

**SOUTHWESTERN TEXAS SYNOD, ELCA  
Report on Compensation – 2007/2008**

*Compensation recognizes the labors of our ordained and lay rostered leaders. It is important to support them and their families in a manner that is fair to them and on par with the standard of living experienced by the members of the congregation. It is also essential to understand the unique features of the tax law regarding religious workers and to give prayerful consideration to the compensation package provided.*

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**I-A COMPENSATION FOR PASTORAL LEADERS**

**1. CASH SALARY**

The Synod Council of the Southwestern Texas Synod recommends the following base levels of cash salary:

**Newly-Ordained Pastors:** \$30,260 for 2007 and \$31,170 for 2008

*Other factors that must be considered in determining a pastor's cash salary include (in no particular order):*

- **Merit** (affirmation of exceptional effort and expertise)
- **Growth** (development of skills and understandings)
- **Education** (acknowledgment of other advanced degrees or special licenses)

- **Local Circumstances** (recognition of differences in cost of living across the synod)
- **Years of service** (\$600 for every year of ministerial experience)

*The goal of the synod is to provide a standard for fairness, not a standard salary for everyone.*

**2. EQUITY ALLOWANCE** *(if a parsonage is provided)*

Besides providing a pastor with a well-maintained parsonage of adequate size and quality (typically a 3-bedroom/2-bath house, similar to housing among members of the congregation), it is strongly suggested that a congregation provide a housing equity allowance equal to **5%-10% of the cash salary**. This amount, deposited in a special employer-optional account with the ELCA Board of Pensions, allows a pastor to build a modest equity for the future down payment on a house.

**3. HOUSING ALLOWANCE** *(if a parsonage is not provided)*

A housing allowance should be equal to the "**fair rental value plus utilities**" of a house equivalent to the average housing arrangements in a congregation. To calculate the "fair rental value," determine the average cost of a 3-bedroom home in the community (example \$90,000); multiply this figure by 1% (\$900); add the average monthly utility costs in the community (example: \$200 + \$900 = \$1,100); and annualize the sum by multiplying it by 12 (\$1,100 x 12 = \$13,200). The allowance enables the pastor to secure housing of his/her choice. The housing allowances in the Southwestern Texas Synod vary significantly, depending on the locality.

According to IRS rules, an ordained minister does not have to pay income tax on housing costs but does have to pay social security tax on them. In order to permit the pastor to benefit from these tax provisions, the Congregational Council **must formally pass a resolution prior to the beginning of each year** designating an appropriate housing allowance. The total expense in the congregational budget is not affected but the financial situation of the pastor is enhanced. Note that the income tax exemption is limited to the lesser of the following: Housing Allowance (as officially designated by the Congregational Council, requested by the pastor and determined by the actual housing expenses as recorded by the pastor for the year previous), **or**, the Fair Rental Value (in the area where the house is located).

**4. SOCIAL SECURITY ALLOWANCE**

A Social Security Allowance is given to a pastor because of the unique tax laws that require pastors to pay Social Security tax at the self-employed rate of 15.3% (SECA) rather than the employee rate of 7.65% (FICA) which is normally matched by the employer in other occupations. Since pastors are indeed employees of the congregation for income tax purposes, but are considered self-employed for social security tax purposes, it is recommended that congregations provide pastors a Social Security Allowance of **7.65% of the amount of cash salary and housing**, which is ½ of the total self employment tax of 15.30%. This allowance is considered to be additional salary for income tax and social security tax purposes

**To Determine Social Security Allowance:**

*If a housing allowance is provided:*

Add the housing allowance to the cash salary, multiply the sum by 7.65%.

*If a parsonage is provided:*

Multiply the cash salary by 30% (to determine the basic value of the parsonage), and add the cash salary amount and parsonage value together. Multiply this sum by 7.65%.

**I-B COMPENSATION FOR ROSTERED LAY LEADERS**

**Compensation = Cash Salary + Social Security Tax (FICA)**

**1. CASH SALARY**

The Synod Council of the Southwestern Texas Synod recommends the following baseline levels of cash salary:

**Lay Rostered Leaders:** \$31,525 for 2007 and \$33,190 for 2008

Other factors that must be considered in determining a lay rostered leader's cash salary are similar to those listed for pastors. They include years of service, merit, growth, education, and local circumstances. Again, the goal of the synod is to provide a standard for fairness, not a standard salary for everyone.

**2. SOCIAL SECURITY TAX (FICA)**

Just as in any lay employee circumstance, the congregation is obligated to a **7.65% Social Security Tax (FICA)** for the lay rostered leader. This person is also subject to a 7.65% payroll deduction for FICA.

**NOTE:** Unlike clergy, lay rostered leaders do not currently have the benefit of the parsonage or housing allowance as described by IRS. If housing is provided, its fair market rental value and any congregational expenses for utilities should be counted and reported as additional salary.

**I-C OPTIONS WITHIN COMPENSATION PACKAGE**

**1. FURNISHINGS ALLOWANCE** (*if parsonage is provided*)

Because of the unique tax situation offered by the IRS to pastors (see I-A.3 above), a congregation can also designate a "Furnishings Allowance" for deductible household expenses that are paid for by a pastor who is living in a parsonage. This amount, which is officially designated by the congregational council prior to the beginning of a year, is usually considered as part of the cash salary. A furnishings allowance, however, to the extent it is actually used by the pastor during the year, is then not subject to income tax (though still subject to social security tax).

**2. MEDICAL REIMBURSEMENT/FLEXIBLE SPENDING ACCOUNT**

Many congregations have used a method of medical reimbursement for their employees that is no longer allowable. (For example, some congregations provided, as a benefit, a nontaxable reimbursement for personal medical expenses.) However, ELCA congregations and organizations can still enable their employees to set aside payroll dollars on a pretax basis to pay for certain out of pocket expenses such as health care and/or dependent care. Because these programs, known as Flexible Spending Accounts (FSAs) and Health Reimbursement Arrangements (HRAs) have tax implications, congregations need to set up these accounts carefully. Many employees use the administrative services of specialized companies such as Administration Resources Corporation. See [www.elcabop.org](http://www.elcabop.org) for more information on Flexible Spending Accounts.

The Health Reimbursement Arrangement may be a type of allowable method of medical reimbursement. Under such an arrangement, congregations may make reimbursements to pastors for expenses not eligible for reimbursement by other plans. Each congregation should consult with a tax professional in determining what is best in its unique situation.

**II PENSION AND OTHER BENEFITS**

Congregations should provide their rostered leaders full participation in the ELCA pension and benefit plans. This includes medical and dental insurance, pension benefits, disability insurance, and death benefits. The premium is based on "defined compensation" consisting of cash salary, social security allowance, and housing. Waivers of medical and dental coverage are possible if a rostered leader already has coverage through a spouse's plan, military plan, or other

arrangement. Information on premiums and current benefits is available from the ELCA Board of Pensions (800)352-2876 or on the web at: [www.elcabop.org](http://www.elcabop.org). Pension and Benefit calculators are also on this website.

**NOTE: It is recommended that congregational policies/guidelines be established in writing with regard to III and IV below, including carryover/accumulation of funds and leave/vacation from one budget year to the next, as well as dispensation of such funds upon termination of Call or employment.**

### **III RELATED CONGREGATIONAL EXPENSES**

#### **A. AUTOMOBILE ALLOWANCE**

As a normal operating expense of the congregation, rostered leaders should be reimbursed for miles traveled in carrying out their duties. It is recommended that upon submission of a summary of the total miles driven for the month, the rostered leader be reimbursed at the **current IRS rate** for all professionally related mileage. Mileage for commuting between home and office is not reimbursed. Although there is a strong recommendation to reimburse rostered leaders at the IRS rate, local circumstances may indicate that a fixed automobile allowance is preferred. If this option is taken, this amount must be added to the salary. This can impact the entire package (including pension and social security) as it adds an amount to the defined compensation total.

#### **B. CONTINUING EDUCATION ALLOWANCE**

Congregations should provide rostered leaders with **\$700 annually** (recommended) for the sole purpose of continuing education, provided that the rostered person matches this with \$300 out of his/her salary. The entire amount is often maintained in a separate designated congregational account (the balance of which is forwarded to the next congregation if the rostered leader accepts a new call). The ELCA recommends that rostered leaders involve themselves in **fifty contact hours** per year in continuing education that is both holistic (intellectual, spiritual, emotional, relational) and ministry-related (enabling leaders to equip all the baptized). Leave-time for continuing education is typically 14 days per year including two Sundays. The synod recommends that continuing education time and money *may* be allowed to accumulate for up to three years.

First Call Theological Education time and expenses are typically considered part of the above described continuing education allowance.

#### **C. PROFESSIONAL GATHERINGS**

Attendance at Synod Assembly and the annual Theological Leadership Conference is considered mandatory and should **not** be counted as continuing education or leave. Funding for these gatherings is considered part of congregational responsibilities and should not be taken from continuing education or professional expense allowances.

#### **D. PROFESSIONAL EXPENSE ALLOWANCES**

Rostered persons have routine expenses such as the purchase and care of robes and stoles, books, and other professional expenses. A full reimbursement of each expense, paid to the rostered person when the rostered person submits the invoice for the expense, gives the person the best tax advantage. If full reimbursement is not provided, a minimum allowance of \$500 annually is recommended.

### **IV OTHER ISSUES**

#### **A. VACATION AND DAYS OFF**

Pastors and lay rostered ministers, like anyone else, need some time off from work in order to replenish and re-energize themselves. When their regular work assignment includes every weekend (a typical 50 hour/6 day work week), they should receive a

minimum of four weeks vacation per year, including four Sundays. Congregations with good cause to offer only three weeks should specify a plan to increase the vacation time to four weeks within a reasonable period of service to the congregation. Those whose full time work assignment is limited to a 40 hour work week may receive a vacation of three weeks per year plus two full days off per week. More vacation time should be considered for those exceeding 15 years of rostered service.

**B. ILLNESS/DISABILITY**

Sick leave that is reasonable and necessary for personal or family illness is assumed, with the congregation paying pulpit supply as needed. In the case of disability, the rostered leader continues to receive up to two months of salary with full benefits from the congregation. The ELCA Pension Plan provides disability coverage the beginning of the third month.

**C. MATERNITY/PATERNITY LEAVE**

Parental leave, in situations of birth or adoption, should include up to six weeks full salary and benefits.

**D. EXTENDED STUDY/SABBATICAL**

The following *Guidelines for Extended Study* has been adopted by the Synod Council of the Southwestern Texas Synod. Congregations are encouraged to consider some type of extended study leave or sabbatical for their professional staff.

**EXTENDED STUDY LEAVE GUIDELINES**  
**Southwestern Texas Synod**

An Extended Study Leave provides an ordained or lay-rostered individual with significant time away from his or her ministerial responsibilities so that he or she may pursue a plan for personal, professional, and spiritual growth and renewal. It is intended to enliven the rostered person's energy and skills for ministry and to enrich the mission and ministry of the sponsoring congregation or agency.

The purposes of Extended Study Leave are (1) education and (2) renewal. For the first purpose to be achieved, a plan for study must be carefully investigated and described. In order for the second to be achieved, a sufficient amount of time and freedom must be permitted to allow for the renewal to take place. The first purpose requires consultation with ones sponsoring congregation or agency and ones synod bishop; the second purpose requires that the individual have integrity, clarity, and commitment to the process and experience.

The Southwestern Texas Synod encourages congregations and employing agencies to have an Extended Study Leave program in place for their rostered persons and to actively encourage its use. Discussion of Extended Study Leave plans may be a part of the Call Process as well as ongoing conversations within the Mutual Ministry, Personnel, or Executive committee of the congregation.

**Uses of an Extended Study Leave**

An Extended Study Leave may provide professional growth, skill enhancement, intellectual stimulation, or in-depth topical study. It may promote health and wholeness for the rostered person or add enthusiasm and motivation for ministry. It may provide spiritual renewal and refreshment by providing opportunities to be in prayer and worship, or in reflection on one's life and calling, or in community with God's people. It may involve working on an advanced degree, visiting a mission field, service in a clinical setting, taking a personal enrichment retreat, returning to seminary, or travel to increase understanding or to observe other ministries.

**Eligibility**

1. Rostered persons are eligible to take an Extended Study Leave after having served a minimum of seven years in the ministry.
2. Rostered persons are eligible after having served at least three years in their current call.
3. In general, a rostered person will not take an Extended Study Leave more than once each seven years.
4. Rostered persons over age 50 are particularly encouraged to engage in Extended Study activity.
5. An Extended Study Leaver should not be taken at a time when the rostered person or the congregation/agency is under high stress or conflict.
6. The rostered person will agree to continue serving in the present call for at least one year following the Extended Study Leave.

### **Planning**

Planning should begin at least a year in advance and should involve detailed conversations with the congregational/agency leaders and consultation with the synodical bishop. A study plan might typically include one month of learning to benefit the rostered person, a month in study to benefit the congregation/agency, and a month of activity for personal and spiritual renewal. The study plan should be written, signed by the rostered person and congregational leadership, and endorsed by the bishop. Following the study leave, the rostered person should submit a written summary of the experience to the congregation/agency leaders and synodical bishop. A congregational committee may be established to help promote, plan, interpret, and monitor the Leave and the interim ministry.

### **Length of Leave**

1. Three months is recommended; one month is the minimum.
2. Vacation time is not included in the calculation of leave time.
3. The Extended Study Leave will take the place of Continuing Education time for that year.

### **Expenses**

1. The congregation/agency will agree in advance with the rostered person about the delegation of expenses.
2. Normally, the congregation/agency will continue the rostered person on full salary and benefits (not car allowance) and will cover the cost of interim/supply ministerial services.
3. Normally, the rostered person will cover the cost of the study program (fees, books, transportation, registrations). Accumulated continuing education funds may be used for Extended Study expenses.

### **Other Models**

Rostered persons and their congregation/agency may look at these guidelines and feel that it is an impossibility for them. Rather than abandoning the idea altogether, consider other creative approaches to an Extended Study Leave:

1. Though three months is recommended, it might be possible to shorten the three months to one or two months.
2. Though a continuous period of time is recommended, it might be possible to divide the three months into segments of two, three, four weeks to be taken in a year's time or over a two to four year period.
3. Consider any other model by asking the questions, "How can we help our pastor or lay rostered professional grow, be renewed, and better equipped in skills?"

## **E. PERSONNEL REVIEW**

Each year the Congregational Council is encouraged to review with each rostered individual the goals that had been set out at the start of the previous year - ministry goals for the rostered person and for the congregation. In reviewing these goals, attention should be paid to work that has been faithfully and carefully done as well as areas for improvement and growth. The rostered person and the congregational representatives are then challenged to write ministry goals for both the rostered person and the congregation for the coming year. The book *Pastor and People* includes resources for reviews. The Synod Office also has resources to help congregations with this annual review.

**F. PERSONAL STEWARDSHIP**

Each rostered person is also a member of the congregation, and, therefore, shares in the opportunity and obligation to be a good steward of time, talent, and financial support. Low salaries are not to be offset by low stewardship unless a specific agreement between the rostered leader and the congregational leadership establishes such an understanding.

**V INTERIM AND SUPPLY PREACHING**

The Synod Council of the Southwestern Texas Synod recommends the following baseline levels for those providing supply preaching and interim ministry:

- **Supply** preaching:     \$130 for one service, \$160 for two services;  
                                  Plus mileage at the current annual IRS rate.
  
- **Interim** Ministry:     Preaching at the rate cited above;  
                                  Plus \$25 per hour for ministerial services provided at other times

It is the responsibility of the congregation to compensate the person who supplies.

**VI REFERENCE TABLES**

**TABLE ONE**  
**Suggestions for Evaluating Compensation**

*It is suggested that changes in compensation each year be handled by a personnel committee which then forwards a recommendation to the Budget Committee and Congregational Council.*

To determine a fair compensation package for a rostered leader, use the following benchmarks:

1.     Ascertain the compensation of professionals in your community who have roughly the same years of education, experience, and level of responsibility. A pastor's salary, for example, might be compared to an elementary school principal - an AIM might be compared to an elementary school teacher;
  
2.     Make a similar determination of the professional compensation of some members of the congregation; and
  
3.     Take the baseline compensation suggested by #1 and #2 above and add to it \$600 per year for each year of ministerial experience;

Compare these three benchmark figures to the rostered leader's current compensation and adjust accordingly. Keep in mind the personal factors listed earlier and local circumstances.

***What Happens if There is a Salary Shortfall?***

Low compensation contributes to poor self-esteem, frustration, sagging levels of commitment, rapid turnover of leadership, and unfair family sacrifice. Adequate compensation can contribute to improvement in each of these areas. Congregations that mutually agree with their rostered

leaders to set salaries below the fair level suggested have the option of reducing the percentage of the work week by the same percentage as the reduction in salary. For the purposes of this calculation, an ordained or lay rostered leader is at full time when working six days (50 hours) per week. Thus, if the rostered leader is being paid 80% of the fair salary, then the congregation should agree to a 4/5 time work assignment; the rostered leader would then be expected to be on-site and at work 5 days a week (or about 40 hours a week).

**TABLE TWO**  
**Helpful Resources**

1. **Worth Tax and Financial Service**
  - *Publication: Income Tax Guide for Ministers and Religious Workers* by B.J. Worth (\$15.99);
  - *Publication: Professional Tax Record Book* (\$3.99); and *Auto Log Book* (\$3.99)Phone: (219) 267-4687  
Fax: (800) 368-0363  
Web [www.worthfinancial.com](http://www.worthfinancial.com)  
E-mail: [bjworth@worthfinancial.com](mailto:bjworth@worthfinancial.com)
  
2. **Abingdon Press**
  - *Publication: Abingdon Clergy Income Guide* (\$24.95)Phone: (800) 251-3320  
Web: [www.abingdon.org](http://www.abingdon.org)
  
3. **Christian Ministry Resources**
  - *Publication: Compensation Handbook for Church Staff* (\$19.95)Phone: (800) 222-1840  
Web: [www.iclonline.com](http://www.iclonline.com)
  
4. **There are a number of more up to date resources from a number of places that will be helpful in setting budgets, and understanding lay and pastoral tax status. ELCA Board of Pensions sends a booklet out each year to help each rostered person with the preparation of their taxes for the previous year.**