

CLERGY COMPENSATION POLICY Episcopal Diocese of the Rio Grande

1. PURPOSE

To provide a base or minimum salary package for clergy of the Diocese of the Rio Grande.

2. SCOPE

This policy applies to supply clergy, full-time and part-time active clergy of the Diocese of the Rio Grande.

3. POLICY

Supply Clergy:

Compensation for supply clergy shall be established by the Standing Committee, acting as the Personnel Committee of the diocese. The Standing Committee will establish compensation for supply clergy for each coming year no later than December 31 of each year.

Recommended compensation for services of supply clergy on occasional basis for the year 2024 is:

| | |
|------------------------------------|---------------------------------|
| First Service | \$150.00 |
| Each Additional Service (same day) | \$ 50.00 |
| Transportation (IRS Mileage Rate) | 67 cents/mile (as of Dec. 2023) |

Note: Mileage reimbursement should be paid at the actual IRS reimbursement rate on the date the travel occurred. Please review IRS website for updates.

For Assisting Bishops other than the ordinary making non-official visitations, the host church is responsible for reimbursement for lodging and meals in addition to:

| | |
|------------------------------------|---------------------------------|
| First Service | \$200.00 |
| Each Additional Service (same day) | \$100.00 |
| Transportation (IRS Mileage Rate) | 67 cents/mile (as of Dec. 2023) |

Note: Mileage reimbursement should be paid at the actual IRS reimbursement rate on the date the travel occurred. Please review IRS website for updates.

Full-Time Active Clergy:

A base or minimum stipend/salary shall be established by the Standing Committee, acting as the Personnel Committee of the diocese. The Standing Committee will establish a minimum stipend for each coming year no later than December 15th of each year.

The 2024 minimum stipend (which includes housing) for full-time clergy is: \$47,750.00
The 2024 minimum stipend (which includes housing) for a Transitional Deacon or first year graduate from seminary is: \$42,975.00

Note: This number only reflects minimum cash compensation for full-time clergy. Please see below sections for benefits requirements.

Part-Time Active Clergy:

Base compensation shall be established by the Standing Committee, acting as the Personnel Committee of the diocese. The Standing Committee will establish a minimum for each coming year no later than December 15th of each year.

The 2024 minimum compensation (which includes housing) for part time clergy will be calculated as a proration of full-time total compensation (FTC), based upon the clergy-person's weekly hours per week divided by 40. The figure used to calculate FTC shall include the cash value of pension assessment and benefits required to be offered for full-time clergy.

Example: a clergy person is called to work 25 hours per week. The factor to calculate the FTC would be: $25 \div 40 = 0.625$. This factor is then multiplied by the full-time minimum stipend (which includes housing) + SECA reimbursement + the 18% pension assessment + the annual value of the lowest non-Medicare health insurance plan.

Percentage of full time worked = $25 \div 40 = 0.625$

Annual Minimum Stipend = \$47,750.00

SECA Reimbursement = \$3,955.00

Cash Equivalent Pension Assessment = $(\$47,750.00 + 3,955) \times 18\% = \$9,307.00$

Cash Equivalent of Single Clergy Coverage = \$9,900 (Contact Diocesan office for actual figure.)

The compensation formula for a clergy person working 25hrs per week would then be:

$0.625 \times (\$47,750 + \$3,955 + \$9,307 + \$9,900) = \$44,320$

Housing and Utilities

If housing is provided to the clergy, it should be comparable to the homes of the median income family of the congregation.

If a housing allowance is paid to the clergy, it should include adequate funding allowance for both housing and utilities and is determined by the clergy person. The Vestry or Bishop's Committee shall designate and record the housing and utility allowance as a resolution in their meeting minutes prior to the clergy receiving the compensation each year. (See Appendix A of *Manual of Business Methods in Church Affairs* for a sample housing allowance resolution.) The housing and utility expense as declared by the clergy and documented in the Vestry or Bishop's Committee minutes is excludable from the clergy person's taxable income within the guidelines established by the IRS.

In addition to the clergy stipend and housing allowance the following benefits should be offered.

A. Self-Employment Tax

One half (½) of the clergy self-employment tax (Social Security and Medicare tax) should be reimbursed to the clergy person. (See Narrative Section which follows this section.)

B. Health and Life Insurance

Health insurance coverage is offered to maintain the well-being of the clergy and family. For a position to be considered full-time, the congregation must be able to offer coverage for the clergy person in accordance with, or equivalent to, medical plans offered through the Diocese and provided through the Church Medical Trust. The congregation should maintain the financial capacity to offer this coverage in the event of a loss of outside coverage for the duration of the full-time clergy person's employment with the congregation.

Life insurance coverage for the clergy in a face amount no less than \$50,000.00. This is in addition to the life insurance amount provided to the clergy person through the Church Pension Fund. The life insurance amount provided by the Church Pension Fund for active clergy is currently \$150,000.00.

C. Pension Fund

Total cost of pension premium payment as computed and billed by the Church Pension Fund. (See Narrative Section)

D. Reimbursement

- 1) Auto or travel allowance that is in compliance with IRS requirements. Travel reimbursement in lieu of a travel allowance is recommended.
- 2) Legitimate professional/business expenses including civic organization dues, books, etc., at a minimum of \$300 per annum.
- 3) Continuing education allowance: minimum of \$300 per annum which may accrue year to year.
- 4) A discretionary fund. (See Narrative Section)

E. Other Benefits

- 1) Minimum of one month vacation time each year (to include at least 5 Sundays)
- 2) Congregations are strongly urged to provide for sabbatical leave time. (See Narrative Section)
- 3) Sick leave.
- 4) Time for continuing education each year. A maximum of two weeks per year unless otherwise agreed to by the clergy person and vestry/bishop's committee.
- 5) The benefits enumerated above do not accrue from year to year and unused portions are not compensatory upon termination of service.

F. Clergy and congregations will bring all compensation practices into full compliance with tax codes and IRS regulations. Although the Social Security Administration considers clergy to be self-employed, THE IRS DETERMINES HOW CLERGY INCOME IS TO BE REPORTED. The IRS has ruled that clergy are employees for federal income tax reporting purposes. Thus, ALL INCOME FOR REGULARLY ACTIVE CLERGY SHOULD BE REPORTED ON A W-2 form and not on a form 1099.

G. Vocational Deacons

Due to the nature of diaconal ministry, deacons are frequently required to travel in fulfillment of their ministry. For this reason, congregations shall reimburse deacons for travel expenses incurred in carrying out congregation-related ministry. These expenses include:

- 1) Mileage at the current IRS rate for external travel, portal to portal
- 2) Parking
- 3) Lodging
- 4) Meals
- 5) Travel costs associated with required diocesan events such as Diocesan Convention, Clergy Conference, and deacon conferences.

Congregations are also strongly encouraged to:

- 1) Provide discretionary funds for charitable purposes for deacons set up in the name of the congregation.
- 2) Provide funds for continuing education.

The provisions of Section G became mandatory effective January 1, 2017.

4. WAIVERS

Congregations having temporary financial difficulties may apply to the Bishop for waiver of the provisions of this policy. Waivers granted will be for specific items and for specific periods of time. The Bishop shall advise the Standing Committee of the waivers granted, including existing circumstances and the duration of the waiver.

An attempt will be made to increase diocesan assistance to provide the minimum compensation package without overburdening the congregation's budget. This may be considered through the diocesan operating budget process.

5. NARRATIVE SECTION

Note: all references to IRS and Social Security rules and regulations are subject to change.

A. Housing

The IRS has ruled that the amount of housing allowance paid to a clergy person is not taxable for income tax purposes. But the allowance must be justified by documentation. Any amount paid as Housing Allowance that is not expended for that purpose must be reported as taxable income by the clergy person. When, however, clergy calculate self-employment taxes all Housing Allowance must be added to other taxable income.

When Housing is provided by the employer, a figure for "Housing Allowance" must be computed: Add base salary, plus cash housing allowance and/or utilities, plus employer contributions to a qualified employer contributions to a qualified and/or non-qualified plan, plus one-time payments (applies to month when paid), then multiply by 30%. This will be the housing factor in computing pension premium payments. The same "Housing Allowance" figure will be used in reporting taxable income for self-employment tax purposes.

B. Utilities

Allowance should be sufficient to cover cost of electricity, gas, water/sewer, basic telephone, trash, cable television base rate (not including premium channels). If a Housing Allowance is provided, it should include allowance for these expenditures.

If housing is furnished, the actual amount (or an estimate) paid by the congregation is to be used in calculating self-employment tax reimbursement and pension premium payments.

6. SELF-EMPLOYMENT TAX REIMBURSEMENT

The clergy self-employment tax is based upon 92.35% of total compensation. Total compensation consists of stipend, housing and utility allowance and any amount paid as reimbursement for a portion of the self-employment tax. The self-employment tax consists of two components: 1) Social Security tax and 2) Medicare tax. The self-employment rates for 2024 are as follows: for taxable earnings of \$168,600 or less, the rate is 15.3%; for earnings more than \$168,600 the rate is 2.9% on those earnings.

The recommendation of this diocesan policy is that the congregation will reimburse the clergy person one half of the total self-employment tax that must be paid.

7. PENSION PREMIUM

The pension premium is currently computed at 18% of total annual compensation. Briefly, compensation is defined as stipend, housing allowance and/or utilities, and self-employment tax reimbursement. You may access more specific information at www.cpg.org.

8. INSURANCE

A. Dwelling Insurance and Furnishings Insurance

Whoever owns the house or furnishings is required to provide for this insurance.

B. Medical, Dental and Life Insurance

Presently the Diocesan Business Office provides several medical insurance plans. Changes and revisions are constantly occurring. Please check with the Diocesan Business Office for current information.

C. "Equity Allowance" for Retirement Housing

We recommend that all clergy persons who live in church-owned housing should be provided with a Tax Deferred Annuity or some kind of "Equity Allowance." Information may be obtained from the Church Pension Fund office in New York.

D. Travel/Auto Allowance

- 1) For income tax purposes, a congregation must have either an ACCOUNTABLE PLAN or an UNACCOUNTABLE PLAN. If a congregation simply pays clergy a travel/auto allowance of XX dollars a month, that is an unaccountable plan and at the end of the year the amount paid must be reported as compensation to the clergy person. The clergy must then make the determination of deductible amounts on their personal income tax return.
- 2) There are more desirable alternatives to the unaccountable plan:
 - a) The church may own and maintain the automobile. Before doing so, review the procedure thoroughly as this may become complicated.
 - b) Have an ACCOUNTABLE PLAN.
- 3) When an accountable plan is used the amount reimbursed for legitimate and documented auto/travel expenses is not reportable to the clergy and IRS as subject to income or social security taxation.
- 4) Under an accountable plan, clergy report monthly (or periodically) to the Vestry (Treasurer) their expenses for travel and auto. The church then reimburses the clergy for actual costs expended.
- 5) Investigate thoroughly the consideration of leasing an automobile, either by the church or by clergy with reimbursement from the congregation.
- 6) Under the accountable plan the Vestry should set the rate of per mileage reimbursement not to exceed the IRS mileage allowance. That allowance for 2014 is 56cents/mile for automobile expenses and includes fuel, maintenance, insurance, and car payments. The IRS does not include mileage to- and-from work as reimbursable business mileage.

Regardless of which plan is used clergy are urged to keep detailed daily records of personal mileage and professional mileage and other expense items. These may be required by the IRS in the event of an audit.

9. DISCRETIONARY FUND

- A. The Alms and Contributions, not otherwise specifically designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Member of the Clergy in charge of the Parish or Mission or with such Church officer as shall be appointed by him/her, to be applied by him/her or under his/her superintendence, to such pious and charitable uses as shall by him/her be thought fit. During a vacancy, the Vestry shall appoint a responsible person to serve as Almoner.
- B. An alternative to this is for the congregation to budget an amount that is at least equal to that which would be provided if the Canon is adhered to by the vestry.
- C. It should be noted that this is not a business account, but rather a fund for pious and charitable uses. The discretionary fund should be deposited in an account with the Church's name on it and the Church's tax ID number. An officer of the Church should also be able to write checks on the account. The clergy person should make periodic reports to the vestry as to the general use of the funds. The discretionary fund is subject to a confidential audit by the Vestry as provided for by the Manual of Business Methods in Church Affairs. (NOTE: A discretionary fund (by whatever name) is subject to audit by the IRS.)

10. BUSINESS ACCOUNT

Each congregation should budget sufficient funds to cover the business expenses of the clergy. When a member of the clergy has a business expense, the clergy person should pay and submit receipts (documentation) to the church treasurer for reimbursement. Clergy should be responsible for limiting their business expenses to that amount which is budgeted.

11. SABBATICAL LEAVE TIME

Refer to Policy #105 Clergy Sabbatical

Approved by Standing Committee: December 21, 2023