

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 and full-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 2015 is:

First Service	\$125
Second Service (same day)	\$ 50
Transportation (IRS Mileage Rate)	.58 cents/mile

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

First Service	\$200
Second Service (same day)	\$100
Transportation (IRS Mileage Rate)	.58 cents/mile

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 1 of each year.

The 2019 minimum stipend (which includes housing) for full-time clergy is \$36,235. The 2019 minimum stipend (which includes housing) for a Transitional Deacon or first year graduate from seminary is \$31,633.

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 for both housing and utilities. The Vestry shall designate and record the housing and utility allowance as a resolution in the vestry 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 minutes is excludable from his taxable income.

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

A. Self-Employment Tax

One half (1/2) of the clergy self employment tax (social security and medicare tax). (See Narrative Section which follows this section.)

B. Health and Life Insurance

Full coverage of health insurance to maintain the well being of the clergy and family in accordance with, or equivalent to, medical plans offered through the Diocesan Business Office.

Life insurance coverage for the clergy in a face amount no less than that amount provided to each clergy by the Church Pension Fund and the Diocese of the Rio Grande. The DRG life insurance is valued at \$50,000 and the Church Pension Fund life insurance is valued at \$100,000.

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) One month vacation time each year.
- 2) Congregations are strongly urged to provide for sabbatical leave time. (See Narrative Section)
- 3) Sick leave.
- 4) Time for continuing education each year. Maximum of two weeks per year unless otherwise agreed to by clergy 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 income tax reporting purposes. Thus, ALL INCOME TO FULL-TIME ACTIVE CLERGY SHOULD BE REPORTED ON A W-2 form as opposed to 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 are strongly recommended for 2016 and are 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.

In congregations requiring or receiving financial aid from the diocese, there will be a connection drawn between the level of financial assistance and the indexed compensation level for that year. An attempt will be made to increase diocesan assistance so as to provide the minimum compensation package without overburdening the congregation's budget.

5. NARRATIVE SECTION

(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. When, however, clergy calculate Self-Employment taxes all Housing Allowance must be added to other taxable income. When Housing is provided a figure for "Housing Allowance" must be computed: Add stipend plus utilities 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, Garbage, and Local Telephone Service. 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 2015 are as follows: for taxable earnings of \$118,500 or less, the rate is 15.3%; for earnings in excess of \$118,500 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. Compensation is defined to include stipend, housing, utilities and self-employment tax allowance. 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 his 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 WILL 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 5, 2018