

Negotiating Your Call

Union Presbyterian Seminary

March 20, 2017

- How does the search committee extend the call?
- Salary range
- Importance of well-structured call package (or, Why you should listen carefully!)
- Effective salary
- Sample call packages
- Taxes

OVERVIEW

Faith Foundations

Covenant Relationship

Stewardship

Christian Love and Candor



Can You Negotiate?



Don't jump the gun.

What happens when the call is offered?

LET'S NEGOTIATE!

Process of Extending the Call



Effective Salary*

All cash payments & housing allowance



*Effective Salary is a Presbyterian term

Average Effective Salary Range 2016*

Solo pastor of a 50-100 member church: \$47,863.16

Solo pastor of a 101-200 member church: \$51,950.71

Associate pastor of a 201-500 member church: \$52,087.13

Associate pastor of a 501-1000 member church \$54,388.36

*Average salary for a pastor who has served fewer than 6 years.

2016 Average Effective Salary

APs Synod Mid-Atlantic

**SYNOD OF THE MID-ATLANTIC
FULL-TIME ASSOCIATE PASTORS SERVING CONGREGATIONS
WITH 501 TO 1000 MEMBERS**

YEARS OF SERVICE	25 th PERCENTILE	50 th PERCENTILE OR MEDIAN	AVERAGE EFFECTIVE SALARY	75 th PERCENTILE
Less than 6	\$46,555.00	\$51,000.00	\$53,045.09	\$64,260.00
6-10	\$51,153.50	\$55,167.00	\$59,258.94	\$68,796.50
11-15	\$52,677.01	\$54,567.50	\$55,031.97	\$59,613.25
16-20	\$63,966.10	\$65,808.57	\$67,066.40	\$65,900.00
More than 20	\$66,629.50	\$70,819.50	\$69,731.00	\$75,493.25

2016 Average Effective Salary Mid-Atlantic Solo Pastors

SYNOD OF THE MID-ATLANTIC FULL-TIME PASTORS SERVING CONGREGATIONS WITH 101 TO 200 MEMBERS

YEARS OF SERVICE	25 th PERCENTILE	50 th PERCENTILE OR MEDIAN	AVERAGE EFFECTIVE SALARY	75 th PERCENTILE
Less than 6	\$45,980.25	\$49,160.50	\$50,650.71	\$55,000.00
6-10	\$44,518.50	\$53,825.00	\$53,953.33	\$60,157.56
11-15	\$46,818.00	\$52,377.00	\$58,511.33	\$69,500.00
16-20	\$52,846.30	\$58,300.00	\$62,721.91	\$64,068.00
More than 20	\$51,776.50	\$59,898.00	\$60,765.92	\$66,116.00

MIFs



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MINISTRY INFORMATION FORM

Why is your Effective Salary so Important?

Your Board of Pensions benefits are based on your effective salary.

Housing/Manse Allowance

US tax code allows ordained ministers to exclude from federally taxed income some or all of the cost of providing their principal residence.

Example

Cash salary	\$30,000
Housing allowance	<u>\$ 5,000</u>

\$30,000 taxable for federal income taxes

This exclusion applies only to a minister's **federal** income tax.

Implications

- Designating a larger portion of salary as a housing allowance will reduce a minister's federal tax liability.
- Overestimating the housing allowance may cause a minister to underreport his or her taxable wages, which could lead to an underpayment of taxes.

Rental value of a manse

- Not counted as income for federal income tax purposes.
- The minister must count the manse rental value, utilities, and manse allowance as income when calculating his or her SECA tax.

Hint: Consider annual adjustments to the manse rental value.



Equity allowance for ministers living in a manse

Unlike homeowners, ministers living in manses do not build equity in their homes. Many churches help compensate for that by paying an equity allowance that is not subject to federal income tax.

Cash Compensation: Example

A Cash salary	15000
B Housing allowance	10000
C Social Security offset	3800
D Equity allowance	5000

Amount subject to federal tax:	\$18,800 (A+C)
Amount subject to state, local, and SECA taxes:	\$38,800 (A+B+C+D)

Housing allowance

The amount agreed upon by minister and church should cover the cost of maintaining a home:

Mortgage or rent payments, taxes, repairs, insurance, furnishings, utilities, upkeep of lawn, etc.



Housing Allowance, Cont.

- Must be designated in advance
- Cannot be retroactive
- Prevent renewal gaps by declaring housing allowance from a set date “and in all future years until amended”

The minister is responsible for documenting actual housing expenses.



Housing Allowance Example

Designated by the church	\$22,000
Actually spent on housing by the minister	\$17,600

The minister can only deduct \$17,600 from her federally taxable income **and the minister must report the excess as taxable income.**



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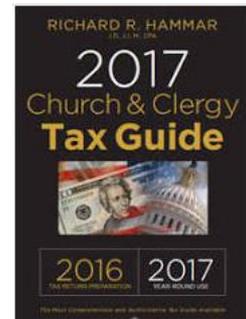
The Compensation Package

- **Cash compensation:** cash salary and housing allowance, plus cash equivalents such as the Social Security offset.
- **Benefits:** pension, life insurance, disability, and health insurance.
- **Reimbursement of job-related expenses** include reimbursement for work-related travel, books, and education.

NOTE: The way you allocate compensation between these three categories has a significant impact on the taxes clergy must pay.

Social Security-Medicare(SECA) Tax Offset

- Ministers are **employees** for federal income tax reporting purposes, **self-employed** for Social Security purposes. This “dual status” means the church does not withhold SECA taxes. Instead, ministers pay a SECA tax of 15.3%.
- Churches are not permitted to pay the SECA tax for their pastors; however, most churches assist ministers by providing them with a Social Security/Medicare tax offset of at least 50% of the SECA tax.



Negotiate

- **Insurance Augments: Dental, Supplemental Life, Co-Coverages**

The Board of Pensions offers members optional coverages such as dental and supplemental life insurance for members and their families. If you elect to participate in these programs, you must discuss who will pay for the additional cost of the coverages.

- **Moving Costs are a negotiated item!**

This is a very important item to discuss with PNCs. Some congregations cover the full cost of a move. Most congregations cover the cost up to a maximum amount. Know both the amounts agreed to and the process the congregation expects to be followed (multiple bids submitted, reimbursement or direct bill, etc.).

Car allowance vs. Professional Expense Allowance

Car allowance provided as an **advance** given to the minister must be properly substantiated on a timely basis or the law requires the minister to refund the unspent, undocumented portion of the allowance.



Professional expense allowance is a better idea. It can cover car expenses and any other professional expense such as *air travel, lodging, conferences, gifts, entertainment, books, supplies, and any other legitimate ministry-related expenditure*. The minister documents car expenses when he/she provides a record of the date, business purpose, and number of miles for each trip and is **reimbursed** by the church.



Examples of Professional Expenses

These activities undergird the pastoral leadership offered and the related expenses are considered **costs of the church, not part of the pastor's compensation.**

- transportation (mileage allowance)
- overnight travel—church/denomination-related (including lodging and meals),
- professional entertainment
- books
- subscriptions
- education
- professional dues



Other Suggested Benefits

Moving Costs: may be provided. Know maximum amount allowed and the process to be followed, e.g., number of bids.

Days Off: Churches should grant, and pastors take, one and a half to two days off each week.

Vacations: Pastors generally get at least four weeks of paid vacation per year, with freedom from all parish responsibility during that time.

Continuing Education: Churches usually grant two weeks study leave, including weekends, each year. Continuing education time should not be considered vacation.

Sabbatical Leave: Sabbaticals are normally three months at full compensation, every five to seven years.

Parental Leave: Generally, women pastors, at the birth of a child, get a 2-3 month maternity leave at full salary and benefits. A male pastor should be encouraged to take at least 2 weeks paternity leave at full salary and benefits. Pastors should be provided at least 2 weeks leave at full salary and benefits at the time of an adoption.

Personal/Compassionate Leave: Allowance should be made for the pastor to be with his or her immediate family at times of special celebration such as weddings or graduations and at times of personal emergency or unusual family responsibility. Paid personal leaves would normally be limited to a period of 5-7 days per year.

Military Leave: Allowance should be made for a pastor who serves in the US military to attend required service.