

# District Salary Guidelines



*Rev. Rick Tabisz*  
*Oklahoma District Stewardship Exec.*



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**Oklahoma District**  
Lutheran Church- Missouri Synod  
*Office of Stewardship*  
*Rev. Rick Tabisz, Oklahoma District Stewardship Exec.*

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August 6, 2018

Dear Brothers and Sisters in Christ,

Enclosed you will find the Oklahoma District Salary Guidelines for 2019. This Guideline has been created for your use after prayerful consideration by the Board of Directors of the Oklahoma District of The Lutheran Church-Missouri Synod. The Board approved these Guidelines at their regular meeting on August 11, 2018.

A tool has been added to the Oklahoma District LCMS website. Visit <http://www.okdistlcms.org/stewardship> and select "Compensation Support tool". This was developed by Concordia Plans to further assist you.

**Please Note:**

- ***Effective July 1, 2015, Concordia Plans NO LONGER offers a contribution to employees enrolled in the Concordia Health plan as in previous years. They have STRONGLY recommended that each local congregation makes up this difference. Please see page 13 for their explanation and more detail.***
- We are recommending a modest increase in the base salary of roughly 2.4%, based on CPI projections for 2019.

The Board has taken seriously the need to balance the needs of Congregations and the needs of Called Workers regarding their financial security, status and especially their retention in the Oklahoma District.

**Special Note to Congregations from the Oklahoma District Board of Directors:**

It is vitally important that our Pastors and other Church Workers receive a reasonable wage for their valuable service to the body of Christ. **Compensation indicated in the included worksheets are *minimums*.** Please refer to Scriptural Principles on page 5.

It is the understanding of the Synod's Council of Presidents who place Seminary Candidates, is that any new Called Workers (Seminary Candidates, D.C.E.'s, Teachers, Deaconess, etc.) will be compensated at the minimum level stated in each District's Salary Guidelines.

The Board of Directors does understand that these Guidelines may, or will continue, to present challenges to Oklahoma Congregations. It is hoped that Called Workers are adequately, fairly and appropriately compensated for their education level, and what they are called to do. It is with heartfelt prayer you are encouraged to diligently use the enclosure to assure adequate compensation for the called workers that serve your congregation, and to assist in the retention of called workers in the District.

In Christ,

Rev. Rick Tabisz

Oklahoma District Stewardship Exec.

*Reprinted from the minutes of the 65<sup>th</sup> Regular LCMS Convention.*

**To Support Church Workers  
RESOLUTION 3-11A**

WHEREAS , The Lord of the Church "gave the apostles, the prophets, the evangelists, the shepherds and teachers, to equip the saints for the work of ministry, for building up the body of Christ" (Eph. 4:11–12); therefore  
be it

Resolved, That congregations be encouraged to give thanks to the Lord of the Harvest for His gift of ordained and commissioned workers in His harvest field; and be it further

Resolved, That congregations be encouraged to pray for the general well-being of their church workers and their families; and be it further

Resolved, That congregations be encouraged to provide salaries for church workers that meet or exceed established guidelines in their districts; and be it further

Resolved, That each LCMS congregation be encouraged to establish a "worker wellness committee" that would have as its primary focus the well-being of the congregation's church workers and their families; and be it further

Resolved, That congregations encourage and support financially the continuing education of their called workers; and be it further

Resolved, That congregations find ways, informal and formal, of expressing appreciation to their church workers for the sacrificial service they offer; and be it finally

Resolved, That the Office of National Mission be charged with providing guidelines and resources for districts and congregations to accomplish these tasks

Res. 3-11A "To Support Church Workers" (TB, pp. 245f.) was introduced by the committee. After discussion, the chair sought the will of the convention and called the vote. The resolution was adopted [Yes: 936 (98.6%); No: 13 (1.4%)].

## **Table of Contents**

<b>Reprint of Resolution 11A from LCMS Convention .....</b>	<b>3</b>
<b>Scriptural Principals .....</b>	<b>5</b>
<b>Recommendations to Congregations .....</b>	<b>6</b>
<b>I. Compensation Plan .....</b>	<b>6</b>
A. Base Salary	
B. Salary Increment Table	
C. Additional Factors	
D. Housing Allowance	
1. Self-Owned Housing	
2. Parsonage or 'Teacherage'	
E. Utilities	
F. Household Allowance	
G. Home Equity	
<b>II. Social Security Tax (FICA).....</b>	<b>11</b>
A. Congregational Workers	
B. Self-employed Workers	
<b>III. Unemployment Taxes .....</b>	<b>12</b>
<b>IV. Additional Allowances .....</b>	<b>12</b>
A. Automobile	
B. Continuing Education	
<b>V. Benefits .....</b>	<b>12</b>
A. Retirement and Health	
B. Concordia Retirement Savings Plan changes	
C. Vacation	
D. Sick Leave	
E. Personal Time Off	
F. Moving Expenses	
G. Utilities	
<b>VI. Other .....</b>	<b>14</b>
A. Pastoral Vacancies	
B. Visiting Pastors	
Worksheet for Determining Salaries .....	15
Sample Worksheet for Determining Salaries .....	16
Sample Resolutions to Establish Housing Allowances.....	17
Housing Allowance Designation .....	18
Salary Guideline Worksheet .....	19
Worksheet for Calculation of Taxable Income .....	20
<b>Appendix A .....</b>	<b>21</b>
<b>Sample Form 1040 .....</b>	<b>22</b>

## **Scriptural Principles**

You are encouraged to review these significant Scriptural Principles when developing an appropriate compensation plan for Called Workers.

Paul wrote,

*“Let spiritual leaders who lead well be considered worthy of double honor, especially if their work is preaching and teaching, because the Scripture says: ‘When the ox is treading out the grain, do not muzzle him’ and ‘a worker deserves his pay.’ ”*  
[1 Tim. 5:17-18]

Advising His disciples about their service, Jesus said,

*“Stay in that house and eat and drink whatever they have, since a worker earns his pay.”*  
[Luke 10:7]

In the Small Catechism, Luther included a section called Table of Duties.

Under the heading ‘What Hearers Owe Their Pastors’, Luther cites the references below as well:

*“In the same way the Lord has commanded that those who preach the Gospel should receive their living from the Gospel.”*  
[1 Cor. 9:14]

*“Let the person who is taught the Word share all good things with his teacher. Make no mistake about this; you can not fool God. For whatever a person sows he will also reap.”* [Gal. 6:6-7]

*“We ask you fellow Christians, to appreciate those who work with you and who lead you in the Lord and who warn you. Love them and think very highly of them on account of the work they are doing. Live in peace with one another.”*  
[1 Thess. 5:12-13]

*“Obey your leaders and submit to them for they must give an account of how they watched over your souls. Obey them so that they may be happy in their work and do not have to complain about you, for that would not be to your advantage.”*  
[Heb. 13:17]

It is the Gospel of peace with God through forgiveness in Christ [Romans 5:1] that motivates congregations and workers to deal faithfully and responsibly with and toward each other. God’s promises are sure...

*“...Bring the whole tithe into the storehouse, that there may be food in my house. Test me in this,” says the LORD Almighty, “and see if I will not throw open the floodgates of heaven and pour out so much blessing that you will not have room enough for it.... ”*  
[Malachi 3:10]

Finally, Paul put it in perspective for us:

*Do I say these things on human authority? Does not the Law say the same? For it is written in the Law of Moses, “You shall not muzzle an ox when it treads out the grain.” Is it for oxen that God is concerned? Does he not speak entirely for our sake? It was written for our sake, because the plowman should plow in hope and the thresher thresh in hope of sharing in the crop. If we have sown spiritual things among you, is it too much if we reap material things from you?*

*If others share this rightful claim on you, do not we even more? Nevertheless, we have not made use of this right, but we endure anything rather than put an obstacle in the way of the gospel of Christ. Do you not know that those who are employed in the temple service get their food from the temple, and those who serve at the altar share in the sacrificial offerings? In the same way, the Lord commanded that those who proclaim the gospel should get their living by the gospel. [1 Cor. 9:8-14]*

## **Recommendations to Congregations**

Individual congregations are the final authority in all matters pertaining to fulfillment of the mission that Jesus Christ has given to His Church. A District or Synod can offer guidance and support where needed or requested.

Based on the Scriptural Principles noted on Page 3, the following Recommendations are intended to assist your congregation in approaching the task of developing equitable and fiscally sound standards for the compensation of your professional church workers. Each professional church worker has unique education, experience, leadership responsibility, and setting. Compensation should be adapted for each individual as appropriate.

*Please note: It is easy to look at the tables and calculate a salary. However, it is strongly suggested that the congregation seriously considers the “additional factors” noted on page 6, so that each church worker is appropriately compensated.*

Adequate compensation is defined as a level of compensation that provides for the physical well-being of the worker and the worker’s family, thereby releasing the worker from undue financial concern. This allows the worker the freedom to give full devotion and attention to the performance of his/her duties.

As you consider financial compensation for professional church workers, keep these goals in mind, so that:

- God will be glorified
- The ministries of your congregation will be honored and the congregation can celebrate its demonstration of love and respect for those called to serve.
- Your church workers will experience a sense of appreciation and fulfillment for their ministry among you.
- Financial concern will not hinder young people in considering opportunities for full-time service in the church. This is especially true for those who are carrying substantial student loan debt.

## **I. Compensation Plan (Salary Guidelines) A. Base Salary**

The Base Salary for 2019 is \$36,200. This represents a modest increase of 2.4% (rounded off) which tracks with the projected COLA.

Please note: **This figure does NOT include housing allowances.** Note that housing allowance is not subject to federal income tax for ordained or commissioned ministers or for called teachers. However, housing allowances are included with salary in the determination of Social Security Tax (FICA).

The Base Salary is the starting point in determining fair compensation for professional church workers. The next step is to adjust the Base Salary (\$36,200) in light of the professional church worker’s level of education and his/her years in the ministry. This is done by finding the relevant number on the appropriate Salary Increment Table and multiplying it by the Base Salary (\$36,200). Note: All tables have been combined for clarity. See page 7 for the combined Table.

**Salary Increment Table**

The increment table method of salary computation provides a way to account for the professional church worker's level of education and years of experience. Total ministry experience should be considered and not just the years at one particular congregation/school. This table applies only to Base salary. It does not include additional allowances such as mortgage or rent payments, utilities, household, social security, Concordia Plans, auto, equity-offset, etc.

**UNADJUSTED BASE SALARY FOR 2019 is: \$36,200**

		Level of Education																	
		Lay Worker		Professional Church Workers											Pastors*				
		Lay Worker	Licensed/ Certified	BA	BA+4	BA+9	BA+18	BA+27	MA	MA+9	MA+18	MA+25	MA+35	MA+45		MDiv	MDiv+7	MDiv+17	MDiv+27
Years in the Ministry	0	0.80	0.90	1.00	1.02	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36	0	1.24	1.28	1.32	1.36
	1	0.82	0.92	1.05	1.07	1.09	1.13	1.17	1.21	1.25	1.29	1.33	1.37	1.41	1	1.29	1.33	1.37	1.41
	2	0.84	0.94	1.10	1.12	1.14	1.18	1.22	1.26	1.30	1.34	1.38	1.42	1.46	2	1.34	1.38	1.42	1.46
	3	0.86	0.96	1.15	1.17	1.19	1.23	1.27	1.31	1.35	1.39	1.43	1.47	1.51	3	1.39	1.43	1.47	1.51
	4	0.88	0.98	1.20	1.22	1.24	1.28	1.32	1.36	1.40	1.44	1.48	1.52	1.56	4	1.44	1.48	1.52	1.56
	5	0.90	1.00	1.25	1.27	1.29	1.33	1.37	1.41	1.45	1.49	1.53	1.57	1.61	5	1.49	1.53	1.57	1.61
	6	0.92	1.02	1.30	1.32	1.34	1.38	1.42	1.46	1.50	1.54	1.58	1.62	1.66	6	1.54	1.58	1.62	1.66
	7	0.94	1.04	1.35	1.37	1.39	1.43	1.47	1.51	1.55	1.59	1.63	1.67	1.71	7	1.59	1.63	1.67	1.71
	8	0.96	1.06	1.40	1.42	1.44	1.48	1.52	1.56	1.60	1.64	1.68	1.72	1.76	8	1.64	1.68	1.72	1.76
	10	1.00	1.10	1.45	1.47	1.49	1.53	1.57	1.61	1.65	1.69	1.73	1.77	1.81	10	1.69	1.73	1.77	1.81
	12	1.03	1.13	1.50	1.52	1.54	1.58	1.62	1.66	1.70	1.74	1.78	1.82	1.86	12	1.74	1.78	1.82	1.86
14	1.06	1.16	1.55	1.57	1.59	1.63	1.67	1.71	1.75	1.79	1.83	1.87	1.91	14	1.79	1.83	1.87	1.91	
16	1.09	1.19	1.60	1.62	1.64	1.68	1.72	1.76	1.80	1.84	1.88	1.92	1.96	16	1.84	1.88	1.92	1.96	
18	1.12	1.22	1.65	1.67	1.69	1.73	1.77	1.81	1.85	1.89	1.93	1.97	2.01	18	1.89	1.93	1.97	2.01	
20	1.15	1.25	1.70	1.72	1.74	1.78	1.82	1.86	1.90	1.94	1.98	2.02	2.06	20	1.94	1.98	2.02	2.06	
25	1.20	1.30	1.75	1.77	1.79	1.83	1.87	1.91	1.95	1.99	2.03	2.07	2.11	25	1.99	2.03	2.07	2.11	
30	1.25	1.35	1.80	1.82	1.84	1.88	1.92	1.96	2.00	2.04	2.08	2.12	2.16	30	2.04	2.08	2.12	2.16	
35	1.30	1.40	1.85	1.87	1.89	1.93	1.97	2.01	2.05	2.09	2.13	2.17	2.21	35	2.09	2.13	2.17	2.21	
40	1.35	1.45	1.90	1.92	1.94	1.98	2.02	2.06	2.10	2.14	2.18	2.22	2.26	40	2.14	2.18	2.22	2.26	

\* Pastors include ordained men who have completed Mdiv or Alternate Route (3-year residential) studies at CSL or CTSFW

**NOTES:**

*This table applies to base salary only. In addition, compensation should include:*

- A Retirement Program
- Health Insurance
- Professional Growth Opportunities (Continuing Education / Conferences, etc)
- Auto/Travel expenses
- Ministry Related expenses in addition to salary and housing

**Example #1:** A pastor has been in the ministry for 5 years and has a Master of Divinity plus 17 additional credit hours of education:  $\$36,200 \times 1.57 = \$56,834$  plus additional allowances as follows.

**Example #2:** A schoolteacher has 10 years in the ministry and 18 additional credit hours of education:  
 $\$36,200 \times 1.53 = \$55,386$  plus additional allowances as follows below.

### **C. Additional Factors**

Besides years of experience and additional education, other factors should be considered as part of the professional church worker's compensation. They are listed below.

1. **Size of Congregation** - Using the assumption that worship attendance is the best indicator of congregational size and growth, the increment factor for professional church workers should increase as the worship attendance increases.

#### **Weekly Worship Attendance**

0 - 99 is used as the base increment factor  
 100 - 199 should add .015 to the base factor  
 200 - 299 should add .030 to the base factor  
 300 - 399 should add .045 to the base factor  
 400 - 499 should add .060 to the base factor  
 500 - 599 should add .075 to the base factor

Each additional increase of 100 would add an additional factor of .015.

2. **Dual Parish** - An increment factor of .10 should be added to the base for a professional church worker serving dual parishes.
3. **Staff Size** - If the congregation has more than one pastor, or more than one added staff member, an additional increment factor of .10 - .25 is recommended to be added to the base for the senior or sole pastor.
4. **Responsibility Factors** –  
 Other professional workers might have other factors that should be considered and compensated such as a teacher expected to coach some sports, or be in charge of congregation's music program. Some examples follow:

#### **Table B - Administrative/Supervisory Factor**

Select an appropriate factor for the position. Increase it for years in the position.

.01 - .15	Size Factor
.05 - .10	Athletic Director
.05 - .15	Early Childhood Director
.05 - .20	DCE/DCO
.05 - .30	Principal

#### **Table C - Additional Responsibility Factor**

For additional responsibilities that are not compensated for in the base call or contract.

.01 - .03	Coaching (Per Sport)
.01 - .03	Oversized Classes
.01 - .08	Asst. ECE Director
.01 - .08	Librarian
.01 - .10	Band Director
.01 - .10	Choir Director



.01 - .20	Asst. Principal
.05 - .20	Regular Organist

**5. Additional Compensation** - This section is designed to involve professional church workers as well as congregations in the salary setting procedures.

Additional adjustments may be made to compensate for life-experience skills useful to ministry, such as for second-career church workers.

An incremental factor from .01 to .20 can be added at the congregation's discretion.

Special consideration should be made with regard to congregations in well-to-do areas, so that the pastor's compensation falls in line with the leadership of the congregation. This can be an adjustment based on an incremental percentage from .01-.40 or a strict dollar amount, depending upon local circumstances.

**C. Housing Allowance**

A household allowance includes the normal expenses of maintaining a household such as the purchase, maintenance and replacement of furnishings, lawn care, etc. If a worker lives in housing owned and maintained by the congregation, it is still of benefit to the worker and the congregation to grant a household allowance.

**1. Self-Owned Housing** - Where the congregation provides a cash housing allowance to its professional church worker, such allowance should be large enough to enable the worker to secure and maintain adequate housing. The amount will vary depending upon the economic conditions of the area and should be reassessed annually. For tax purposes, the allowance cannot exceed the fair rental value of the home and furnishings plus utilities.

**Note:** The tax advantage of the housing allowance can be gained only if the eligible worker's total compensation is divided into "salary" and "housing allowance" by the congregation. Only separately stated housing allowances can be excluded from taxable income. The worker cannot arbitrarily exclude part of the salary. The separate allowance must be documented annually in a contract, in voter's minutes, or in the budget before the new salary is paid. Salary and housing allowance can be paid in one paycheck. Unused portions of a housing allowance are considered as taxable income.

Note: Some accountants suggest that the housing allowance should not exceed 50% of total income, as exceeding that amount may cause the IRS to flag the return for possible audit.

(Page 16 contains some sample resolutions for establishing housing allowances.)

This action may be amended at any time but must be applicable to future payments (not retroactive). Once the amount of the allowance has been properly designated, it need not be paid to the worker separately. It can be included in one check covering both salary and housing allowance.

This housing exclusion is available only if the worker actually spends the allowance expense directly related to renting or providing a home. For this purpose, the term "home" not only means "dwelling place" but also includes related structures such as a garage. Expenditures directly related to renting or providing a home include payment and mortgage installment payments on a home and such related

expenditures as real estate commission, attorney fees, etc., utilities, garbage removal, repairs and maintenance, insurance and home furnishings. Receipts should be maintained by the church worker.

- 2. Parsonage or 'Teacherage'** - Where housing is provided for the church worker, it is recommended that the congregation assume full responsibility for all housing related costs to include general maintenance and repairs, decorating, utilities and telephone.

A worker living in a parsonage or teacherage may also receive a housing allowance to cover the cost of such items as garbage removal, lawn care, home furnishings, repair and maintenance, etc. if any of these costs are paid directly by the worker. If the congregation prefers to have the church worker pay for utilities, it should carefully determine the actual costs and provide an allowance adequate to cover the total costs.

It should be noted that a parsonage or 'teacherage' benefits both congregation and the professional worker. Many young workers would have great difficulty in purchasing a house. When the congregation owns the house, the worker is freed from worrying about maintenance and upkeep. The congregation is freed from providing additional compensation annually for its workers.

It should be noted that the pastor has to pay additional Social Security tax on the value of living in congregationally owned housing which is considered income for Social Security purposes. This is depicted on page 7.

### **Utilities**

A utility allowance for those with a parsonage (or 'teacherage') should include heat, electricity, water, sanitation and telephone. The costs of long distance calls are to be paid by the worker. If a utilities allowance is granted, it should be a fair and accurate estimate and paid monthly by the congregation to the worker.

## **F. Home Equity**

A worker living in a congregation-owned house is also "paying" a rental fee in the form of reduced income. Unlike the homeowner he does not have the opportunity to build equity in a home. At the time of retirement, the worker is also without a home. To correct this inequity, it is recommended that the congregation provide a tax-sheltered annuity, endowment, contract, equity allowance, or a similar asset to help protect the worker's future. Professional advice should be sought when setting up an allowance.

Alternatives to direct housing allowance must be carefully developed to avoid misunderstandings and influencing mobility. The values built up in any equity program belong to the worker whether he stays or leaves the congregation/school.

The current recommendation for financial assisted congregations is an equity allowance of \$1,200 per year.

**II. Social Security Tax (FICA)****A. Congregational Workers**

Congregations must withhold social security tax from the salaries of all workers except those that are self-employed. There currently are three classifications of workers who are considered as self-employed. These are ordained ministers, commissioned ministers and called teachers. When paying the tax, the congregation must match the amount withheld from worker's paychecks.

Note to Congregations:

Payment of the taxes must be made on a Federal Tax Deposit Coupon (Form 8109) and can normally be made at most financial institutions. The date the tax is due will depend on the amount of withholding. See circular E or IRS Publication 15 on when the tax must be paid. As of this date, the current rate of tax is 7.65% for employees and 7.65% for employers. Failure to pay the tax will result in costly penalties. Failure to pay the tax on time will also result in costly penalties.

**B. Self-employed Workers**

There currently are three classifications of workers who are considered as self-employed. These are ordained ministers, commissioned ministers and called teachers. The current tax rate for the self-employed person is 15.3%. The rate applies to both "salary" and "housing."

Please refer to Appendix A on pages 19-20 for further explanation and a sample form 1040.

**III. Unemployment Taxes**

Per Circular E or Publication 15, churches are exempt from paying Federal Unemployment Tax (FUTA).

The Oklahoma Tax Commission follows the federal guidelines and exempt churches from paying Oklahoma Unemployment Taxes.

**IV. Additional Allowances****A. Automobile**

If the congregation does not furnish its clergy or teachers with a car and pay for all church business related expenses, the congregation should provide an allowance to cover such expenses that include operation, maintenance, replacement and insurance.

The current mileage rate is prevailing IRS guideline per mile for all business miles driven. For 2017, the IRS Mileage rate is 53.5 cents / mile. Updated rates are published annually by the IRS at [www.irs.gov](http://www.irs.gov).

Because of the rider to the Family Support Act of 1988, it is advisable for congregations to consider the "accountable method" of reimbursement that is explained in the Lutheran Witness Reporter article of March 13, 1989. Another source is the Abingdon Clergy Income Tax Guide.

**B. Continuing Education**

It is to the advantage of congregations to encourage continuing education (post graduate work, seminars, workshops, etc.) by assisting the professional worker in providing a "Continuing Education" allowance. Amounts set aside for continuing education is not to be added to the workers compensation but held in account until needed. The worker should be encouraged to have an annual plan for continuing education for their benefit and for the benefit of those they serve. If travel is required, these costs should be covered as well as other related costs. The worker should not be expected to use vacation time for attendance of continuing education activities.

A *minimum* of \$350 (excluding travel costs) per year should be budgeted to be used for continuing education (seminars, classes, books, tapes, etc.) for each full time professional.

**V. Benefits****A. Retirement and Health**

Congregations are *strongly* encouraged to consider paying the cost of both retirement and health/hospitalization plans for full time workers. Employers (Congregations) have a number of alternatives where these benefits can be purchased. One of those companies, Concordia Plan Services (CPS), was created by the LCMS to specifically care for its church workers. CPS offers a menu of options in providing Health Insurance, Retirement funds, and Disability and Life Insurance. CPS health coverage gives access to a broad network of quality healthcare providers managed by best-in-class administrators. CPS also has access to other resources to promote the physical, spiritual, and financial well-being of church workers. By participating in the benefit plans of CPS, employers are also assisting other disadvantaged ministries and members. Each year, enrollment information packets are usually sent out to LCMS employers by late July. Open enrollment in 2016 will be from September 9 to October 14. The CPS website is <http://www.concordiaplans.org>. Detailed information on the Concordia Plans can be obtained by calling the Concordia Plans office in St. Louis at 1-888-927-7526 or by emailing them at [info@concordiaplans.org](mailto:info@concordiaplans.org).

It should be noted that Concordia Plans rate increases are running significantly lower than the projections of 15-40% expected by the "Affordable Health Care Act".

One additional thought regarding Concordia Plans: This is a self-funded plan limited to LCMS participating congregations and church workers. Our low risk pool, excellent management and not-for-profit status are reasons why the costs are comparatively low. We encourage all congregations to participate in this program.

**B. Changes to Concordia Retirement Savings Plan**

*The following is a statement from Concordia Plan Services (dated 8/28/14):*

The Concordia Retirement Savings Plan (CRSP) is a 403(b) savings plan that currently allows workers to invest pre-tax dollars for retirement.

Beginning July 1, 2014, the mandatory employer match (also called the Basic Match) will no longer be automatic. Eligible employees are still able to contribute their own salary deferrals to the CRSP, and going forward CRSP Employer Contributions will be available. Employers are not required, but may choose to, offer CRSP Employer Contributions to their

workers. These CRSP Employer Contributions can be in the form of matching contributions (provided to only participating workers) or non-elective contributions (provided to all eligible workers, regardless of participation in the CRSP). If elected, CRSP Employer Contributions will be remitted by the employer at the same time, and in the same manner, that the employer remits regular employee deferrals.

Additionally, effective January 1, 2014, the CRSP is available for adoption to all employers who offer the Concordia Retirement Plan regardless of participation in *The Church's Plan* bundle. Additional administrative fees may apply.

For more information, or to elect CRSP Employer Contributions or adopt the CRSP, visit Concordia Plans' website at [www.ConcordiaPlans.org](http://www.ConcordiaPlans.org) or call 888-927-7526.

### **Concordia Retirement Plan (CRP) Participation Basis:**

Ministers of Religion and eligible Deaconesses are classified by Social Security as "self-employed." Therefore, employers normally do not contribute to Social Security for them. All such workers enrolled in the Concordia Retirement Plan (CRP) as a "new worker" on January 1, 1982 or after participate, on the Regular Basis. Ordained and commissioned Ministers of Religion who were participating in the CRP prior to January 1, 1982, who were deemed to be self-employed persons under Social Security laws and whose self-employment status has not terminated – and whose participation in the CRP has not terminated for a period of more than five years – may be eligible to participate in the CRP on a Full Basis. Workers who are eligible to participate on the Full Basis may choose to participate on either the Regular or Full Basis.

There has been no change to participation basis for the Concordia Retirement Plan. If someone is a Full Basis participant, he/she will continue to be a Full Basis participant; likewise for Regular Basis. What has changed is that Concordia Plan Services (CPS) has removed language from the CRP document that "required" employers to pay rostered, Regular Basis participants an additional 3% of pay to make up for the difference in the contribution rate between Full Basis and Regular Basis. As a reminder, in a letter sent to all rostered workers from the Council of Presidents and CPS:

**"However, the Council of Presidents, along with Concordia Plan Services, strongly encourages all ministries that have been making the offset payment to such rostered workers to continue to do so beyond July 1, 2014.** To remove the payment now would be the equivalent of a salary reduction – an action that should only be taken in dire circumstances.

Of course, ministries may make changes for new workers. However, if a ministry is calling a new worker from another ministry they should be clear in communicating their position and practice in future offset payments."

In addition to consideration of the difference in contribution rate for the CRP, it is also important for ministries to consider what is paid on behalf of non-rostered workers for Social Security and Medicare and accordingly make compensation decisions for rostered, Regular Basis workers.

For more information on participation in the Concordia Retirement Plan, contact  
Concordia Plans at 888-927-7526.

{End of CPS Excerpt}

## **Vacation**

Vacation is part of the worker's compensation package. A worker's planned days off or weeks off should be reviewed annually and made a part of the Voter's or Council's minutes. Vacation does not need to be taken all at once. The following is the Oklahoma District's current recommendation.

### **Days of Vacation**

[Includes Saturdays and Sundays]

#### **Total Years of Service**

##### **Commissioned Ministers**

1-5 yrs	14 days * [2 wks]
5-15 yrs	21 days * [3 wks]
15+ yrs	28 days * [4 wks]

##### **Ordained Ministers**

21 days [3 wks]
28 days [4 wks]
35 days [5 wks]

\*In addition to these days, Commissioned Ministers may be allowed the Christmas Recess and Spring Break as “down time”, not to be counted as vacation time.

Years of service should be cumulative for all workers. Vacations should not be considered by the worker's years of service in their current position only.

There are a couple of things to bear in mind about vacation time. Many holidays are interwoven with the church year and are not much in terms of a break for the professional church worker and may actually involve an increased workload. Certainly the professional church worker greatly desires to share the special significance of God's grace during the holiday season but this is worth noting when considering vacation time.

Another consideration is simply the realization that often the professional church worker and spouse are separated by many miles from their families making vacation time all the more valuable.

Any absence beyond the limits allowable for vacation is the responsibility of the worker. Illness is to be considered outside the guidelines pertaining to vacation or an absence for other matters. Pulpit exchange and all related expenses are the responsibility of the worker. Churches are encouraged not to count part-time military chaplaincy as vacation.

## **B. Sick Leave - Hospitalization – Disability**

See the recommendations of the Concordia Plans. Consult recent Worker Benefit Plan publications for additional information.

**C. Personal Time Off**

Each congregation should have an understanding with the full time workers concerning personal time off due to family sickness, death or other emergencies. There should also be an understanding with clergy of taking one or two day(s) off during each week.

**D. Moving Expenses**

When a congregation calls a professional church worker, it should pay all necessary and reasonable moving expenses of the worker and their family.

**Note:** The IRS says that any compensation paid to an individual or paid on their behalf is taxable income to the individual. The employer, the church or school, is required to complete Form 4782 - "Employee Moving Expense Information" and must include the amount of the moving expense on the individual's W-2. The pastor/teacher can deduct the amount on their income tax return.

**E. Utilities**

If the worker provides housing, the congregation should set a utility allowance. The amount will vary depending on location.

**VI. Other****A. Pastoral Vacancies**

Congregations that are not being served by a pastor should adequately compensate a pastor filling the vacancy by providing pastoral services to them. It is suggested that one-half of the previous pastor's salary should be used for compensation, excluding housing allowance and depending on the workload. Consultation with the Circuit Counselor will be helpful in determining an appropriate amount. All expenses should be paid.

**B. Visiting Preacher**

The suggested minimum remuneration for pastors coming to lead worship at a congregation is \$150 per worship service plus all travel expenses.

In the event of a pastoral vacancy, it may be necessary to make arrangements with a pastor to visit congregation members who are shut in or in the hospital. This vital ministry would include the blessing of the Sacrament of the Altar and other ministry as required.

## **Worksheet For Determining Salaries**

- A.** Base salary is \$36,200
- B.** Total years of experience
- C.** Educational level
- D.** Factor from Increment table
- E.** Additional Factors
1. Dual Parish
2. Size of Congregation
3. Senior Pastor
4. Other Factors
5. Additional Compensation
- Total Additional Factors
- F.** Add factor from Increment Table (D)
- add the total of Additional Factors (E)
- G.** Multiply (F) times (A) equals salary



## **Sample Worksheet For Determining Salaries**

<b>A.</b>	Base salary is	\$ 36,200
<b>B.</b>	Total years of experience	<u>6</u>
<b>C.</b>	Educational level	<u>MA + 27</u>
<b>D.</b>	Factor from increment table	<u>1.58</u>
<b>E.</b>	Additional Factors	
	1. Dual Parish	<u>.10</u>
	2. Size of Congregation	<u>.03</u>
	3. Senior Pastor	<u>.10</u>
	4. Total Additional Factors	<u>.23</u>
<b>F.</b>	Add factor from Increment Table (D) and the total of Additional Factors (E)	<u>1.81</u>
<b>G.</b>	Multiply (F) times (A) equals salary	<b>\$65,522</b>

**Sample Resolutions For Establishing Housing Allowance****Sample 1**

**RESOLVED**, that (name of congregation) as a Standing resolution to remain in force and effect until such time as amended or revoked hereby authorizes and establishes a housing allowance for each Minister of the Gospel while serving in the amount of \$ per year.

**Sample 2**

**RESOLVED**, that (name of congregation) as a Standing Resolution to remain in force and effect until such time as amended or revoked hereby authorizes and establishes a housing allowance for each Minister of the Gospel while serving in an amount each year to equal \_\_\_\_\_% of that person's gross annual compensation.

**Sample 3**

**RESOLVED**, that (name of congregation) as a Standing Resolution to remain in force and effect until such time as amended or revoked hereby authorizes and establishes a housing allowance for (individual's name) while serving in the amount of \$ per year.

**Sample 4**

**RESOLVED**, that (name of congregation) as a Standing Resolution to remain in force and effect until such time as amended or revoked hereby authorizes and establishes a housing allowance for (individual's name) while serving in an amount each year equal to \_\_\_\_\_% of that person's annual compensation.

**Sample 5**

Be it resolved that the dollar amounts noted adjacent to the names of those individuals listed below, be stipulated as rental allowance for the year \_\_\_\_\_ in accordance with the regulations of the Internal revenue Service. It should be noted that each of those individuals fully understands that the burden of proof is upon them to substantiate those amounts. (List the professional workers below.)

### **Housing Allowance Designation**

In compliance with the IRS ruling for housing allowance that provides for advance declaration of the amount of housing allowance before receipt of payment. I (we) make the following declarations:

<b><u>ITEM</u></b>	<b><u>AMOUNT</u></b>
Housing Payments (Principal and Interest or Rental)	
Taxes	
Utilities	
Telephone	
Insurance	
Maintenance	
Repairs	
Furnishings	
<b>Total</b>	\$

I (we) request that name and location of congregation take formal action to designate \$\_\_\_\_\_ of my 20\_\_\_\_ remuneration as "Housing Allowance" and record same into the minutes of the Voter's or Council meeting to be held (insert date). I (we) understand that this is my (our) declaration and the burden of proof is Mine (ours) in the event I (we) would be challenged and had to prove the amounts indicated above.

_____	_____	_____
(Signature)	(Signature)	(Date)

<b>Note: If the tax return is filed as a joint return, both the husband and wife should sign.</b>
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**Salary Guideline Worksheet****Present Year                      Next Year****A.      Base Salary (Taxable)**

(Based on Increment Table)

**B.      Allowances**

1. Mortgage/Rent

2. Utilities

3. Household Expenses

4. Equity

5. Social Security (Taxable for Self-employment)

**C.      Additional Allowances**

1. Automobile

2. Library

3. Continuing Education

4. Required Conferences

5. Supply Pastor/Substitute Teacher

6. Other

**D.      Benefits**

1. a.      Retirement

b.      Health

c.      Survivor/Disability

2. Worker's Compensation

**TOTAL SALARY PACKAGE**

**Worksheet for Calculation of Taxable Income****Pastor's Name****Year****Gross Salary** (Including Housing/Parsonage Allowance) ..... \$ \_\_\_\_\_

Add: Unexpended Allowances .....

Less: Tax Sheltered Annuity ..... ( \_\_\_\_\_ )

**Subtotal for purposes of Schedule SE** ..... \$

Add: Worker Benefit Plans - Taxable Income to be reported (CPH Form).....

Less: Housing/Parsonage Allowance.....

**NET SALARY REPORTED ON FORM W-2** ..... \$**Note: A copy of this worksheet should be given out with the W-2's.**

## Appendix A

IRS publication 505, "Tax Withholdings and Estimated Tax" provides detailed information on the change in computing self-employment taxes. A paragraph from publication 505 is reproduced below.

**Deduction for Self-employment Tax** - You can deduct one-half of your self-employment tax for the year as a business expense in figuring adjusted gross income. This is an income tax deduction only and is not a deduction in figuring net earnings from self-employment subject to self-employment tax.

The following page offers a simplified tax return to illustrate the deductions.

The sample scenario is as follows: The pastor is married with two children. His spouse is not employed. He receives full reimbursement for auto and professional expenses so does not have to claim those expenses on his tax return. He receives a cash salary of \$32,000 (\$2,000 of this is designated as a parsonage allowance). He lives in a parsonage provided by his church with a fair rental value of \$8,000 that includes all utilities and upkeep.

### Sample Form 1040

Line 7 -	Earnings Form W-2 .....	\$30,000
	(No other income)	
	(Parsonage allowance fully spent)	
Line 23 -	Total Income .....	\$30,000
	Adjustments to Income:	
Line 24 -	Deduction from Self-employment Tax .....	(\$2,826)
	(From Schedule SE, line 10*)	
	Adjusted Gross Income .....	\$27,124

\*The self-employment calculation is done at this point to determine the amount of the adjustment to gross income.

### Schedule of self-employment earnings:

W-2 earnings .....	\$30,000
Parsonage allowance .....	2,000
Fair rental value of parsonage .....	8,000
Total self-employment income .....	\$40,000
(Carry to Schedule SE, Line 1)	

### Schedule SE - Self-employment tax calculation

Line 2 -	Total SE Earnings - No adjustments .....	\$40,000
Line 7 -	Gross income subject to SE tax \$40,000	
	Deduction allowed x 7.65% .....	<u>3,060</u>
	Balance.....	\$36,940
Line 8 -	Rate of tax .....	15.3%
Line 9 -	Self-employment tax .....	\$5,652
	(Carry forward to Form 1040, Line 48)	
Line 10 -	Adjustment to Gross Taxable Income	
	Line 9 x 50% =.....	\$2,826
	(Carry forward to Form 1040, Line 24)	

As the example illustrates, both deductions are figured on the self-employed tax forms. The intent of these adjustments is to put the self-employed persons on the same basis as employees who do not pay tax on their employer's contribution to social security.

If a congregation assists a worker by giving a Social Security allowance then, even though it must be included as income on the W-2, these adjustments relieve the worker of the additional tax on the additional income. Thus the worker receives the full benefit from the additional income and puts the worker on equal footing with the lay worker.

In the example shown, the tax savings result as follows:

Reduction in Gross Taxable Income .....	\$2,826
Income tax rate at 15% = tax savings .....	\$424
Reduction in Self-employment Income .....	\$3,060
SE tax rate at 15.3% = tax savings .....	468
Total tax savings .....	\$892

Home-owning self-employed workers are similarly benefited. Instead of using fair rental values, they must include the amount of their salary designated as a housing allowance.