

# INSTRUCTIONS FOR 2025 CLERGY COMPENSATION WORKSHEET

Updated September 2024

The Clergy Compensation Worksheet is a tool used to help our churches, pastors, and treasurers correctly and accurately compensate their pastor. In these instructions, there are links to specific forms. If you run into a broken link, you can find these forms and other resources online at <http://www.dakotasumc.org/resources/forms/>.

## Breakdown of how Parish Expenses are shared among Churches

When a pastor is appointed to two or more churches, the churches agree on how to split the compensation costs. Here is the best way to communicate any change in that agreement.

## SECTION I: INCOME

- A. BASE SALARY:** Enter the cash salary amount before any reductions or withholdings are made.
- B. OTHER:** List any additional income on Line B. Provide a description in the space provided for the purpose of this additional income. Below are the two most common:
- 1. Social Security Allowance:** Because the Social Security Administration considers clergy to be self-employed, some parishes have chosen to provide additional funding to offset half of the pastor's Self Employment Tax.
  - 2. Health Insurance Subsidy:** Some pastors that are not eligible for HealthFlex (the Conference's health insurance plan), receive a health insurance subsidy. This subsidy usually is taxable as a result of the Affordable Care Act.
- C. TOTAL COMPENSATION:** Add lines A and B.
- D. DESIGNATED HOUSING EXCLUSION:** According to Section 107 of the Internal Revenue Code, pastors may designate a portion of their salary for housing. This designation **MUST** be included in the official minutes of the Church or Charge Conference which approves it. There is no extra cost to the parish for this designation as it is for tax purposes only. Housing Allowance Resources:
- [Housing Allowance Q&A](#)
  - [Housing Allowance Resolution \(No Parsonage\)](#)
  - [Housing Allowance Resolution \(Parsonage\)](#)
  - [Housing Allowance Resolution \(No Parsonage\)](#)
  - [Housing Allowance Worksheet](#)

## SECTION II: SALARY REDUCTIONS

Pastors usually have two types of salary reductions: those related to the health plan and those related to the pension plan. Since these are expenses to the pastor and not the church, and because there is a specific time frame when the pastor can set these amounts, we did not include

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them on this form. A finalized form will be sent to the pastor and the church which will include these amounts.

**HEALTH PLAN REDUCTIONS:** These include HealthFlex Pastor's Share (includes Health Savings Account contributions), Medical Reimbursement Account, and Dependent Care Account. The pastor must set these during Open Enrollment which is October 30 – November 14.

**PENSION PLAN REDUCTIONS:** These include Before-Tax, After-Tax, and ROTH Contributions to UMPIP. While technically these amounts can be set at any time, we are asking pastors to set them during Open Enrollment which is October 30 - November 14.

## SECTION III: HOUSING

Indicate if a parsonage is provided. If the pastor does not live in a parsonage, indicate the CASH HOUSING ALLOWANCE paid to the pastor to provide housing.

*\*\*NOTE: The CASH HOUSING ALLOWANCE is not the same as the DESIGNATED HOUSING EXCLUSION listed in Section I on Line D. Pastors with a CASH HOUSING ALLOWANCE paid in lieu of a parsonage may also take advantage of having a portion of their BASE SALARY designated as a DESIGNATED HOUSING EXCLUSION.*

## SECTION IV: BENEFITS & REIMBURSEMENTS

Items in this section are NOT considered as income for any pastor, even if they opt out of insurance coverage. These are expenses paid by the parish in the course of providing ministry on behalf of the parish.

**A. PENSION DIRECT BILL:** This amount is calculated based on the pastor's compensation. The current pension program consists of four benefits: Defined Benefit Pension (CRSP-DB), Defined Compensation Pension (CRSP-DC), Death/Disability Insurance (CPP), and a parish contribution into the pastor's 403(b) retirement account (UMPIP). You can use our online [Pension Direct Bill Calculator](#) or use worksheet near the bottom of the form.

**B. HEALTHFLEX DIRECT BILL:** This is the church/parish's portion of the pastor's health insurance costs. The amount calculated is what is called a blended rate. We estimate the number of pastors that will be participating in the health plan. We also estimate if the pastor will have a spouse or family covered or just themselves. We can then do the math to calculate the total cost for all in the plan. 75% of the cost is the church share. We divide this equally among the

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churches/parishes so that a church or parish doesn't see large swings in costs if their pastor changes coverage. For clergy couples where both are appointed full-time or three-quarter time to a church or the Conference, half of the amount is applied to each spouse.

¾-Time pastors are now required to enroll in health insurance, although they will be able to opt out if they meet certain criteria. Full-time pastors will be able to opt out of health insurance now as well if they meet certain criteria. In order to enable this flexibility, churches served by a pastor that opts out of health insurance will pay a partial amount.

Here are the amounts:

	Full-Time Enrolled	Full-Time Opted Out; ¾-Time Enrolled; Retiree, active or lay following a Full-Time who opted out or ¾ time who was enrolled	¾-Time Opt Out Retiree, active or lay following a ¾ time opt out clergy
Direct Bill Amount	15,791	7,896	3,948

**C. ACCOUNTABLE REIMBURSEMENT PLAN:** In determining this amount, a useful tool is the Accountable Reimbursement – Worksheet (link below). This worksheet indicates some of the many uses of an ARP, and to budget for them accordingly. We included lines for Travel, Continuing Education, and Other. You can split up the pastor's ARP or just enter the total amount into Other.

- [Accountable Reimbursement – Worksheet](#)
- [Accountable Reimbursement – Long Form](#)
- [Accountable Reimbursement – Short Form](#)
- [Accountable Reimbursement – Examples of Proper & Improper Items](#)
- [Accountable Reimbursement – Q&A](#)

**D. OTHER EXPENSES PAID BY THE PARISH:** Please describe what this expense is in the space provided. DO NOT put the pastor's portion of health insurance on this line.

**E. TOTAL BENEFITS & REIMBURSEMENTS:** Add lines A through D.