

2021 COMPENSATION GUIDELINES

**for
Rostered Ministers**



Northern Illinois Synod
Evangelical Lutheran Church in America
God's work. Our hands.

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2021 Compensation Guidelines for Rostered Ministers in the Northern Illinois Synod, ELCA

"The gifts he gave were that some would be apostles, some prophets, some evangelists, some pastors and 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 minister 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 2021 Compensation Guidelines for Rostered Ministers in the Northern Illinois Synod assist congregations and other organizations in establishing appropriate compensation packages. They are developed with awareness of various ministry settings in our synod. They are not meant to address every situation in every congregation at every time.

Close consideration should be paid to the current ministry context. This document contains information from a variety of sources: clergy compensation manuals, accountants specializing in clergy compensation and Portico. They are only guidelines. For specific questions, consult synod staff for assistance. Direct conversation with an accountant specializing in church finance/clergy compensation may also be helpful. Finally, as our benefits administrator, Portico should always be consulted.

Although congregations may struggle to meet minimum guidelines, ministers who receive minimum pay and are compensated below guidelines are most vulnerable to current economic realities. Additionally, know that it is synod policy that the guidelines be met for all first call ministers. The guidelines consider the following factors: the economic climate in our synod; past, current, and predicted economic data; and all Region 5 synods' compensation guidelines, with special attention given to those synods that border Northern Illinois.

For 2021, the guidelines have been revised for clarity but do not include a base salary increase or an increase on the value of a year of experience from the previous year. This is in response to the Covid-19 pandemic which we know will have a financial impact on a number of congregations in our synod.

Worksheets are included in the appendix to assist in calculations. Finally, remember that when the terms "pastor" or "deacon" are used, the guideline is specific for that roster. When the term "minister" is used, it refers to both rosters.

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

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I. COMPENSATION

A. Salary

1. **Base Salary – The suggested entry-level cash salary in 2021 is:**

For a minister with a Master's degree -- \$39,508; a year of service is valued at \$765.
For a minister with a Bachelor's degree -- \$34,758 a year of service is valued at \$694.
For additional years of service, see note after the tables in Appendix A.

When computing Base Salary, there are other factors to consider. The completion of annual continuing education can justify a minister's increase for adding a year of experience. Compensation beyond 25 years of experience should be agreed upon by the minister and congregation, considering factors such as retirement funding, additional vacation time, etc.

Compensation for part-time positions, such as interim ministry, should be pro-rated according to time contracted with the congregation. For instance, a minister serving one-half time with a congregation should be paid one-half the appropriate base salary.

When determining Base Salary, consider **Previous Career Experience**. As more "second career" people enter ministry, the question of a fair and equitable salary is real. Previous experience is relevant to the work of the minister. Therefore, leaders who enter 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 ministry.

2. **Annual Merit Increase** – In addition to guideline increases, an annual salary increase for merit 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 minister on a staff. It is recommended the minister and the congregation evaluate their ministry regularly, remembering that these forms are but one way to consider merit increases. Forms are online at [nisynod.org/resources/mutual ministry](http://nisynod.org/resources/mutual%20ministry).

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 and acceptable housing within the church's service area.

One way to determine a figure for Housing Allowance is to use an annual fair market rental value by the "comparable sales method." To begin, find the median value of a home in the community in which you live. Then, multiply the median value by a generally accepted rate of return, between 12 and 15%. Two examples show how values vary on opposite ends of the synod:

Example 1 – 2020 Median Home Value is \$178,252. Use 12% or \$21,390 to 15% or \$26,738 for fair market rental value as a guide for annual housing allowance.

Example 2 – 2020 Median Home Value is \$73,400. Use 12% or \$8,808 to 15% or \$11,010 for fair market rental value as a guide for annual housing allowance.

When the pastor receives a Housing Allowance, there are tax implications for both the congregation and the pastor that must be followed. For more information, consult Appendices B and D. **Congregations should review the pastor's housing allowance annually.**

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. **This assumes the congregation pays all housing related expenses.**

If the congregation does not pay all expenses, it may choose to pay a **Utilities Allowance** and/or a **Furnishings Allowance**, reflecting a fair estimate of costs, directly to the pastor. If this method is used, the pastor and congregation need to be aware of any possible tax implications.

The congregation is also encouraged to provide an **Equity Allowance**. This compensates the pastor for the loss of equity associated with not owning a home. It helps provide for the pastor and family in the event of retirement, death, or disability, as well as purchasing housing later in ministry when a parsonage is unavailable. An allowance in the range of 3-10% of the pastor's annual cash salary is recommended.

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

II. BENEFITS

A. Taxes

1. **For Pastors (Social Security Allowance for Self-Employment Tax)** – Providing for the pastor's retirement is the congregation's responsibility. However, 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 Deacons (Social Security Tax or "FICA")** – Providing for the deacon's retirement is the congregation's responsibility. Deacons are considered employees for tax purposes. The congregation is required to contribute one-half of the deacon'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.

The Portico benefit plan encourages members to live well, enhance the lives of others and to be good stewards of their faith. At the 2013 Synod Assembly, Resolution R-3 was passed that resolved that synod guidelines recommend the "Gold" level insurance coverage be offered to all ministers and lay church workers. It is also recommended that congregations provide family coverage for spouses and dependents that do not have other coverage.

Employers should use calculators for health insurance and other computations at the Portico website:

employerlink.porticobenefits.org/Home/Resources/Calculators.aspx

For ministers, Portico offers a wide variety of services ensuring wellness in all areas – while working and in retirement. It is in your best interest to be familiar with them as you develop your financial plan. myportico.porticobenefits.org.

B. ELCA Plan through Portico

1. Defined Compensation

- a. For Pastors** – Portico uses Defined Compensation to determine the amount of a congregation's required Retirement/Pension Contribution as well as the contribution for a pastor's Health and Other Benefits.
 - i. Pastor as Homeowner** – Defined Compensation is the sum of the pastor's actual cash salary, housing allowance, and ii. Social Security Allowance.
 - ii. Pastor in a Parsonage** – Defined Compensation is the sum of the pastor's actual cash salary, housing computation, and Social Security Allowance. The housing computation is: 30% of cash salary, plus any allowances paid directly to the pastor (i.e., furnishings, utility, etc.).
- b. For Deacons** – 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** – A minimum pension contribution of 12% for all ministers is strongly recommended and can be exceeded. If a congregation is unable to meet the salary guidelines, it is recommended they make their pension contribution based on guidelines. This has small financial impact on a congregation yet assists the minister greatly in retirement. Consult Portico to ensure correctness.
- 3. Optional Pension Contributions** – Use Portico to make additional pre-tax contributions toward pension, deferring tax liability. These can come from: a minister's salary, making regular deductions; the congregation, making housing equity contributions; or outside sources, such as previous retirement plans and inheritance. Consult Portico for details.
- 4. Health and Other Benefits** – Each year, Portico sets the cost of Health and Other Benefits based on a percentage of the minister's Defined Compensation. The congregation is expected to cover these costs. When a clergy couple is sponsored in Portico's Pension & Other Benefits program, each employer makes contributions to cover this benefit. Contact Portico for details.
- 5. Wellness Discount** – In the past, Portico has offered enrolled members money that can be used toward health expenses to complete wellness exercises. If the benefit is offered, it is recommended that members use this benefit.

6. **Flexible Spending Accounts (FSA)** – Portico's FSA allows members 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. Consult Portico for details.

C. Other Benefits for the Wellness of Minister & Congregation

There are many benefits to negotiate in the call process. Discussing the following items in advance can help ministers and congregations avoid conflict later when it seems that the benefits are changing.

1. **Workweek** – Because of the "On Call" nature of ministry, serious consideration needs to be given to a minister's self-care. It is recommended that ministers 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 minister(s). The congregation is encouraged to consider the tenure of the minister 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.

The congregation is responsible for substitute ministers to cover worship and pastoral care during vacation time. The following fee structure is offered for this work as a minimum reimbursement. (Note: "Mileage" assumes the current IRS rate.)

a. Pulpit and Leadership Supply Fees

- Lead 1 service, preach, and preside at Holy Communion -- \$150 + mileage
- Additional work on same date/weekend compensated as follows:
 - Multiple services -- \$25/service.
 - Additional trips (Saturday night, Sunday evening, etc.) -- \$50/service + mileage
 - Adult forums, teaching confirmation, etc. -- \$50 each

b. Additional Supply Fees

- Communion presider only at worship -- \$30/service + mileage
- Pastoral Visitation -- \$30 - \$35/hour + mileage
- Other services, such as weddings and funerals -- \$125/service + mileage by the congregation. This is in addition to any honorarium the pastor might receive from the family.

3. **Wholeness/Wellness** – It is important that ministers be well in all areas of the wholeness wheel. In addition to Portico's resources, denoted above in II. B. 5, the synod has information on the website at nisynod.org/wellness.

a. Spiritual Renewal – It is recommended that all ministers 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 minister spend this time at a retreat center or facility where the minister can fully focus on "renewal." Ministers should ensure pastoral care coverage during this time away.

b. Spiritual Guidance – It is recommended that all ministers have a spiritual guide during their time of call. Call the synod office and use local resources for assistance.

4. Family Leave – The church places a high value on family. It is vital that the minister has time to welcome a child and bond as a family. These guidelines are offered to help congregations approach situations requiring family leave in a caring manner.

a. Family leave following the arrival of a child – When a child is added to a family, either through birth, adoption, foster parenting or guardianship, consideration should be given for paid leave, typically twelve weeks. It is strongly recommended that the minister and congregation negotiate this leave policy well before the arrival of a child.

b. Family leave granted at other times – Family leave may be granted by the congregation at other times, such as during times of severe illness, trauma, or family member (see “Churchwide Organization Personnel Policies” for a definition of family member. To locate this, go to elca.org and type in human resources/personnel policies in the search bar).

The length of the leave and the salary and benefits that the congregation will provide the minister should be mutually negotiated. It is recommended that the congregation, at a minimum, provide full benefits for the minister during any family leave granted.

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

5. Temporary Disability

a. Full compensation and benefits for the first 60 days – In the event of the temporary disability of a full-time minister, 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 minister is to be paid by the congregation. See “Leadership during Vacation” under II. C. 2.

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

6. Special Occasion Gifts - Income tax regulations specify that Christmas bonuses and other special-occasion gifts given to ministers are not tax-free gifts but represent taxable compensation. Therefore, such gifts should always be reported as taxable compensation and included on the recipient's Form W-2 or 1099- MISC and on Form 1040. (Information provided by 2016-2019 Church & Clergy Tax Guide by Richard R. Hammar, JD., LL.M., CPA.

III. REIMBURSABLE EXPENSES

Reimbursable expenses are the congregation's business expenses paid to the minister. They are not compensation. The Tax Cuts and Jobs Act of 2017 magnifies the tax implications for receiving an allowance for expenses as opposed to being reimbursed for the actual expense. Therefore, congregations should consider establishing "accountable plans" for paying expenses to ministers. (e.g., pp. 65-66, 2019 Clergy Tax Return Preparation Guide for 2018 Returns by Richard R. Hammar. This resource is made available for free download online at Portico's website).

A. Automobile

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.) The IRS has occasionally changed mileage rates during the year, so be aware.
2. **Payment of a lump sum – NO LONGER RECOMMENDED** the Tax Cuts and Jobs Act of 2017 has eliminated most miscellaneous itemized deductions, including unreimbursed employee business expenses such as automobile allowance paid as an allowance in a lump sum.
3. **Congregation purchases or leases a car** – Congregations may consider the purchase or lease of an automobile for use by the minister. Often the cost to the congregation is no greater than a fair "cents-per-mile" reimbursement. Ministers will assume some IRS liability for non-business use of the vehicle. The congregation may also choose to have the minister reimburse the congregation for personal use of the vehicle at a rate comparable with the above IRS standard.

B. Continuing Education

The minister, in consultation with the congregation, is strongly encouraged to annually prepare and submit a continuing education covenant to the synod office.

1. **Continuing education reimbursement** - The ELCA recommends a minimum of \$1,500 yearly for a minister's continuing education. The minister should provide 1/3 of this amount, with the congregation providing 2/3.
2. **First Call Theological Education (FCTE)** - FCTE is an ELCA requirement for a minister's first three years of service. It helps the transition from seminary to congregational ministry. It replaces the continuing education requirement above during this time. The same financial breakdown is true: minimum of \$1,500 total, split 1/3 by minister 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 minister should negotiate handling congregational ministry during the minister'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 to develop a sabbatical leave policy. A policy should especially be in place before the calling of a new minister. Additional sabbatical information is available at nisisynod.org/resources/sabbaticals.

A Sabbatical Leave Policy should consider these points...

- a. A sabbatical leave is encouraged after 6 years** - A sabbatical permits participation in a longer program of continuing education. The minister should be encouraged to take no less than two months sabbatical leave for every six (6) years of service without reduction in salary. Some church consultants believe that sabbaticals could be taken more frequently, especially when paired with congregational planning, perhaps every three (3) to five (5) years. Although shorter, they could provide time for rejuvenation and planning for new ministries.
 - b. A sabbatical program should be planned** – The minister and the congregation benefit from sabbatical leave. It is imperative then that both work together. It is advisable to begin planning at least one (1) year before it begins. This should be done with the minister and a committee established for this purpose and eventually approved by the congregational council. 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 minister establish some sort of savings plan.
 - d. Responsibility to remain** - A minister is expected to remain with a congregation for at least one (1) year, or an appropriate time agreed upon by the minister and congregation, after completion of the sabbatical leave.
- 6. Leadership during Sabbatical** – During all Continuing Education time away, a substitute minister is to be secured and paid by the congregation. See "Leadership during Vacation" under II. C. 2. a. & b. For sabbatical leaves, compensation should be more than the standard supply preaching rate due to the interim minister's additional duties.

C. Conference Expenses

All ministers under call are required to attend meetings of the Synod Assembly and other meetings called by the bishop. Attendance of the minister 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 Minister's Accompanying Spouse

Congregations are encouraged to be sensitive to the employment needs of a relocating minister'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 re-licensing. Other non-monetary ways are especially encouraged, such as connecting the spouse with local employment agencies or potential employers.

E. Moving Costs

It is expected that a congregation will pay moving expenses for a newly called pastor. As of January 1, 2018, due to Tax Cuts and Jobs Act of 2017, moving expenses for a pastor are no longer a deductible expense except for certain members of the Armed Forces.

Therefore, any reimbursement by, or payment of, these expenses for the pastor by the congregation will need to be reported as taxable income to the pastor (W-2 form, Box 1).

F. Other Expenses

Congregations are encouraged to reimburse the minister for other expenses incurred related to the ministry of the congregation.

Approved by the Northern Illinois Synod Ministry Support Committee on May 2, 2020.

Approved by the Northern Illinois Synod Council on May 16, 2020.

Appendix A – 2021 Minister Base Salary Charts

Minister with Master's Degree

| | Yr. | Base | | Yr. | Base |
|-----------------|-----|--------|--|-----|--------|
| starting -- yr. | 0 | 39,508 | | 13 | 49,453 |
| after yr. | 1 | 40,273 | | 14 | 50,218 |
| | 2 | 41,038 | | 15 | 50,983 |
| | 3 | 41,803 | | 16 | 51,748 |
| | 4 | 42,568 | | 17 | 52,513 |
| | 5 | 43,333 | | 18 | 53,278 |
| | 6 | 44,098 | | 19 | 54,043 |
| | 7 | 44,863 | | 20 | 54,808 |
| | 8 | 45,628 | | 21 | 55,573 |
| | 9 | 46,393 | | 22 | 56,338 |
| | 10 | 47,158 | | 23 | 57,103 |
| | 11 | 47,923 | | 24 | 57,868 |
| | 12 | 48,688 | | 25 | 58,633 |

Minister with Bachelor's Degree

| | Yr. | Base | | Yr. | Base |
|----------------|-----|--------|--|-----|--------|
| starting --yr. | 0 | 34,758 | | 13 | 43,780 |
| after yr. | 1 | 35,452 | | 14 | 44,474 |
| | 2 | 36,146 | | 15 | 45,168 |
| | 3 | 36,840 | | 16 | 45,862 |
| | 4 | 37,534 | | 17 | 46,556 |
| | 5 | 38,228 | | 18 | 47,250 |
| | 6 | 38,922 | | 19 | 47,944 |
| | 7 | 39,616 | | 20 | 48,638 |
| | 8 | 40,310 | | 21 | 49,332 |
| | 9 | 41,004 | | 22 | 50,026 |
| | 10 | 41,698 | | 23 | 50,720 |
| | 11 | 42,392 | | 24 | 51,414 |
| | 12 | 43,086 | | 25 | 52,108 |

Compensation beyond 25 years of experience for ministers should be agreed upon by the minister and congregation, considering factors such as retirement funding, additional vacation time, etc.

Appendix B – Tax Implications for House Allowance

Figuring Housing Allowance in Guidelines versus 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, if 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 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. This resolution should be made at the December council meeting for the following year. So, it is the pastor’s responsibility to justify the allowance, it is the congregation’s responsibility to document, not evaluate it.

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, if 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

It is in the best interest of the pastor and congregation to be in consultation with a tax professional familiar with clergy compensation. Additionally, Portico provides excellent resources on their websites to inform the pastor (MyPortico) and the employer (EmployerLink) on the specific implications. In the past, they provided for free download a Tax Preparation Guide for Returns. **Finally, the following resource is recommended:** *IRS Publication 517: Social Security and Other Information for Members of the Clergy and Religious workers (On the IRS website at irs.org)*

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 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
 - refrigerator
 - washer and dryer
 - dishwasher
 - garbage disposal (optional)
 - air conditioning
 - cable/satellite/TV antenna
 - soft water system (if needed)
 - humidifier/dehumidifier (if needed)
2. It is recommended that the following utilities be paid by the congregation:
 - electricity
 - gas
 - water
 - internet access
 - cable/satellite TV
 - telephone
 - soft water service (if needed)
3. Items that would normally be supplied by the congregation include:
 - paint

- wallpaper
 - window coverings
 - floor coverings
 - light fixtures
 - ceiling fan(s)
4. When the pastor 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.
 6. 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.
 7. There should be an annual inspection of the parsonage that is conducted with the pastor.
 8. 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.
 9. 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.
 10. 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.)
 11. 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.
 12. The congregation should provide suitable garage space for the pastor's automobile(s). Normally, this would be space for two vehicles.

Revised March 2009, 2017

(Adopted from the Nebraska and Southeastern 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 __202__ to _____202__, 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 202_, 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 _____

Appendix D – Clergy Housing Resolution & Forms (continued)

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 __, 202__ to ____, 202__.

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.

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

Signed _____ Date _____

Adopted 2013, revised 2020

Appendix E - Salary Worksheet/Pastor as Homeowner

| | | | |
|---------------------------|---|------|------|
| Salary | Base Salary (find years of service in Appendix A) | (A.) | |
| | Merit Increase (0 - 15% of line A.) | | |
| | Enter % increase (as a whole #), even if 0 | (B.) | |
| | New Base Salary (A + B) | (C.) | |
| Housing | Determine fair amount for service area | (D.) | |
| Social Security Allowance | (C. + D.) multiplied by 0.0765 | (E.) | |
| Defined Compensation | (sum of C., D., and E.) | (F.) | \$ - |
| Benefits | Use Portico Calculator to generate these numbers https://employerlink.porticobenefits.org/home/resources/calculators | | |
| | Health | (G.) | |
| | Retirement 12% minimum | (H.) | |
| | Disability | (I.) | |
| | Group Life | (J.) | |
| | Retiree Support | (K.) | |
| | Other Contributions (flex spending, add'l retirement, etc.) | (L.) | |
| | remember to make appropriate payroll deduction | | |
| | Total to ELCA Board of Pensions | (M.) | \$ - |
| Expenses | Automobile (<u>choose one</u> : est. yearly expense) | | |
| | Standard mileage rate reimbursement | (N.) | |
| | Lump sum expense - NO LONGER RECOMMENDED | (O.) | |
| | Expense for purchase/lease of car | (P.) | |
| | Continuing Education | | |
| | Congregation pays 2/3 of \$1,500 allowance | (Q.) | |
| | Resources | | |
| | Books and other resources | (R.) | |
| | Sabbatical | | |
| | Early funding to cover costs for pastor and congregation. If none, enter 0. | (S.) | |
| | Other Expenses | | |
| | As is traditional or additional in the congregation | (T.) | |
| | Total Expenses | (U.) | \$ - |
| TOTALS | Total Compensation paid by the congregation | | |
| | Sum of (F., M., and U.) | | \$ - |
| | Total Compensation paid to pastor | | |
| | Sum of (F. & U. less S.) until sabbatical is taken | | \$ - |

Appendix F - Salary Worksheet/Pastor with Parsonage

| | | | | |
|---------------------------|---|---------------------------------------|------|--|
| Salary | Base Salary | (find years of service in Appendix A) | (A.) | |
| | Merit Increase | (0 - 15% of line A.) | | |
| | Enter % increase (as a whole #), even if 0 | | (B.) | |
| | New Base Salary | (A + B) | (C.) | |
| Housing | Parsonage Provided | | | |
| | estimated value - 30% of salary (C.) | | (D.) | |
| | Optional Utilities Allowance | | (X.) | |
| | Optional Furnishings Allowance | | (Y.) | |
| | Optional Equity Allowance | | (Z.) | |
| Social Security Allowance | (C. + D.) multiplied by 0.0765 | | (E.) | |
| Defined Compensation | (sum of C., D., E., X., Y., and Z.) | | (F.) | |
| Benefits | Use Portico Calculator to generate these numbers | | | |
| | https://employerlink.porticobenefits.org/home/resources/calculators | | | |
| | Health | | (G.) | |
| | Retirement | 12% minimum | (H.) | |
| | Disability | | (I.) | |
| | Group Life | | (J.) | |
| | Retiree Support | | (K.) | |
| | other contributions (flex spending, add'l retirement, etc.) | | (L.) | |
| | remember to make appropriate payroll deduction | | | |
| | Total to ELCA Board of Pensions | | (M.) | |
| Expenses | Automobile (choose one: est. yearly expense) | | | |
| | Standard mileage rate reimbursement | | (N.) | |
| | Lumpsum expense - NO LONGER RECOMMENDED | | (O.) | |
| | Expense for purchase/lease of car | | (P.) | |
| | Continuing Education | | | |
| | Congregation pays 2/3 of \$1,500 allowance | | (Q.) | |
| | Resources | | | |
| | Books and other resources | | (R.) | |
| | Sabbatical | | | |
| | Early funding to cover costs for pastor and congregation. If none, enter 0. | | (S.) | |
| | Other Expenses | | | |
| | As is traditional or additional in the congregation | | (T.) | |
| | Total Expenses | | (U.) | |
| TOTALS | Total Compensation paid by the congregation | | | |
| | Sum of (F., M., and U.) | | | |
| | Total Compensation paid to pastor | | | |
| | Sum of (F. & U. less S.) until sabbatical is taken | | | |

Appendix G - Salary Worksheet/Deacon

| | | | | |
|----------------------|---|---|------|------|
| Salary | Base Salary | (find years of service in Appendix A) | (A.) | |
| | Merit Increase | (0 - 15% of line A.) | | |
| | | Enter % increase (as a whole #), even if 0 | (B.) | - |
| | New Base Salary | (A + B) | (C.) | - |
| Social Security | | (C. multiplied by 0.0765) | (E.) | - |
| Defined Compensation | | (sum of C. and E.) | (F.) | \$ - |
| Benefits | Use Portico Calculator to generate these numbers https://employerlink.porticobenefits.org/home/resources/calculators | | | |
| | Health | | (G.) | |
| | Retirement | 12% minimum | (H.) | |
| | Disability | | (I.) | |
| | Group Life | | (J.) | |
| | Retiree Support | | (K.) | |
| | Other contributions (flex spending, add'l retirement, etc.) | | (L.) | |
| | | remember to make appropriate payroll deduction | | |
| | | <u>Total to ELCA Board of Pensions</u> | (M.) | \$ - |
| Expenses | Automobile (<u>choose one</u> : est. yearly expense) | | | |
| | | Standard mileage rate reimbursement | (N.) | |
| | | Lump sum expense - NO LONGER RECOMMENDED | (O.) | |
| | | Expense for purchase/lease of car | (P.) | |
| | Continuing Education | | | |
| | | Congregation pays 2/3 of \$1,500 allowance | (Q.) | |
| | Resources | | | |
| | | Books and other resources | (R.) | |
| | Sabbatical | | | |
| | | Early funding to cover costs for leader and congregation. If none, enter 0. | (S.) | - |
| | Other Expenses | | | |
| | | As is traditional or additional in the congregation | (T.) | |
| | | <u>Total Expenses</u> | (U.) | \$ - |
| TOTALS | Total Compensation paid by the congregation | | | |
| | | Sum of (F., M., and U.) | | \$ - |
| | Total Compensation paid to Deacon | | | |
| | | Sum of (F. & U. less S.) until sabbatical is taken | | \$ - |

**Appendix H – Mileage Reimbursement Form
for the month of _____, 2021**

Name: _____

Auto Miles _____ at current IRS rate: \$ _____

Tolls, Parking Fees & Other Expenses: \$ _____

Total Expenses: \$ _____

I certify the above to be true and correct: _____

(Signature of Individual Payee)

NOTE: This form is most appropriately used for reimbursement under the “standard mileage rate” with an Accountable Plan. It can also be used to document business use for a vehicle. For more details, refer to IRS Publication 463 - Travel, Gift, and Car Expenses.

| Date | Beginning Mileage | Ending Mileage | Business Mileage | Personal Mileage | Tolls & Other | Description |
|--------|-------------------|----------------|------------------|------------------|---------------|-------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
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| 12 | | | | | | |
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| 17 | | | | | | |
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| 21 | | | | | | |
| 22 | | | | | | |
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| 24 | | | | | | |
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| 27 | | | | | | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | | | | | | |
| 31 | | | | | | |
| Totals | | | | | | |