

GRACE PRESBYTERY
2011 COMPENSATION REPORT FORM WORKSHEET

PART ONE: Compensation subject to Board of Pension Dues

1. Annual Cash Salary

\$ _____

Annual Cash Salary - Annual Cash Salary refers to compensation paid to a minister on a regular basis. (Monthly, Semi-Monthly or Weekly). Employed minister's salary is to be reported on Form W-2, Box 1. Ministers are not to use IRS Schedule C (Form 1040) for reporting salary.

2. Housing Allowance

\$ _____

Housing Allowance - The amount designated as Housing Allowance is to be reported at actual expenses. The allowance normally includes utilities' cost.

a. **MINISTERS WHO OWN HOME** - If you own your home and you receive as part of your pay a house allowance, you may exclude from taxable gross income the smallest of the following amounts:

1. The amount actually used to provide a house.
2. The amount officially designated as a housing allowance.

Ministers who own their home will want to designate a housing amount to cover the total cost of owning, cost of their furnishings, cost of decorating, utilities, yard maintenance, etc. Any housing allowance that is more than these cost must be included as taxable gross income.

b. **MINISTERS WHO RENT THEIR HOME** -- If you rent your house you will want to designate an amount to cover the actual rent paid, cost of decorating, utilities, yard maintenance, etc. Any housing (rental) allowance that is more than these cost must be included as taxable gross income.

c. **MINISTERS WHO LIVE IN A MANSE** -- An amount may be placed here to cover the cost of decorating, utilities, yard maintenance, etc. Any housing allowance that is more than these cost must be included as taxable gross income.

3. Utility Allowance

\$ _____

Utility Allowance - The estimated figure for a minister's cost for utilities is usually included under Housing Allowance. However, if a separate payment for utilities is made to the minister it should be reported here. The Utility Allowance may be in addition to the value of the manse. The following notations should be considered in handling of Utility Allowance:

a. These allowances, if paid to the minister, are to be included in Effective Salary for dues computation.

- b. If the utility service is registered in the name of the employing organization and the utilities are paid directly by said organization, the value of these services are not included in Effective Salary. In this case a \$0.00 should be placed on this line.

4. Taxable Medical Supplement \$ _____

Taxable Medical Supplement - Additional allowances paid or reimbursed by the congregation to the minister (other than dues for participation in the basic benefits provided by the Board of Pensions) are included in Effective Salary: payments for medical deductibles, coinsurance payments, dental insurance, and individual medical insurance policies.

5. Taxable Social Security Allowance \$ _____

Since the minister is considered as self-employed by the Social Security Administration, churches often provide income to offset this cost. The Board of Pensions allows the church to place up to 8.24% of the ministers Effective Salary into Social Security Offset (line 14). However, any payment which exceeds 8.24% is not exempt from Effective Salary and this excess amount should be placed on line 5.

6. Deferred Income \$ _____

Deferred income includes retirement benefits offered by some congregations to their minister. Deferred income includes tax sheltered annuities, IRS 403(b) Plans, Retirement Savings Plans, Housing Equity Allowance, and other forms of funded or unfunded arrangements. All amounts set aside for deferred compensation contracts are considered as Effective Salary for Board of Pension dues calculations.

7. Bonuses, Lump Sum Allowances, Gifts, Etc. \$ _____

Year-end and other bonuses, lump sum allowances which are not part of an accountable reimbursement plan (as defined by the IRS), gifts from the church or employing organization (not gifts from private donors), down payment grants, and savings from interest-free loans (not loan principal) are compensation to be included in Effective Salary.

8. Other Applicable Income \$ _____

9. Manse \$ _____

If the congregation provides a manse, there is no direct payment to the minister related to housing. Nevertheless, the congregation is required to pay pension dues on the fair rental value of the manse. For Board of Pension calculations this figure should be at least 30% of the total of lines 1 thru 8. The value of the manse is free of income tax liability; however, the value of the manse is still subject to Self-employment tax (Social Security).

Subtotal of lines 1 thru 8 \$ _____ X .30 = \$ _____

10. Effective Salary \$ _____

The Effective Salary is the sum of lines 1 thru 9. The Effective Salary is the amount subject to Board of Pension Dues.

11. Board of Pension Dues \$ _____

Dues are paid to the Board of Pensions Benefit Plan of the PCUSA. The dues for 2010 are computed on the basis of 31.5% of the Effective Salary. The total dues of 31.5% consist of 12% for Pension (including death and disability benefits) plus 19.5% for Major Medical benefits.

PART TWO: Reimbursable and Allowances

An Accountable Reimbursement Plan for ministry related expenses has several advantages for the minister and congregation. It is a way to more accurately estimate the minister's true income for the purposes of calculating tax and pension dues. The underlying principle of such a plan is that the minister is not liable for Board of Pension dues on these expenses. An Accountable Reimbursement Plan allows the minister to pay taxes on true income and allows the congregation to pay pension on medical dues on actual salary.

For the congregation's dues calculation, continuing education, professional and auto expenses are not included in Effective Salary for dues compensation **IF** they are reimbursed to the minister through an Accountable Reimbursement Plan.

According to the IRS to qualify as an Accountable Reimbursement Plan, ministers must "adequately account" to their employers for their ministry related expenses. They must give their employers documentary evidence of all their expenses -- maintaining the same type records and supporting information they would have to furnish the IRS to substantiate a deduction. To qualify, an Accountable Reimbursement Plan must meet the following three requirements:

- a. all expenses reimbursed under the plan must be ministry related.
- b. there must be adequate accounting.
- c. there must be provision for a return of any excess reimbursement. If the excess is not returned this amount must be reported as other applicable income (line 8), and it must be reported as income for tax purposes.

12. Travel Reimbursement \$ _____

This would include automobile expenses, airfare, public transportation, taxis, parking, etc. **The Presbytery suggests the figure of \$3,000, for budgeting purposes.**

13. Professional Development Reimbursement \$ _____

This includes such items as tuition, room, board, travel to study events. If this amount is not spent during the year it is cumulative for up to three years. **The Presbytery minimum is \$500.**

14. Social Security Offset \$ _____

Social Security Offset is computed on the basis of 8.24% of the Effective salary.
[NOTE: This amount is taxable.]

15. Book and other Professional Expenses \$ _____

Book and other Professional Expenses includes such items as books, subscriptions to magazines, office supplies, computers, computer software, meals related to the practice of ministry, vestments, etc., and should be reimbursed as spent to the minister. **The Presbytery minimum is \$500.**

16. Other Vouchered Reimbursable Expenses \$ _____

17. Total Reimbursable and Allowances \$ _____

Line 17 is the total of lines 12 thru 16

18. Total Cost of Ministry the church (the total of lines 10, 11, and 17) \$ _____

19. Vacation _____

Grace Presbytery has set a minimum vacation for its church professionals as 4 weeks which includes 4 Sundays.

20. Continuing Education Leave _____

Grace Presbytery has set a minimum Continuing Education Leave to be 2 weeks which is cumulative for three years. Each week includes one Sunday. Continuing Education Leave is cumulative for up to six weeks.

Grace Presbytery has a set minimum Effective Salary of \$41,760 for 2111.

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