

2018 COMPENSATION and PARSONAGE GUIDELINES

For Pastors and Ministers of Word and Service/Deacons

Nebraska Synod -- ELCA

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

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 7.11)

Introduction

This document offers guidelines for congregations as they consider the compensation for both pastors and lay rostered persons. Congregations are also encouraged to use these guidelines for professional lay staff who are not commissioned. **It is expected that this document be read in full annually by the council or appropriate committee and by the rostered minister.** It is suggested that it be read together as a way to “check in” regarding the fullness of the minister’s compensation and to address any concerns. Please do not just flip to the schedule of base salaries and then put away.

This document includes the following sections:

- I. Salary**
- II. Expected Benefits, Reimbursements, and Supplemental Benefits**
- III. Parsonage Guidelines**
- IV. Compensation Alternatives**
- V. Worksheet**

Part I: Salary

Determining Salaries

The salary should be set by the Congregation Council. Staff salaries require careful study and deliberation. The congregation is too large a body for effective deliberation. Facts necessary for an informed decision are often not available to all members of the congregation. The staff member should have the privilege of discussing salary and related matters with the Congregation Council. For all practical purposes, rostered persons are deprived of this privilege when salary and benefits are debated and set by the congregation as a whole.

It is also recommended that a Compensation Committee (e.g., Personnel Committee or Finance Committee) be appointed by the Congregation Council to review with the staff both ministry and compensation. The staff person should have the opportunity to openly discuss salary and related matters with a smaller group of representatives in which an atmosphere of trust has been established. This committee would provide input regarding compensation to the Council or the Budget Committee.

Base Salary

Base salary is the core of the compensation package. While it is not the only figure to be used in determining fair compensation, it is where most congregations will begin. The guidelines include a range of figures for base salary. The first figure in the range is suggested as a *minimum* amount. Congregations may wish to offer larger compensations based upon such factors as: local cost of living, scope of the responsibilities, and effectiveness of the person's work within the congregation. The schedules included in these guidelines recommend a range of base salaries based upon years of service.

As more and more "second career" people enter rostered ministry, previous experience in other capacities also needs to be considered. Pastors and Deacons who enter the rostered ministry after years of work in other occupations should not be compensated at the beginning of the scale, but rather at a level that recognizes the value of their maturity, their work, and their congregational life experiences. One suggestion is to give one year of professional experience on the schedule for every three years of experience in another field.

Housing

When housing is provided for a pastor by the congregation, the congregation should follow the "Synod Parsonage Guidelines." (See Part III of this document.) Congregations that own a parsonage are also asked to consider providing a "housing equity allowance" of 5% of the base salary. This allowance, invested in a tax-sheltered account, will compensate for the lack of equity that would accrue if the pastor were able to own a home. This equity would be available in the future whenever the pastor needs to purchase a home.

When the congregation does not provide a house for the pastor, a housing allowance should be provided by the congregation. A suggested range for housing allowances is included in the compensation guidelines. Local housing costs (purchase/rental values and utility rates) should be considered in determining the housing allowance.

For the pastor to maximize the allowable tax deductions, the Congregation Council should set a designated housing allowance based upon actual expenses. This figure may be greater than the suggested housing allowance on the enclosed schedule. If it is beneficial, the pastor should be allowed to increase the housing allowance through a salary reduction. Only the actual expenses for providing a home are deductible, and it is the pastor's responsibility to keep adequate records and substantiate the deduction to the congregation or to the IRS. The proper designation of such an allowance in advance is required in order to qualify for this exclusion.

If a housing allowance is provided for lay rostered persons, the IRS considers it a part of taxable income. If a house is provided for the convenience of the congregation, on church premises and the lay rostered person is required to live in the house, this housing may not need to be reported as taxable income. (Cf. Sec. 119 of IRS code.)

When a pastor or rostered lay person needs to purchase a home, the congregation may provide mortgage assistance. If a congregation sells a parsonage, it is recommended that the assets be retained for the purpose of assisting a pastor in financing a home.

Social Security Tax (SECA) Allowance

Pastors are self-employed persons for social security purposes and must pay the full amount of their own Social Security and Medicare tax in advance. Since congregations are required to contribute half of this tax for lay rostered persons and other lay employees of the congregation, it is only equitable that the congregation provide a Social Security allowance for pastors equal to the rate that it pays for other employees. The congregation cannot pay this tax directly. The allowance must be given to the pastor and is considered additional taxable income.

Additional Resources

Compensation Planning for Pastors and Other Rostered Persons, (Code 69-2322) is no longer in print but can be found on the ELCA web page. Mutual Ministry Committee: A Vision for Building up the Body of Christ, (Code 69-6735) is no longer in print but can be found on the ELCA web page to download.

SALARY SCHEDULE FOR PASTORS

| YEARS OF SERVICE | 2018 Base Salary | 2018 Base Salary | Housing ¹ Allowance | Housing Allowance | SECA ² Allowance | SECA Allowance |
|------------------|------------------|------------------|--------------------------------|-------------------|-----------------------------|----------------|
| | Low | High | 30% Low | 30% High | | |
| 0 | \$34,600 | \$36,900 | \$10,380 | \$11,070 | \$3,441 | \$3,670 |
| 1 | \$35,150 | \$37,950 | \$10,545 | \$11,385 | \$3,496 | \$3,774 |
| 2 | \$35,750 | \$39,100 | \$10,725 | \$11,730 | \$3,555 | \$3,888 |
| 3 | \$36,300 | \$40,200 | \$10,890 | \$12,060 | \$3,610 | \$3,998 |
| 4 | \$36,900 | \$41,300 | \$11,070 | \$12,390 | \$3,670 | \$4,107 |
| 5 | \$37,400 | \$42,450 | \$11,220 | \$12,735 | \$3,719 | \$4,222 |
| 6 | \$37,950 | \$43,500 | \$11,385 | \$13,050 | \$3,774 | \$4,326 |
| 7 | \$38,550 | \$44,650 | \$11,565 | \$13,395 | \$3,834 | \$4,440 |
| 8 | \$39,100 | \$45,800 | \$11,730 | \$13,740 | \$3,888 | \$4,555 |
| 9 | \$39,650 | \$46,900 | \$11,895 | \$14,070 | \$3,943 | \$4,664 |
| 10 | \$40,200 | \$48,050 | \$12,060 | \$14,415 | \$3,998 | \$4,779 |
| 11 | \$40,750 | \$49,050 | \$12,225 | \$14,715 | \$4,053 | \$4,878 |
| 12 | \$41,300 | \$50,250 | \$12,390 | \$15,075 | \$4,107 | \$4,997 |
| 13 | \$41,900 | \$51,350 | \$12,570 | \$15,405 | \$4,167 | \$5,107 |
| 14 | \$42,450 | \$52,550 | \$12,735 | \$15,765 | \$4,222 | \$5,226 |
| 15 | \$42,950 | \$53,550 | \$12,885 | \$16,065 | \$4,271 | \$5,326 |
| 16 | \$43,500 | \$54,650 | \$13,050 | \$16,395 | \$4,326 | \$5,435 |
| 17 | \$44,150 | \$55,800 | \$13,245 | \$16,740 | \$4,391 | \$5,549 |
| 18 | \$44,650 | \$56,950 | \$13,395 | \$17,085 | \$4,440 | \$5,664 |
| 19 | \$45,250 | \$58,050 | \$13,575 | \$17,415 | \$4,500 | \$5,773 |
| 20 | \$45,800 | \$59,150 | \$13,740 | \$17,745 | \$4,555 | \$5,882 |
| 21 | \$46,350 | \$60,350 | \$13,905 | \$18,105 | \$4,610 | \$6,002 |
| 22 | \$46,900 | \$61,350 | \$14,070 | \$18,405 | \$4,664 | \$6,101 |
| 23 | \$47,450 | \$62,550 | \$14,235 | \$18,765 | \$4,719 | \$6,221 |
| 24 | \$48,000 | \$63,600 | \$14,400 | \$19,080 | \$4,774 | \$6,325 |
| 25 | \$48,550 | \$64,750 | \$14,565 | \$19,425 | \$4,828 | \$6,439 |

*For more than 25 years of service, a range of \$500-\$1000 a year increase is recommended.
Both Guidelines low and Guidelines high reflect a 1.5% to nearest \$50.00 increase from the 2017 schedule.*

Congregations may wish to offer more compensation because of local cost of living, scope of responsibilities, and effectiveness of the pastor's work within the congregation.

¹This figure is 30% of the base salary. Actual housing costs will vary from area to area.

²This is figured at the rate of 7.65% of base salary and housing.

SALARY SCHEDULE FOR MINISTERS OF WORD AND SERVICE/DEACONS

| YEARS OF SERVICE | BA DEGREE | BA DEGREE | MA DEGREE | MA DEGREE |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 LOW END | 2018 HIGH END | 2018 LOW END | 2018 HIGH END |
| 0 | \$35,750 | \$38,550 | \$39,700 | \$43,500 |
| 1 | \$36,050 | \$39,650 | \$41,500 | \$46,150 |
| 2 | \$36,250 | \$40,750 | \$42,350 | \$47,250 |
| 3 | \$36,900 | \$41,800 | \$43,200 | \$48,500 |
| 4 | \$37,400 | \$42,950 | \$44,150 | \$49,850 |
| 5 | \$37,900 | \$44,150 | \$46,150 | \$51,000 |
| 6 | \$38,550 | \$45,250 | \$46,950 | \$52,250 |
| 7 | \$39,150 | \$46,350 | \$48,950 | \$53,450 |
| 8 | \$39,650 | \$47,400 | \$49,950 | \$54,650 |
| 9 | \$40,200 | \$48,500 | \$50,800 | \$56,000 |
| 10 | \$40,700 | \$49,750 | \$51,700 | \$57,150 |
| 11 | \$41,300 | \$50,800 | \$52,550 | \$58,250 |
| 12 | \$41,800 | \$51,900 | \$54,550 | \$59,500 |
| 13 | \$42,450 | \$53,000 | \$55,450 | \$60,750 |
| 14 | \$42,950 | \$54,150 | \$56,400 | \$62,000 |
| 15 | \$43,500 | \$55,250 | \$57,250 | \$63,200 |
| 16 | \$44,150 | \$56,400 | \$58,100 | \$64,450 |
| 17 | \$44,650 | \$56,450 | \$59,050 | \$65,550 |
| 18 | \$45,250 | \$58,550 | \$59,900 | \$66,850 |
| 19 | \$45,800 | \$59,700 | \$60,850 | \$68,050 |
| 20 | \$46,350 | \$60,850 | \$61,700 | \$69,400 |
| 21 | \$46,850 | \$61,900 | \$62,650 | \$70,550 |
| 22 | \$47,450 | \$63,050 | \$63,450 | \$71,750 |
| 23 | \$48,000 | \$64,200 | \$64,450 | \$73,050 |
| 24 | \$48,500 | \$65,250 | \$65,250 | \$74,150 |
| 25 | \$51,150 | \$66,450 | \$66,250 | \$75,450 |

*For more than 25 years of service, a minimum of a \$500 - \$1000 a year increase is recommended.
The base salary on all levels has been adjusted upward 1.5% to nearest \$50.00 from the 2017 schedule.*

Part II: Expected Benefits, Reimbursements, and Supplemental Benefits

Pension and Other Benefits Plan

Congregations are expected to enroll pastors and lay rostered persons in the ELCA Pension and Other Benefits Plan, which includes the Pension Plan, the Medical and Dental Plan, (*this expectation continues to refer to the Standard Portico Medical Benefits Plan or its equivalent in any federal statute enacted in regard to health care coverage*), the Disability Benefits Plan, and the Survivor Benefits Plan. It is further expected that congregations enroll spouses and children in the Medical and Dental Plan.

Congregations are expected to contribute twelve percent (12%) of the defined compensation (salary plus housing and social security allowance) for pension for all rostered persons, even when this amount is not required by the ELCA Pension plan. It is suggested that congregations who are below the 12% figure increase their pension contributions by a minimum of 1% every other year until they have reached the minimum amount of 12%.

Weekly Sabbath

Nebraska Synod encourages all pastors, all other church professionals, and synod staff be able to observe and enjoy a weekly Sabbath: for pastors and lay rostered persons to be given at least one full day for rest and renewal per week.

Schedule Flexibility and Holidays

Because the schedule and demands of parish ministry are fluid and ever-changing, care and conversation should guide the setting of schedules. A rostered leader's office hours and availability need to be predictable and still flexible enough to permit responsiveness to pastoral needs as they arise. Additionally, flexibility for rostered leaders to attend to family needs and events, providing care is taken to make up the time elsewhere, is a valued benefit that congregations can offer without additional financial cost. Communication up front regarding expectations around schedule and flexibility will help both the rostered leader and congregation when unscheduled needs arise.

Regarding holidays, the local context should always be considered and, again, expectations should be clarified in advance. This is an excellent use of a Mutual Ministry Committee, or the Executive Committee when there is no Mutual Ministry Committee. The following is our recommended place to start the conversation with your rostered leader.

Salaried rostered leaders should receive paid holidays similar to those of other salaried professionals. As household needs and community expectations vary, care should be taken in establishing a calendar of holidays annually, especially when the rostered leader has school-age children. Salaried rostered leaders, especially pastors, expect to work on some statutory holidays, particularly Thanksgiving, Christmas Eve, Christmas Day, New Year's Day, and Independence Day when it falls on a day with a regularly scheduled worship service. If there are services on those days, grant an agreed upon day before or after as a holiday.

Additional statutory holidays for salaried rostered leaders include: Rev. Dr. Martin Luther King Jr. Day, Memorial Day, and Labor Day. If the community context expects a worship or prayer service on these days it is important to communicate that to the rostered leader in advance, including any information regarding rotational responsibilities with other clergy in the community. When your rostered leader leads services on one of those days, grant an agreed upon day before or after as a holiday.

Automobile Expenses

The most equitable way for a congregation to pay for the business travel expense incurred by the rostered person may be for the congregation to provide an automobile for business use. Any personal use (determined by allocating the value of the vehicle by the personal miles driven) must be included in the rostered person's taxable wages. Thus, a log should be kept of all miles driven with church-owned vehicles.

If a church-owned automobile is not provided, the simplest way to reimburse staff for the use of a personal automobile is to pay them at the per mile rate allowed by the IRS. This should be done monthly. This method requires that the staff person maintain detailed records and report the business miles traveled for that month.

Sometimes it is more equitable, but more complicated, for the congregation to provide an automobile expense allowance that allows the staff to take a deduction on the basis of actual costs. A fixed allowance should be avoided, if possible, because of recent rulings by the IRS. If a regular monthly allowance is paid, its use must be substantiated. The IRS has strict regulations governing this method and it requires careful records and reporting either to the congregation or to the IRS.

Continuing Education

A fundamental expectation for all rostered persons in the ELCA is that they continually grow in competence and understanding. The ELCA expects rostered persons to spend a minimum of 50 contact hours annually in continuing education. (A contact hour is defined as a typical 50-minute classroom session or the equivalent.) Such experiences enrich both the staff person and the congregation. Therefore, the costs of such continuing education should be shared.

In addition to their attendance at Nebraska Synod Assembly and Theological Conference, it is recommended that full time professional staff be allowed a *minimum* of two weeks per year for continuing education. This can include up to 1 weekend (Saturday & Sunday) that is *not* counted as vacation time. This time may be accumulated up to three years or more to make possible more extended study. Decisions about study programs covering several weeks should be made jointly by the rostered person and the Congregation Council.

A minimum contribution of \$850.00 per year from the congregation and \$400.00 per year from the rostered person is recommended for continuing education. These funds may be accumulated for up to three years as well. If the staff person accepts another ELCA position, all continuing education contributions should be transferred with that person.

Some congregations allow for sabbatical after a length of service in the congregation. Sabbatical time should be carefully planned to benefit the pastor, minister of Word and Service/Deacon, the congregation, and the wider church. See guidelines in Section III under "Sabbatical Leave".

Professional Expenses

A reimbursement of up to \$500.00 per year should be allowed for the purchase of books, journals, vestments or other resources that remain the property of the professional. Allowances for these items are taxable, while a straight reimbursement of costs is not. Therefore, it is important to structure the payment of these expenses as reimbursements.

Assemblies and Conferences

Attendance of pastors and lay rostered persons at Cluster gatherings and Synod Assemblies, as well as the Theological Conference, is expected of all rostered persons. This is part of the business of the congregation and expenses should be budgeted separately from continuing education and paid by the congregation over and above the cost of continuing education.

Vacation

With the understanding that a call to serve in a rostered ministry position usually entails 50-55 hours work week and often 6-day weeks, congregations are urged to provide a *minimum* of four weeks (including four Saturdays and Sundays) per year of vacation with full pay for all pastors and rostered leaders. This time is in addition to continuing education time, attendance at church wide or synodical meetings and congregational retreats. Congregations are strongly encouraged to set up a policy in writing relating to pay for unused vacation days to that staff person upon leaving the call. It is recommended that vacation days be calculated as accrued on a per annum basis beginning at the first of the year on January 1 or from the first day of service and that no more than two weeks of vacation days be allowed to be carried over so that at no time more than six weeks of vacation be available during a twelve month period. This means (assuming that no vacation days are carried over) that one week of vacation would be accrued for each 13 weeks served.

Sick Leave

Sick leave recommendation is one day a month, cumulative to 60 days. In the event of serious illness, and if the pastor or the lay rostered person is covered by the ELCA pension plan, the congregation shall assume responsibility for providing full salary and benefits for the first consecutive eight weeks of the illness at which time the ELCA disability plan will take effect. It is recommended that no reimbursement be paid for unused sick days when a rostered person leaves his or her position.

Bereavement Leave

In the case of loss of spouse, child, parents or siblings bereavement leave is not only necessary, it is compassionate caring for the person suffering the loss. Congregations are encouraged to provide support for their pastor(s) and lay rostered persons by allowing two weeks bereavement leave for the loss of spouse or child and one week for parents or siblings. Because each person deals with grief differently, it may be necessary to negotiate additional bereavement leave, depending on the individual and situation.

Parental Leave

Since the church places a high value on family, it seems appropriate for congregations to consider providing maternity and paternity leave when a new child is added to the family. The following guidelines are suggested:

1. Six (6) weeks of paid maternity or two (2) weeks of paid paternity leave following the birth or adoption of an infant. For parents who adopt an older child, two (2) weeks of paid maternity or paternity leave is suggested.
2. If both parents are serving the congregation(s), the weeks may be split between them.
3. Accrued vacation may also be used in conjunction with maternity or paternity leave. Professionals desiring additional leave, either prior to or following the birth of their child, may negotiate for unpaid leave.

Sabbatical Leave

Congregations are *strongly* encouraged to consider providing sabbatical leave for their pastor(s) and rostered personnel. Some of the benefits to the congregation of such leave are:

- Sabbaticals offer an experienced pastor or rostered person renewed energy and rediscovered zeal for ministry;
- Sabbaticals enable an opportunity to develop congregational leadership and to come to a greater understanding of the congregation's ministry by assuming some of the pastoral or rostered person's duties during the interim;
- Sabbaticals are often an occasion for the collective congregation to reflect and assess their partnership with the pastor or rostered person and discover ways to strengthen and improve ministry;
- Sabbaticals provide the opportunity to show support and care for a beloved pastor or rostered person and his/her family;
- Sabbaticals can be a time for individual congregational members to reconsider their commitment and to assess their relationship to the life and witness of the congregation;
- In the long run, Sabbaticals are often cost effective. When burn-out causes an experienced pastor or rostered leader to leave, the congregation loses money during an interim period, incurs expenses for moving, has the potential loss of members in the interim and loses efficiency while a new relationship develops.

In addition, some of the benefits to the pastor or rostered person are:

- Sabbaticals often provide a needed break from long hours, high pressure, personal sacrifice and the 24/7 nature of pastoral ministry;
- Sabbaticals can offer a unique opportunity for prayer, rest, study and renewal;
- Sabbaticals are often an opportunity for the pastor or rostered person to discover more in depth the importance of what they do because of who they *are* rather than because of what they do;
- Sabbaticals provide the opportunity to develop greater self-awareness and spiritual depth.

Some suggested guidelines for sabbatical leave:

If sabbatical leave is offered, it should be offered to all full-time rostered personnel under the same policy guidelines. Such guidelines should be drawn up in advance and approved by the appropriate congregational committee or the Congregational Council.

The timing and length of sabbatical leave varies. For example, some congregations provide a two-month sabbatical leave after four continuous years of service to the congregation while others provide three-month sabbatical leave after five continuous years of service. A length of two months or more is recommended for the time to be productive. Both the timing and the length of leave should be determined by the congregation in consultation with the pastor or rostered person and the appropriate congregational committee and take into consideration the needs of the congregation.

At a minimum, congregations should continue to provide full salary and benefits during the sabbatical. Travel mileage reimbursement is often suspended during this period. During the calendar year of the sabbatical, time normally allotted for continuing education is usually not granted. Continuing education funds allotted for that year are normally applied to sabbatical expenses. Vacation time should not be reduced because of sabbatical leave, however.

A written proposal for the sabbatical should be presented to the appropriate congregational committee by the pastor or rostered person at least six months prior to the beginning of the sabbatical. The proposal should include a listing of desired outcomes, a description of activities planned during the sabbatical, a summary of travel plans (in general terms) and a listing of the church tasks that need to be cared for during the person's absence. In addition, the pastor or rostered person should develop some method to record and share significant key learnings gained during the sabbatical leave to the congregation following the sabbatical. For example, a presentation or class sharing what was learned and hopes for how this learning can be utilized in ministry.

To allow the congregation to benefit fully from the sabbatical, the pastor or rostered person is expected to remain with the congregation for a period of at least a year following the sabbatical. If the person should leave earlier than that, financial arrangements for repayment of expenditures for the sabbatical may be made.

No hiring of permanent personnel should be considered in response to the sabbatical leave. The congregation may, however, consider adding short-term staff and/or additional compensation for other staff members whose responsibilities are increased during the sabbatical.

If there are financial or other concerns from the congregation in supporting a sabbatical, the congregation or appropriate congregational committee is encouraged to be in conversation with the synod office to discuss the benefits and possible financial or supply resources available to them.

Pulpit Supply

It is suggested that remuneration be \$150.00 for Sunday am worship service, \$50.00 for each additional same day worship service and \$75 for an additional day worship service (i.e. Saturday or Wednesday Lenten Service), including multi-point parishes. Round trip mileage should be paid at the prevailing IRS rate. When necessary, overnight lodging and meals should be supplied. In the event worship is cancelled less than 24 hours in advance (for severe weather, for example), it is recommended that remuneration still be made in full, mileage optional, to the supply minister.

Part III: Parsonage Guidelines

A parsonage is the home provided by the congregation for its rostered leader. It should not only be a comfortable home for the rostered leader and his/her family, but one that also provides an environment that will be helpful to foster partnership and serve to enhance the ministry.

These guidelines are designed to help both the rostered leader and the congregation. Following them will help the congregation become aware of needed improvements and let it know if their parsonage meets the synod-wide standards for their rostered leader. These guidelines will also alert the congregation and rostered leader of any abuses of the parsonage property.

Since the parsonage is the rostered leader's home, privacy should be respected. Members of the congregation should 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 rostered leader, his/her desires should be consulted when changes are necessary. 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.

The tenant/landlord model may apply on occasion, but its application is quite limited. Contrary to renters, the rostered leader normally has little choice of residence. The relationship between the rostered leader and congregation is not based on a lease or rental agreement, but upon a common bond in the ministry of the congregation. These guidelines are suggested for congregations and their rostered leaders to use to discuss the matters of maintenance, repair and responsibilities relative to a church-owned home.

1. Before a rostered leader moves into a parsonage, the congregation should see that it is thoroughly clean and may want to use this occasion to update and redecorate the parsonage.
 - 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, shall determine the price ranges for these items.
2. Annual Inspection of the Parsonage and Dealing with Needs
 - As part of the call process, the new rostered minister (and spouse) should tour the parsonage with a member of the call committee, Congregational Council chairperson and appropriate property committee person and agree as to what repairs and redecorating are to be done before the new rostered leader arrives.
 - **There should be an annual inspection of the parsonage** by persons designated by the Congregational Council. The purpose of the inspection is to discover needed repairs, improvements, and refurbishing, and to make short-term and long-term plans for accomplishing these, with prompt attention given to safety and health factors. This annual inspection is crucial for mutual attention to the provided home.
 - Needs which arise between inspections should be taken care of promptly. **It is the responsibility of the rostered minister to promptly make known to the council or appropriate committee the need for any repairs or improvements.** It is expected that once a need is expressed, the council or committee will respond quickly to the request and will coordinate with the minister and family to schedule appropriate repairs.
3. It is expected that the following appliances be provided in the parsonage:
 - Stove with oven
 - Refrigerator
 - Dishwasher
 - TV antennae (unless cable or satellite TV is provided)
 - Air conditioning (usually central air conditioning is expected)

- Humidifier/de-humidifier (if needed)
 - Soft water conditioner (if needed)
 - Washer & dryer
4. It is expected that the following utilities be paid directly by the congregation or an adequate utilities allowance be provided for the rostered leader to pay for them:
- Electricity
 - Gas
 - Water/sewer/garbage
 - Telephone (except personal long distance)
5. Items that would normally be supplied by the congregation include:
- Paint
 - Wall coverings
 - Floor coverings
 - Ceiling fans
 - Window coverings
 - Light fixtures
6. Appropriate to the community setting, the following are also recommended:
- A two-car garage
 - An outdoor living space (such as porch, deck, or patio)
 - A safe and adequate area in which children can play
7. Services
- An adequate supply of hot and cold water, in all rooms using water
 - Proper sewage system
 - Weekly trash pick-up when available
 - Water treatment if needed
 - Regular professional pest control if needed
 - Smoke detectors, carbon monoxide detectors, fire extinguishers, and radon inspection where deemed necessary
 - Outside water faucets and electrical outlets
 - Snow removal and lawn service to be determined at time of call
 - Internet service if the rostered leader maintains an office in the parsonage
 - (Every mission center ought to have internet service to the church office. Wireless modem application might be considered to broadcast to the Parsonage as well.)
8. Maintenance and Improvements
- It is important to plan ahead for repairs and improvements. These should be a line item in the church budget in the amount of at least 1.5 % of the insured value of the parsonage to take care of routine and emergency expenses. If these funds are not used in any given year, they should be held in escrow for when it is needed. There should be a clear understanding in writing of who can use these funds and to what extent they can be used without the consent of the appropriate committee.
 - The electrical service should be inspected, and all wiring, including the installation of circuit breakers, required number of outlets, wall switches, and light fixtures are to meet the National Electrical Code.
 - It is important in the interest of both comfort and stewardship that all windows and doors be weather tight, with either storms or thermopane glass, and that there be screens for all windows. If new windows are installed, they shall be high-performance energy efficient type.
 - Both the interior and exterior of the parsonage should be kept in such repair as to preserve not only its physical condition, but also its aesthetic value, and this includes sensitivity to the historical design of a

building when making changes. Painting and papering should be done regularly, in consultation with the parsonage family.

- It shall be the responsibility of the occupants of the parsonage to provide for the cleanliness of it and the repair of any damage that they or their pets have caused to the interior, exterior, or grounds. An exiting rostered leader shall also be responsible for removing swing sets, above ground pools, and other personal non-permanent additions. If, when leaving, the cleaning, restoration, and repair of damage have not been done, the rostered leader will be billed for it. If he/she does not pay this bill, or contests it, a recording of refusal or negotiations shall become a permanent part of the rostered leader's record.

9. Safety and Security

- If security is an issue in the community, whatever is needed to make the dwelling secure should be provided, i.e. dead-bolt locks, security systems, outdoor lighting, etc. A key change is suggested at the time of change of call.
- To make access to the house safe for occupants and guests, the driveway and the steps and sidewalks to all doors need to be of an even surface and kept in good repair.
- All outside steps should have safe and secure railings.
- As noted above, radon detection kits, smoke and carbon monoxide detectors should be provided. Regular testing of detectors should be done and it is strongly suggested that a mitigation plan be put in place of how to address radon concerns should they come up.

10. Pets in the Parsonage

While it is recognized that it is the right of the parsonage family to have pets, it is also recognized that the ownership of pets requires the rostered leader to assume responsibility for them. At minimum these responsibilities include:

- Caring for the pets in a humane and responsible manner.
- Securing permission of the local church for the construction of any needed facility.
- Assuming financial responsibility for the construction, maintenance, and eventual removal (at the time of a move) of any facility, such as a dog house, fenced enclosure, etc.
- Replacing/repairing any damage done by pets to the carpets, floors, drapes, doors, lawn, etc., as well as cleaning and deodorizing to the approval of the appropriate committee and the incoming pastor.
- Any cleaning, repair, or removal resulting from the ownership of pets that is not done by an outgoing rostered leader shall be billed to him/her.

11. A Parsonage Notebook or File

It is recommended that every parsonage family maintain and pass on the next rostered leader a notebook or file of records and helpful household data, including, but not limited to:

- A record of the date and place of purchase of all appliances and equipment. Manuals and service contracts for these are to be kept together.
- A record of the date and name of contractor and a description of any work done on the parsonage.
- A record of any decorating or refurbishing, to include paint color, type, brand, etc.
- Any special information necessary regarding shrubs, flowers, etc.

12. When a rostered leader moves out of a parsonage, and before all financial obligations are completed, there should be an inspection of the property to see that it is left clean and in good repair. The rostered leader should be held responsible for any excess wear or damage caused to the parsonage while he or she was living there. This would include any damage caused by children or pets.

13. The grounds around the parsonage are usually the responsibility of the congregation. The congregation should see that the lawn, shrubbery and flowerbeds are in good condition when a rostered leader moves into the parsonage. It should be determined if the rostered leader is expected to care for these grounds (mow, rake, remove snow, apply fertilizer, insecticides, herbicides) or the congregation will bear this responsibilities. (The rostered leader and a person from Congregational Council should negotiate the division of labor immediately after the rostered leader's arrival.) Congregations should consider taking care of the grounds around the parsonage while the rostered leader is on vacation or study leave if it has been decided this is the rostered leader's responsibility.

Part IV: Compensation Alternatives

In addition to salary and benefits, there are many other ways congregations can compensate pastors and lay rostered persons. In fact, sometimes alternatives to salary may be attractive to the person being compensated. Congregations may wish to consider the following as ways to express to their pastor(s) and lay rostered persons that their ministry is valued and appreciated in addition to salary and normal benefits.

An (*) indicates those items which apply to lay rostered persons as well as ordained clergy.

*1. Consideration may be given to granting the pastor or lay rostered person an occasional weekend off in addition to annual vacation.

2. 100% of the cost of Social Security could be provided. One half of this amount is deductible by the pastor. This money could be in addition to base salary. The Medicare portion of Social Security (2.9%) does not have an upper income limitation at this time.

*3. It is possible to pay medical and dental insurance deductibles to pastors and rostered lay persons. A medical reimbursement plan could be established under Section 105 of the Internal Revenue code. Funding must be made by the church separate from and in addition to salary.

*4. Additional disability and life insurance could be paid for the pastor and lay rostered person.

*5. Money could be set aside for the education of the pastor or lay rostered person's children.

*6. Additional funds could be contributed to the Board of Pensions as a Tax Sheltered Annuity, also known as the Optional Pension Plan. Funds could also be contributed to a private TSA. Consideration may also be given to setting up an IRA for the pastor or lay rostered person. If the Adjusted Gross Income of the pastor or lay rostered person and spouse is under the amount allowed by the IRS, they may be able to save federal income taxes by using an IRA. Unfortunately they may lack funds for this purpose. The congregation might consider providing the money. Deferred compensation arrangements might also be considered.

*7. Consideration could be given to providing expenses for the spouse of the pastor or lay rostered person to attend conventions and conferences of the church.

*8. Childcare allowances could be paid to the pastor or lay rostered person on a pretax basis to save on federal income taxes if an appropriate plan is established. With a proper plan, you can also do this with medical and dental expenses. SECA and Medicare taxes would not be avoided.

*9. Consideration might be given to increasing the reimbursements for continuing education.

10. Whenever possible, structure the payments for non-housing expenses in the form of reimbursements as opposed to allowances. Allowances are included in income for SECA and Medicare. Straight reimbursements are not. Pastors must keep records of their expenses for reimbursement in as much detail as possible.

*11. Congregations are strongly encouraged to reimburse auto expenses at the IRS rate. (Occasionally, congregations under-reimburse these expenses.)

12. The housing allowance is subject to SECA and Medicare but not income taxes. A savings might therefore result by shifting a larger portion of the overall compensation package to the allowance. Pastors need to keep records on what was spent in order to substantiate the housing allowance. The

allowance is limited by the lesser of what was actually spent or the fair rental value of the home plus furnishings and utilities.

13. Where the congregation owns the parsonage, utilities should be paid directly or reimbursed and not paid in the form of an allowance. However a furnishings allowance could be set up for incidental housing expenses the pastor actually incurs.

14. Some pastors find it difficult to pay the quarterly estimates. They have the option to have the congregation withhold from their salary and report the withholding on their W-2. Doing the withholding is a service the congregation may be able to provide at little or no additional cost.

These salary alternative suggestions are by no means all-encompassing. Each individual congregation may be able to develop additional ideas based on its unique circumstances. It would be prudent, however, to check with a CPA, attorney or other tax professional before actually implementing one of these enhancements as some of these suggestions could add taxable income to the pastor or lay rostered person. If you are unacquainted with a tax advisor, Sharon M. Schwarz, CPA, of Schwarz and Associates, 4620 South 143rd Street, Omaha, NE 68135, (402) 330-6880, has agreed to be available to discuss your questions.

Part V: Compensation Worksheet

| Compensation | <u>2 Years Ago</u> | <u>Last Year</u> | <u>This Year</u> | <u>Proposed</u> |
|---|--------------------|------------------|------------------|-----------------|
| 1. Base Salary | _____ | _____ | _____ | _____ |
| 2. Housing | _____ | _____ | _____ | _____ |
| 3. Utilities | _____ | _____ | _____ | _____ |
| 4. Furnishings | _____ | _____ | _____ | _____ |
| 5. Other | _____ | _____ | _____ | _____ |
| Benefits | | | | |
| 6. SECA Allowance | _____ | _____ | _____ | _____ |
| 7. ELCA Plans | _____ | _____ | _____ | _____ |
| 8. Continuing Education | _____ | _____ | _____ | _____ |
| 9. Housing Equity | _____ | _____ | _____ | _____ |
| 10. Other | _____ | _____ | _____ | _____ |
| 11. Automobile | _____ | _____ | _____ | _____ |
| 12. Professional Expenses | _____ | _____ | _____ | _____ |
| 13. Other | _____ | _____ | _____ | _____ |
| Total Income to Pastor/Lay Rostered Person (add lines 1-5) | _____ | _____ | _____ | _____ |
| Total Expense to Congregation (add lines 1-12) | _____ | _____ | _____ | _____ |