value of the parsonage. A *Social Security Allowance* shares the burden of this tax by providing what most employers provide - half of the Social Security tax. Congregations are encouraged to reimburse at least 50% (7.65%) of their pastor’s Social Security tax liability. This allowance is taxable.

2. **For other rostered leaders (Social Security Tax or “FICA”)** – Providing for the rostered leader’s retirement is the responsibility of the congregation. They are considered employees of the congregation for tax purposes. The congregation is required to contribute one-half of the leader’s Social Security (FICA) tax. The current FICA tax rate for an employee is 15.3% of their total cash salary. Therefore, congregations are required to pay one-half of the tax or 7.65% of the total cash salary.

**B. ELCA Plan through Portico Benefit Services (“Portico”)**

The Portico benefit plan encourages members to live well, enhance the lives of others and to be good stewards of their faith. The benefit program includes five plans, which are bundled together as a package:

- ELCA Medical and Dental Benefits Plan (ELCA Health Benefits Plan)
- ELCA Retirement Plan
- ELCA Survivor Benefits Plan
- ELCA Flexible Benefits Plan
- ELCA Disability Benefits Plan

At the 2013 Synod Assembly, Resolution R-3 was passed that resolved that synod guidelines that most closely resemble the then current ELCA Primary health coverage plan for its rostered leaders be recommended and this be reflected in call documents and that congregations and church leaders maintain that level of coverage of health benefits for our rostered leaders and lay church workers by paying for that option. That plan is the Gold Plus option.

The committee recommends that congregations also provide family coverage for spouses and dependents that do not have other coverage.

Employers should make use of calculators and charts for health insurance and other computations available at the Portico website – [employerlink.porticobenefits.org/Home/Resources/Calculators.aspx](http://employerlink.porticobenefits.org/Home/Resources/Calculators.aspx)

This link is shown on the worksheets in this document and may be used online to determine Defined Compensation, which is needed to find Portico insurance and retirement contributions. Click on the Portico website which will take you to “Resources” Then click on “Calculate Benefits Costs” and follow directions. Since health costs are based on age, it asks for the date of birth of the person for whom you are making the calculation. The cost of health insurance and retirement benefits are then entered into the interactive Salary Worksheet.

*For leaders, Portico offers a wide variety of services ensuring wellness in all areas – while working and in retirement. Their offerings go beyond the scope this document. It is in your best interest to be familiar with them as you develop your financial plan.myportico.porticobenefits.org*

1. **Defined Compensation**

   a. For Pastors – Portico uses Defined Compensation to determine the amount of a congregation’s required [Retirement/Pension Contribution](http://myportico.porticobenefits.org) as well as the contribution for a pastor’s [Health and Other Benefits](http://myportico.porticobenefits.org). *Defined Compensation* is comprised of the pastor’s actual cash salary, a housing allowance, and the Social Security Allowance. If housing is provided, the calculation requires that the congregation take a minimum of 30% of the combined total of pastor’s annual cash salary plus Social Security Allowance, adding the value of the Social Security Allowance on the parsonage, and adding any furnishings and/or utility allowances paid to the pastor.
b. For Other Rostered Leaders – Portico uses **Defined Compensation** to determine the amount of a congregation’s required **Retirement/Pension Contribution** as well as the contribution for a leader’s **Health and Other Benefits**. **Defined Compensation** is comprised of the leader’s actual cash salary and any additional allowances.

2. **Retirement/Pension Contribution** – The Northern Illinois Synod strongly encourages a minimum pension contribution of 12% for all leaders. Congregations may choose to exceed the 12% level. If a congregation is unable to meet the salary guidelines, it is advised that they consider at least making their pension contribution based on guidelines. This has small financial impact yet assists the leader greatly in retirement. Portico can be consulted to ensure the correct transactions occur.

3. **Optional Pension Contributions** – Also, all leaders can use Portico to make additional pre-tax contributions toward their pension, deferring tax liability. These can come from: their salary, making regular deductions; the congregation, making housing equity contributions; or outside sources, such as previous retirement plans and inheritance. Again, Portico can be consulted to ensure correctness.

4. **Health and Other Benefits** – Each year Portico sets the percentage a congregation should contribute for the leader’s Health and Other Benefits. The percentage is based on the expected cost of the plan.

5. **Wellness Discount** – Portico has offered the enrolled member funds that can be used toward health expenses. The first step is taking the online health assessment tool designed by the Mayo Clinic. There are also follow-on activities to maximize the bonus, up to $400. Additionally, if 65% of the enrolled members in our synod complete the health assessment, all the organizations within our synod will receive a 1% reduction in the health benefit rate. It is strongly recommended – if offered in 2017 – that members take advantage of this offering for the clear physical and financial benefits.

6. **Flexible Spending Accounts (FSA)** – Portico’s FSA allows you to set aside pretax salary dollars for eligible health care and dependent (day) care expenses with no administration fee. There are specific tax benefits and requirements regarding an FSA that go beyond the scope of this document. For more information, go to the “MyPortico” home page at myportico.porticobenefits.org open the “Health and Other Coverage” tab, and follow the link for FSAs under the “Other Coverages” heading.

C. **Other Benefits for the Wellness of Leader & Congregation**

There are many other benefits to negotiate in the call process. Discussing the following items in advance can help leaders and congregations avoid conflict later in the call when it seems that the benefits are changing. A section on “Wellness” has been added to this category because of the importance of health to the life of a leader and the congregation that the leader serves.

1. **Workweek** – Because of the “On Call” nature of rostered ministry, serious consideration needs to be given to leader’s self-care. **It is recommended that leaders be encouraged to set aside 1.5 – 2.0 days a week for personal time.**

2. **Vacation** - The need for annual vacation is self-evident. **The congregation should provide four weeks per year (encompassing four Sundays) of vacation with full pay for its pastor(s).** For other leaders, a minimum of two weeks’ vacation with full pay is recommended. The congregation is encouraged to consider the tenure of the leader and his/her individual needs in setting vacation limits. Additional vacation weeks may be negotiated. This does not include continuing education. Time spent on continuing education, Churchwide or synodical committees, congregational retreats, camping programs, or mission trips are not to be considered as vacation time or time off.

a. **Leadership during vacation** – The congregation is to assume responsibility for a substitute leaders during vacation time. The following fee structure is offered for **Pastor’s Pulpit Supply** as a minimum reimbursement:

- 1 service: $150 plus mileage @ current IRS rate
- Additional services on same date should be compensated @ $25/service
Leading adult forums, teaching confirmation, etc. should be compensated @ $50 each. These fees assume these tasks: lead worship, preach, and preside at Holy Communion.

3. **Wholeness/Wellness** – It is important that church leaders be well in all areas of the wholeness wheel. In addition to Portico’s resources, our bishop has established the Health and Wellness Subcommittee of the Ministry Support Committee. Their resources can be found at nisynd.org/wellness. Additionally, note the information above in II. B. 4. which demonstrates some of the benefits.

   a. **Spiritual Renewal** – It is recommended that all rostered leaders under call be given three days to one week or more per year for spiritual renewal that is not classified as vacation or educational leave. It is suggested that the rostered leader spend this time at a retreat center or facility where the leader is able to fully focus on “renewal.” Therefore, the leader should have a colleague cover emergencies during this time away.

   b. **Spiritual Guidance** – It is recommended that all rostered leaders be encouraged to have a spiritual guide during their time of call. Resources for finding and selecting a Spiritual Guide can be acquired from the synod’s Spiritual Formation Sub-Committee.

4. **Parental Leave** - The church places a high value on family. These guidelines are offered to help congregations approach situations requiring parental leave in a caring manner.

   a. **Parental leave following the birth of a child** - Six weeks of maternal leave should be available to mothers immediately following the birth of a child. For maternal leave, it is recommended that the congregation pay full salary and benefits. A two-week paid parental leave is recommended for a father immediately after the birth of a child. For paternal leave, at a minimum, full benefits should be maintained. Factors to be considered in determining salary and benefits during such a leave are vacation time available, housing costs, the leader’s length of service with the congregation, and the hardship to the leader or the congregation.

   b. **Parental leave following adoption** - Guideline 4a. above applies to parents adopting children.

   c. **Parental leave granted at other times** - Parental leave may be granted by the congregation at other times, such as during times of severe illness, trauma, or death of a child. The length of the leave and the salary and benefits that the congregation will provide the leader should be mutually negotiated. It is recommended that the congregation, at a minimum, provide full benefits for the leader during any parental leave granted.

   d. **Leadership during leave** – During the leave period, a substitute leader is to be paid by the congregation. See “Leadership during Vacation” under II. C. 2. a.

5. **Temporary Disability**

   a. **Full compensation and benefits for the first 60 days** – In the event of the temporary disability of a full time leader, it is recommended that the congregation continue to pay the individual’s full compensation and benefits for the first 60 days of disability.

   b. **Providing compensation to supplement the ELCA disability plan** – After the first 60 days of disability, the ELCA disability plan becomes effective and will pay 66 and 2/3% of Monthly Defined Compensation. Consideration should be given by the congregation to paying the remaining 33 and 1/3% of Monthly Defined Compensation.

   c. **Leadership during leave** – During the leave period, a substitute leader is to be paid by the congregation. See “Leadership during Vacation” under II. C. 2. a.

   d. **Other compensation** - If a full time leader, because of the disability, receives compensation from some source other than the ELCA disability plan, such as Workman's Compensation, then the congregation and the recipient should negotiate compensation so that it shall not exceed the usual monthly compensation.
III. REIMBURSABLE EXPENSES

Reimbursable expenses are not compensation to the leader, but are business expenses of the congregation. Special care should be given to document these expenses. Leaders should file expense reports with their congregations (an IRS requirement).

(In general, due to tax implications, it is usually better for a leader to be reimbursed for the actual expense instead of receiving an allowance for an expense that may or may not be incurred. For suggestions for handling expenses, consult a reputable tax guide. Portico regularly makes one available for free download online at their website.)

A. Automobile - Reimbursement of automobile expenses for congregational business can be handled in one of three ways. Regardless of the method chosen, the amount should be for a yearly basis.

1. Reimbursement of miles driven - Reimbursement for actual business miles driven at the IRS established rate. *(You can find this rate easily using an internet search engine.)* Be aware that in the past several years, the IRS changed mileage rate during the year, so be informed!

2. Payment of a lump sum - The congregation may choose to pay the leader a lump sum per year, pro-rated to a monthly basis. The leader must maintain accurate records of actual business mileage and provide documentation to the IRS. Under this method, the lump sum, minus expenses, is taxable.

3. Congregation purchases or leases a car – Congregations may consider the purchase or lease of an automobile for use by the leader. Often the cost to the congregation is no greater than a fair cents-per-mile reimbursement. Leaders will assume some IRS liability for non-business use of the vehicle. The congregation may also choose to have the leader reimburse the congregation for personal use of the vehicle at a rate comparable with the above IRS standard.

B. Continuing Education - The 1997 Churchwide Assembly affirmed the importance of lifelong learning for healthy and effective leaders of the church. The leader, in consultation with the congregation, is strongly encouraged to annually prepare and submit a continuing education covenant to the synod office. Such a covenant covers the following topics:

1. Continuing education reimbursement - The ELCA recommends a minimum of $1,500 yearly for a leader's continuing education. The leader should provide 1/3 of this amount, with the congregation providing 2/3. Therefore, it is recommended that the congregation budget a minimum of $1,000.

2. First Call Theological Education (FCTE) - FCTE is an ELCA requirement for a leader's first three years of ministry. It helps them transition from seminary to congregational ministry. It replaces the continuing education requirement above during this time. The same financial breakdown is true: minimum of $1500 total, split 1/3 by leader and 2/3 by congregation.

3. Required time for continuing education – A minimum of 50 contact hours per year of intentional continuing education is strongly encouraged. To meet this requirement, it is recommended that the congregation allow 14 days (including two Sundays) for continuing education. The congregation and the leader should negotiate the way to handle congregational ministry during the leader’s absence.

4. Resource reimbursement - Congregations are also encouraged to provide reimbursement for books and resource materials up to $700 per year.

5. Sabbatical leave - Each congregation is strongly encouraged develop a sabbatical leave policy. A policy should especially be in place before the calling of a new leader. Additional information regarding sabbaticals is available at nisynod.org/resources/sabbaticals. Details of such a policy should consider the following basic points:
a. **A sabbatical leave is encouraged after 6 years** - When a leader has served longer than six (6) years in a given congregation, the congregation is encouraged to grant sabbatical leave to permit participation in a longer program of continuing education. The leader should be encouraged to take **not less than two months** sabbatical leave for every six (6) years of service without reduction in salary. Some church consultants believe that a sabbatical could be taken more frequently, especially when paired with congregational planning – perhaps every three (3) to five (5) years. These might be shorter but could provide time for rejuvenation to plan for the new ministries ahead.

b. **A sabbatical program should be planned** - Though a sabbatical includes time for recreation and rejuvenation for the leader, the benefit to the congregation must be considered as well. It is advisable to begin planning a sabbatical at least one (1) year before it will be taken. This planning should be done with the leader and a committee established for this purpose. Then the committee can bring it before the congregational council for approval. It is recommended that the synod office be notified of the sabbatical leave and the plan.

c. **A sabbatical program should be funded early** – To spread the cost of a sabbatical over time, it is recommended that both the congregation and the leader establish some sort of savings plan. Without this foresight, it becomes a huge burden to leave when the time comes.

d. **Responsibility to remain** - A leader is expected to remain with a congregation for at least one (1) year, or an appropriate time agreed upon by the leader and congregation, after completion of the sabbatical leave.

6. **Leadership during Sabbatical** – During all Continuing Education time away, a substitute leader is to be secured and paid by the congregation. See “Leadership during Vacation” under II. C. 2. a. For sabbatical leaves, compensation should be more than the standard supply preaching rate because of the interim leader’s additional duties.

C. **Conference Expenses** - All leaders under call are required to attend meetings of the Synod Assembly and other meetings called by the bishop. Attendance of the leader at the Synod Professional Leadership Conference is also normally a part of the business of the congregation. Expenses for attendance at these events should be budgeted and paid by the congregation, unless the agency or group calling the meeting reimburses the expenses.

D. **Expenses of employment for a leader’s accompanying spouse** – Congregations are encouraged to be sensitive to the employment needs of a relocating leader's accompanying spouse. Recognizing that two income families are now the norm, the congregation can help the spouse find employment by paying for recertification or relicensing. Other non-monetary ways are especially encouraged, such as connecting the spouse with local employment agencies or potential employers.

E. **Other expenses** - Congregations are encouraged to reimburse the leader for other expenses incurred related to the ministry of the congregation.

*Approved by the Northern Illinois Synod Ministry Support Committee on April 5, 2016*

*Approved by the Northern Illinois Synod Council on April 09, 2016*
### Appendix A – 2017 Rostered Leader Base Salary Charts

**Rostered Leader with Master's Degree**

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<th>Years</th>
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To figure base salary beyond 25 years of service, begin with the starting salary and then add the multiple of the value of a year of service by the years of service.

**For example, for salary after 30 years of service:**

\[
37,230 + 30(765) = 60,180
\]

**Bachelor's Degree**

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To figure base salary beyond 25 years of service, begin with the starting salary and then add the multiple of the value of a year of service by the years of service.

**For example, for salary after 30 years of service:**

\[
32,754 + 30(694) = 53,574
\]
**Appendix B – Tax Implications for Housing Allowance**

**Difference between Housing Allowance in Guidelines and Housing Allowance for Taxes**

When figuring housing allowance for these guidelines, this figure might be considered “hypothetical.” That is, it is a number that both the pastor and the congregation can agree on based on the given circumstances.

However, due to tax requirements and implications (as stated below), a pastor can ask for a “real” housing allowance number that reflects the pastor's actual costs, as long as this meets the IRS requirements. If the pastor suggests a “real” housing allowance number greater than the “hypothetical” one calculated in the salary guidelines, the difference is taken from the pastor's total salary. This way, the figure has zero net effect on the pastor's total compensation in the congregation's annual budget or defined compensation figures for Portico. Congregations may want to merge the “salary” and “housing allowance” line items in the budget to reflect this computation. See Appendix D “Clergy Housing Resolution & Forms” for details.

Here are the tax requirements: (from Portico's website):

The clergy housing allowance exclusion allows pastors to exclude a portion of their income from taxes if it can be justified to the IRS as housing expenses. The amount that can be excluded from taxable income as housing allowance is always the smallest of the following:

1. Amount officially designated in advance as “housing allowance” by your congregation or church organization
2. Amount spent for the pastor's primary residence (i.e., down payment, mortgage principal and interest, utilities, taxes, insurance, furnishings, maintenance, etc.)
3. Fair rental value of the pastor's home, including furnishings and cost of utilities (owned or rented)

**Justification and Documentation of Housing Allowance**

It should also be noted that it is the pastor's responsibility, and not the congregation's, for justifying a “real” housing allowance. This justification is between the pastor and the IRS; not the congregation. As such, when the pastor asks for a resolution from the congregational council to satisfy IRS requirements for the documentation of housing allowance, it should be accepted. This resolution should be made at the December council meeting for the following year. To review, it is the pastor's responsibility to justify the allowance, it is the congregation's responsibility to document it. This rule is true for all allowances, whether for a rostered or lay pastor.

Here are the tax requirements: (from Portico's website):

**Reporting housing allowance** – You (the employer) must officially designate a certain portion of the pastor's income in writing (e.g., a council resolution, meeting minutes or budget line item) as housing allowance, prior to payment being made. You will need to provide this information to your pastor whether or not you provide housing. You must report housing allowance separate from gross income on IRS Form W-2 in Box 14. Label the income as housing allowance.

**NOTE:** This requirement states that a housing allowance must be designated before it is paid. Therefore, if the pastor knows of a previously unforeseen expense during the year, an addendum to the previous housing allowance for such expense might be made, as long as it is documented before the expense is incurred. For accounting purposes, the additional housing expense would be deducted from the pastor's salary.

**Additional Resources**

A detailed discussion of the tax implications of housing allowance for clergy is beyond the scope of this document. However, Portico provides excellent resources on both their “MyPortico” and “EmployerLink” websites to inform the pastor and the employer on the specific implications. In the past, they provided for free download a Tax Preparation Guide for Returns. In addition, the following resource is recommended:
• **IRS Publication 517: Social Security and Other Information for Members of the Clergy and Religious Workers** (On the IRS web site at [irs.gov](http://irs.gov))

It is highly advisable that the pastor, as well as the congregational treasurer become familiar with these resources. It might also be in the best interest of the pastor to be in consultation with a tax professional familiar with clergy compensation.

**Appendix C – Synod Parsonage Guidelines**

A parsonage is the home provided by the congregation for its pastors. It is to be an aid in the carrying out of ministry. In its care of the church, the congregation will want to provide a good home.

The guidelines on the following pages are a way to help both pastor and congregation. Following them will help the congregation become aware of needed improvements and let it know if a synod-wide standard has been achieved. It will be in a position to become aware of abuses of the parsonage property.

Since the parsonage is the pastor’s home, privacy should be respected. Congregation members are expected to follow the same standards of politeness for such things as entering the parsonage as they would for any other home in the community.

Because it is the home of the pastor, the desires of the pastor should be consulted as changes are necessary. Further details about this are in the following guidelines.

The quality of the parsonage should meet a standard set by the homes of the majority of the congregation’s members. The size should be adequate to accommodate families. Contrary to renters, the pastor normally has little choice of residence. The relationship between the pastor and congregation is not based on a lease or rental agreement, but upon a common bond in the service of Christ Jesus.

The following are specific guidelines for congregations with a parsonage. These are guidelines that congregations and pastors should use to discuss the maintenance, repair, and responsibilities relative to a church owned house. These suggestions are not exhaustive; if a local situation is not covered by this document, it should be noted and addressed locally.

1. It is recommended that the following appliances be provided in the parsonage:
   - Stove
   - garbage disposal (optional)
   - refrigerator
   - soft water system (if needed)
   - dishwasher
   - humidifier/dehumidifier (if needed)

2. It is recommended that the following utilities be paid directly by the congregation:
   - electricity
   - gas
   - soft water service (if needed)
   - cable/satellite TV
   - telephone (ex. personal long distance calls)
   - internet access

3. Items that would normally be supplied by the congregation include:
   - paint
   - wallpaper
   - window coverings
   - floor coverings
   - light fixtures
   - ceiling fan

4. When a pastor first moves into a parsonage the congregation should see that it is thoroughly clean and should usually plan to redecorate.

5. The colors, fabric, design, etc., selected in the redecoration would normally be selected by those who will be living in the house in consultation with the appropriate committee. The congregation, of course, would determine the price ranges for these
items.
Parsonage maintenance and repair should be listed as a separate line item in the annual budget, with a clear understanding of who has the authority to spend these budgeted funds.

6. There should be an annual inspection of the parsonage that is conducted with the pastor.

7. The pastor and congregation should develop and annually update a list of necessary and desired repairs, maintenance, modernization, redecorating and remodeling projects and together prioritize these projects.

8. There should be clear understanding about how regular maintenance and emergency repairs are to be handled. It is suggested that the pastor be authorized to spend a specified dollar amount at his or her own discretion. Any repairs in excess of this amount would require approval of the property committee or the congregation council.

9. The grounds around the parsonage are primarily the responsibility of the congregation. The congregation should see that the lawn, shrubbery and flower beds are in good condition when a pastor moves into the parsonage. The pastor may be expected to care for these grounds (mow, rake; remove snow; apply fertilizer, insecticides, and herbicides) or these responsibilities may be shared by the congregation. (The division of labor should be negotiated by the pastor and the council immediately after the pastor's arrival.)

10. Congregations should consider taking care of the grounds around the parsonage while the pastor is on vacation or study leave, if it is decided this is the pastor's responsibility.

11. The congregation should provide suitable garage space for the pastor's automobile(s). Normally, this would be space for two vehicles.

Revised March 2009
(adopted from the Nebraska & Southeast Iowa Synods, ELCA)
Appendix D – Clergy Housing Resolution & Forms

The Internal Revenue Service requires congregations and agencies to pass a resolution annually designating a specific amount of compensation to be used toward housing. The amount to be designated should be decided with the ordained minister based on his or her anticipated housing costs. This amount is one of three factors affecting the amount of housing a minister can claim on their taxes.

Draft Language for Church Council Action on Housing Allowance

(This wording may be used to officially describe the Council’s action on a housing allowance and should be revised as appropriate for your setting.)

The __________ Committee advises the church council that under the U.S. income tax laws outlined in the Internal Revenue Code (IRC), enacted by Congress in Title 26 of the United States Code (26 U.S.C.) an ordained minister of the Gospel is not subject to Federal Income Tax on the amount of his or her compensation that the employing church designates in advance as a housing allowance, to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the fair rental value of the home including furnishings and appurtenances such as a garage, plus cost of utilities.

The council, after considering the request of the Rev. ______________ to designate an amount of compensation as a housing allowance for the amount expected to be spent to rent or otherwise provide a home during the period _______201_ to _______201__, and in light of the Federal Income Tax law and of the established salary level, on motion duly made and seconded, voted to adopt the following resolution:

Resolved that the Rev. ______________ is to receive a total cash salary of $___________ for the year 201__, of which $_________ is hereby designated as housing allowance in response to his/her request and acknowledgement. While Rev. ______________ is called to serve this congregation (________________) in his/her current position, the above amount of designated housing allowance shall apply to all future years until modified.

Secretary's Signature ____________________________ Date ______________

Draft Language for Notification of Housing Allowance by Congregation

(This may be used to officially notify a pastor of the approved housing allowance.)

Date ______________

Dear Rev. ______________.

This is to advise you that at a meeting of the church council held on ______________, your housing allowance for the year ________ was officially designated and fixed in the amount of $________. Accordingly, $________ of the total compensation payable to you during the year ________ will constitute housing allowance and the balance will constitute “salary” (as interpreted by the U.S. income tax laws outlined in the Internal Revenue Code (IRC), enacted by Congress in Title 26 of the United States Code (26 U.S.C.)).

Secretary's Signature ____________________________
Pastor’s Estimate of Housing Expense

(This form may be used to help the pastor determine an estimate of expenses qualifying under the pastor’s housing allowance.)

To: (Name of Congregation)
From: (Name of Pastor)
Date:
Re: Housing allowance for year extending from ________, 201__ to ________, 201__.

The amounts set forth below are the amounts I expect to spend during the above period (as above) to rent or otherwise provide a home for my family and me.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Rent on leased property</td>
<td>$</td>
</tr>
<tr>
<td>2. Payments on purchase of a home (including down payment, acquisition costs, mortgage payments [principal and interest])</td>
<td>$</td>
</tr>
<tr>
<td>3. Garage rental (if not included above)</td>
<td>$</td>
</tr>
<tr>
<td>4. Real estate taxes</td>
<td>$</td>
</tr>
<tr>
<td>5. Utilities (gas, electricity, water, sewer, oil, trash pickup, phone/cable/satellite/internet)</td>
<td>$</td>
</tr>
<tr>
<td>6. Insurance (rental, homeowner’s, fire, extended coverage, liability, contents, flood)</td>
<td>$</td>
</tr>
<tr>
<td>7. Repairs and maintenance</td>
<td>$</td>
</tr>
<tr>
<td>8. Improvements and remodeling</td>
<td>$</td>
</tr>
<tr>
<td>9. Furnishings and appliances</td>
<td>$</td>
</tr>
<tr>
<td>10. Maintenance items (household cleansers, light bulbs, pest control, etc.)</td>
<td>$</td>
</tr>
<tr>
<td>11. Yard maintenance and snow removal</td>
<td>$</td>
</tr>
<tr>
<td>12. Other housing expense</td>
<td>$</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$</td>
</tr>
</tbody>
</table>

Signed ___________________________ Date ____________________

Adopted 2013, revised 2014