

**TERMS OF CALL  
FOR FULL-TIME MINISTERS  
FLINT RIVER PRESBYTERY**

These minimum Terms of Call apply to all Flint River Presbytery churches with full-time pastoral services of a Teaching Elder or full-time Certified Christian Educators. All Terms of Call shall meet or exceed these minimum standards. They shall also be considered as guidelines to prorate compensation for part-time calls. Initial Calls, and annual changes, must be approved by the Committee on Ministry (COM). A minister may elect to request an exemption from the minimum requirements for elements of effective salary.

**ANNUAL COST OF LIVING ADJUSTMENT**

All churches are urged to consider annual merit increases, and to adjust the Terms of Call annually to give the pastor/certified educator no less than a Cost of Living increase equal to the rate of inflation for the previous year.

**ANNUAL REVIEW**

Our constitution requires that the terms of call of all ministers serving congregations be reviewed annually by their own congregation and be approved by the presbytery. Churches are encouraged to take this action prior to the beginning of the new tax year to simplify reporting and subsequent tax preparation. Any amount designated as housing allowance must be approved by the congregation prior to payment. The presbytery requests terms of call be submitted by mid March for review by the COM and approval at the May meeting of presbytery. Churches may assume presbytery approval is forthcoming and are authorized to begin payments of revised terms of call as approved by the congregation when the changes are cost of living adjustments of effective salary, the reallocation of salary and housing allowance, or adjustments of reimbursable allowances. ANY reduction in effective salary must receive prior approval of the presbytery BEFORE payments are changed. Also, bonuses and gifts paid by the church exceeding 20% of effective salary must receive prior approval by the presbytery.

## MINIMUM TERMS OF CALL FOR FULL-TIME MINISTERS FLINT RIVER PRESBYTERY

### With Manse

I.	Annual Cash Salary <sup>1</sup> .....	\$30,770.00
	Ia. Manse Value <sup>2</sup> (for BOP dues consideration).....	\$ 9,230.00
II.	Social Security Offset <sup>3</sup> .....	\$ <u>3,060.00</u>
		\$33,830.00 W-2 Salary
III.	Board of Pensions Benefits Plan <sup>4</sup> .....	See BOP Calculator
IV.	Accountable Reimbursement Plan (ARP).....	\$ 4,000.00
V.	Vacation.....	4 Weeks
VI.	Continuing Education.....	<u>2 Weeks</u>

### Without Manse

I.	Annual Cash Salary & housing allowance <sup>1</sup> .....	\$40,000.00
II.	Social Security Offset <sup>3</sup> .....	\$ <u>3,060.00</u>
		\$43,060.00 Compensation to pastor
III.	Board of Pensions Benefits Plan <sup>4</sup> .....	See BOP Calculator
IV.	Accountable Reimbursement Plan (ARP).....	\$ 4,000.00
V.	Vacation.....	4 Weeks
VI.	Continuing Education.....	<u>2 Weeks</u>

#### Footnotes:

<sup>1</sup>Minimum compensation is the minimum amount that a starting pastor should receive and does not take into account the pastor's education, experience, proficiency, abilities or needs beyond those required for ordination (G-14.0507e).

<sup>2</sup> The value of the manse needs to be determined in order to calculate the SECA Tax and the BOP dues and *must equal at least 30% of the total annual cash salary.*

<sup>3</sup>The social security offset is to provide ministers with 50% of their self-employment tax. It is based upon 7.65% of the effective salary, which normally includes: cash salary, utilities allowance (if paid directly to minister), all minister elected pre-tax reductions to cash salary, such as a tax deferred 403(b) plan, flexible spending account for health care expenses, flexible spending account for child care expenses, and other applicable income which includes all compensation that can be considered as effective salary.

<sup>4</sup>The BOP plan provides ministers with retirement, medical, and death and disability coverage. BOP dues are calculated based upon the Effective Salary<sup>3</sup>. The rate for pastors engaged in post-retirement service is 12%.

*Details on the following pages are numbered to correspond with this form.*

## KEY POINTS

- I. **Effective Salary.** Effective Salary is any compensation paid to the minister by the church that is subject to Board of Pensions (BOP) dues. The more common examples of types of compensation considered as Effective Salary are:
1. Annual Cash Salary (Full amount of Cash Salary)
  2. Professional Expenses paid as a *non-accountable* reimbursement plan (see Professional Expenses below): books, auto, continuing education
  3. Bonus (adjustments to the Effective Salary are made when bonuses are paid)
  4. Co-Insurance Payments & Deductible Reimbursements (flexible spending account)
  5. Deferred Compensation (voluntary deductions for 403(b) and other types of annuities)
  6. Housing Allowance (allowances given for housing-related expenses and appurtenances)
  7. Insurance Premiums (premiums for optional benefits under the BOP Plan)
  8. Manse Value (30% of all other compensation included in Effective Salary)
  9. Social Security Reimbursement (*for more than 50%* of the Social Security obligation)
  10. Shared Housing Equity (Compensates ministers living in a manse for the loss of equity appreciation they would otherwise realize as homeowners)
  11. Utilities Allowance (Utility expenses paid directly to the minister)
  12. Dental Insurance Church *may* reimburse for dental insurance coverage by the PC(U.S.A.) Board of Pensions, or equivalent coverage through another policy, or reimbursement of actual expenses up to the cost of dental insurance of the Board of Pensions. When paid by the church, this coverage shall be included as part of Effective Salary for calculating BOP dues when the church does *not* provide dental coverage for all employees.

**Housing Allowance** (Terms of Call Without Manse): The pastor, with the approval of the Session, Congregation, and CMMS, may adjust how the salary and housing will be divided so that the pastor receives the maximum tax benefit of a housing allowance. The designation for **Housing or Manse Allowance** must be approved before the calendar year begins in order to meet IRS requirements. "The tax code now limits the nontaxable portion of a church-designated housing allowance for ministers who own their home to the annual fair rental value of the home (furnished, plus utilities), beginning in 2002. As a result, ministers who own their home will not pay Federal income taxes on the amount of their compensation that their employing church designates in advance as a housing allowance, to the extent that A) the allowance represents compensation for ministerial service, B) is used to pay actual housing expenses, and C) does not exceed the annual Fair Rental Value of the home (furnished, plus utilities)." ***This is not an option when the pastor***

*lives in the manse. If the church provides a manse, consult with the Presbytery office regarding special rules.*

- II. SOCIAL SECURITY OFFSET.** The church must pay the pastor a Social Security offset of at least 50% of the SECA tax obligation.
- III. BOARD OF PENSIONS DUES.** The church pays for full pension (including death and disability coverage) and medical benefits through the PC(U.S.A.) Board of Pensions. Professional expenses above and other benefits *may* be included also. SECA amounts *in excess of 50% must* also be included as part of "effective salary" for calculating benefit dues. For further information and publications, see <http://www.pensions.org>.
- IV. Professional Expenses.** These expenses should be set up under an Accountable Reimbursement Plan (ARP) and substantiated by adequate documentation before reimbursement by the church. *[This is beneficial to the pastor since Professional Expense Allowances paid to ministers are reportable as taxable income in Block 1 of a W-2 form, and deductible only to the extent that they exceed 2% of adjusted gross income. It is also beneficial to the church because cash allowances are included in effective salary for purposes of calculating Board of Pension dues.]* The pastor shall be provided a *minimum* of \$1,000 per annum for continuing education and professional books, and a *minimum* of \$3,000 per annum for church business and travel expenses (including mileage, parking fees, toll charges, professional books and journals, dues to professional organizations, business meals, and purchase and maintenance of clerical garments). All expenditures charged through the ARP need to be mutually agreed upon by the minister and the Pastor Nominating Committee at the time of the Call; and by the Session at the time of changes in the Terms of Call (with subsequent approval by the congregation).
- V. VACATION.** *Minimum* of four weeks vacation per year.
- VI. CONTINUING EDUCATION.** *Minimum* of two weeks of continuing education per year, and may be accumulated up to four weeks *maxim/m*.

## **ADDITIONAL NOTES:**

- 1. Internal Revenue Service (IRS) Considerations.** Ministers called by congregations are considered by the IRS to be “employees” for Federal income tax purposes, and yet “self-employed” for purposes of Social Security taxation. Ministers are exempt from Federal withholding either for income taxes or for Social Security taxes. Rather, they are required to pay quarterly estimated Federal income taxes and self-employment Self Employment Contributions Act (SECA) taxes. The minister may elect to have taxes withheld by the church. At year’s end, the minister’s salary and certain cash allowances are reported in Block 1 of the W-2 Form, upon which both Federal income and SECA taxes must be paid. The housing allowance is reported in Block 14 of a W-2, upon which only SECA taxes must be paid (to the extent that the Housing Allowance is used specifically for this purpose). Both income and SECA taxes must then be paid on any Housing Allowance received in excess of what the IRS allows.
- 2. MOVING EXPENSES.** Church reimburses pastor for actual moving expenses incurred.
- 3. Any ADDITIONAL AGREEMENTS** shall become part of the Terms of Call when approved by the Commission on Ministry and Ministerial Support. (G14-0507c)
- 4.** Churches may want to consider leasing an **automobile** for the minister. All personal use must be included as income to the minister.
- 5. Dissolution of Pastoral Relationship.** When a pastor’s relationship with a congregation is dissolved upon the congregation’s request, the policy of Flint River Presbytery is that the severance package shall consist of two (2) to six (6) months continuance of the terms of call in effect at the time of dissolution, subject to mutual agreement between the pastor and the congregation and approval by the Commission on Ministry and Ministerial Support.