

**INSTRUCTIONS FOR
2018 CLERGY COMPENSATION & EXPENSE REPORT
READ BEFORE COMPLETING FORM**

Conference Relationship:

AF – Affiliate Member	OD – Deacon Member (Other Conf)	RD – Ret. Deacon in Full Connection
AM – Associate Member	OE – Elder (Other Conf)	RE – Retired Full Elder
DM – Diaconal Minister (1992)	OF – Full Member (Other Denomination)	RL – Retired Local Pastor
DR – Retired Diaconal Minister (1992)	OP – Provisional Member (Other Conf)	RO – Retired Full Mem. (Other Den.)
FD – Deacon in Full Connection	OR – Retired Elder of Other Conf	RP – Retired Provisional Member
FE – Elder in Full Connection	PE – Provisional Elder	SY – Supply Pastor
FL – Full Time Local Pastor	SP – Student Local Pastor	CP – Coordinating Pastor
PD – Provisional Deacon	PL – Part Time Local Pastor	LM – Certified Lay Minister
OA – Associate Member (Other Conf)	RA – Retired Associate Member	

Minimum Salary Full Member \$44,200 Prov. Elder/Deacon, Assoc. Member \$40,650 FT Local Pastor \$38,450 (+ \$300 per year of full-time service)

Health Insurance Premiums for 2018

	<u>2017 Rates</u>	<u>2018 Rates</u>
Employee Only	14,000	14,500
Employee and Child(ren)	14,000	14,500
Employee and Spouse	14,000	14,500
Employee, Spouse and Children (Family)	14,000	14,500

Clergy Housing

Definitions:

Housing Exclusion: Amount of cash salary prospectively designated by the church conference resolution to pay for housing expenses paid by clergy. The Exclusion Resolution is required by IRS Section 107 and approved by the charge conference/church council prior to when it takes effect. The following are excluded from income tax, but not from the clergy self-employment (SECA) contribution:

- (1) Furnished parsonage (if provided)
- (2) The portion of cash salary used for housing

Housing Allowance: Cash paid in lieu of providing a parsonage.

Housing Exclusion is included as part of minimum compensation.

Housing Allowance is not included as part of minimum compensation.

The Housing Exclusion is exempt from income tax and should include the Housing Allowance.

Please use the CLERGY HOUSING EXCLUSION RESOLUTION FOR 2018

Line by Line Instructions for Compensation and Expense Report

1. *Total Church Salary* – Amount of Clergy salary from church resources.
2. *GNJAC Equitable Compensation Grant* – approved by Grant process
3. *GNJAC Salary Supplement Grant* – approved by Grant process
4. *Taxable Cash Allowances* – Report non-vouchered expenses (i.e. church gives pastor an allowance and does not ask for an accounting of how it was spent, or does not require IRS documentation).
5. *Housing Allowance* – Cash paid to pastor to provide a domicile when a parsonage is not provided. (Pastor pays SECA tax).
6. *Total Salary* – Total Lines 1-5.
Lines 7 through 11. Use to list the tax-sheltered portion of the salary reported on Line 6. They should not be reported in the W-2 Box 1 as taxable income. Refer to the individual line on the compensation report for the appropriate W-2 reporting box.
7. *Tax-deferred UMPIP* – This is an amount withheld from the pastor's salary and sent to the Wespath Benefits and Investments for investment in the Personal Investment Plan (UMPIP) on a tax-deferred basis. Contribution to UMPIP is strongly recommended and is the option of the pastor. **Per 2012 General Conference changes, pastors contributing at least 1% of Plan Compensation into UMPIP will gain an additional 1% match into CRSP.** Pastor must complete a **Contribution Election Form**. The completed form is to be filed at the local church. (This form is available on the Conference website)
8. *Other Tax-deferred* – This line is for retirement savings withheld from salary and paid to a plan other than UMPIP.
9. *Health Insurance Contribution* – 2% of salary required contribution for the Conference Health Insurance Plan. Health insurance premium for a plan that is NOT the Conference Plan – report on line 15. For Clergy enrolled in the local church's Section 125 Plan. **Line 9 will be calculated upon entering a premium amount on line 21.** The church must have a written Plan Document and a new Plan Enrollment Form must be completed each year to designate the 2%. If the church does not have a Section 125 Premium Plan, enter 2% on line 14.
10. *Flexible Spending Account* – Reporting an amount on this form does not constitute a Flexible Spending Plan. This is an amount withheld from the pastor's salary and used by the church to reimburse medical or childcare expenses on a tax-exempt basis. **The maximum allowable amount is \$2,600.** Do not use this line to report medical expenses that are not reimbursed under a qualified Section 125 plan - use line 15. The church's plan must have a written Plan Document and an Enrollment Form. A Plan Form is required to change the amount withheld per IRS rules. Professional assistance is recommended to set up Section 125 Flexible Spending Plans.
11. *Housing Exclusion* – List amount of salary designated from the 2018 CLERGY HOUSING EXCLUSION RESOLUTION –Section A or B. Amount listed is subject to SECA tax (paid by clergy).
12. *Total Tax Sheltered* – Line 12 is the total of Lines 7 through 11.

Lines 13 through 14: List the TAXABLE deductions portion of the salary reported on Line 1.

13. *Tax-paid UMPIP* – Report in W-2 Box 1 - This is an amount withheld from the pastor's salary and sent to the General Board of Pension and Health Benefits for investment in the Personal Investment Plan (UMPIP) on a tax-paid basis. Contribution to UMPIP is at the option of the

pastor. Per 2012 General Conference changes, pastors contributing at least 1% of Plan Compensation into UMPIP will gain an additional 1% match into CRSP. Pastor must complete a **Contribution Election Form**. The completed form is to be filed at the local church. (This form is available on the Conference website)

14. *Health Insurance Contribution – Report in W-2 Box 1* - 2% of salary required contribution for the Conference Health Insurance Plan ONLY if the church hasn't established a Section 125 premium plan.
15. *Expenses paid directly by the local church (on behalf of the pastor) that are not included in lines 1-14 – Report in W-2 Box 1* - include reimbursement to the pastor for social security payments, auto expenses including auto insurance and lease payments, club memberships, children's scholarships, health insurance premium for a non-Conference health plan, etc. The details for these expenses must be outlined in a written agreement and submitted with the compensation report.
16. *Cash paid to clergy* – Line 6 minus Lines 7 through 10 and minus 13 & 14.
17. *Total Federal Taxable Salary* – Line 17 is the total of Lines 6 minus 12. This amount would be reported at year-end as taxable salary in Box 1 of Form W-2.
18. *Total Salary* – Line 18 is the sum of Line 12 plus Line 17. The resultant number must equal the figure reported on Line 6.
19. *Parsonage provided* – If the church normally provides a parsonage for the clergy person, enter the amount from line 18 on this line. In not, skip to Benefits (Non-Taxable).
20. *Parsonage Value for pension purposes* – If a parsonage is provided, multiply line 19 (salary) by 25%.

Benefits (Non-Taxable) A. B. C. D. & E.

Please enter an "X" if you are in any of the categories listed.

If you enter "X" in Box A or C you are not eligible for CPP or UMLife Options.

If you enter "X" in Box B you are not eligible for CRSP or CPP/UMLife Options.

If you enter "X" in Box D (only eligible category is ½- time Ordained) UMLife Options is 2% of Plan Compensation (Box 26)

If you enter "X" in Box E you are not eligible for CPP or UMLife Options.

21. *Health Insurance Premium* – Show 2018 health insurance premium paid to the conference. By entering the premium on this line the 2% of salary will automatically calculate on line 9.
22. *Net Health Insurance* – Line 21 minus Line 9 or 14. This represents the cost of Health Insurance annual premium less the 2% of salary contribution by the pastor.
23. *Pension Plan Compensation* – Definition of compensation for Pension purposes. If a parsonage is provided, add the salary (Line 18) plus 25% of salary. Or, if a cash housing allowance is paid in lieu of providing a parsonage, the salary only (Line 18).
24. *Clergy Retirement Security Program (CRSP) for FT, ¾, ½ time Clergy or United Methodist Personal Investment Plan (UMPIP) for ¼ time Clergy.* Annual Premium that will be billed from the Conference to the church - multiply Line 23 by 0.125 (12.5%). Enter the resultant number.
Pastors serving less-than-full-time that have waived out of CRSP/UMPIP, enter "0" in this Box.
Retired Clergy and lay persons serving as Supply Pastor (SY) or Lay Minister (LM) do not receive contributions for conference sponsored CRSP, CPP UMLife Options. For those pastors, Lines 24 and (25 or 26) should be \$0. If, however, your church has adopted the United Methodist

Personal Investment Plan (UMPIP) plan for lay employees, please enter the annual contribution amount for the supply pastor on Line 24 and indicate that the contributions are for UMPIP.

25. *Comprehensive Protection Plan (CPP)* – Annual Premium that will be billed from the Conference to the church. If the pastor is a Full Member, Provisional Member, Deacon in Full Connection or Associate Member, or Local Pastor serving a full time appointment or Ordained Clergy serving $\frac{3}{4}$ -time, multiply Line 23 by 0.03 (3%).
26. *UMLife Options for $\frac{1}{2}$ -time Ordained Clergy* – If the pastor is a Full Member, Provisional Member, Deacon in Full Connection or Associate Member serving $\frac{1}{2}$ -time, multiply Line 23 by 0.02 (2%).
27. *Other Benefits* – Indicate any other non-taxable benefits you are paying for this pastor. Non-Conference health insurance premiums are taxable – enter on line 15.
28. *Total Benefit Costs* – Line 28 is the total of lines 22 + 24 + (25 or 26) + 27.

Accountable Reimbursement Plans:

- An accountable reimbursement plan is not a salary reduction item (tax shelter). A reimbursement assumes that the employer (church) is paying for the employee's (pastor) business expenses out of its own funds. When an employer pays an employee for his/her business expenses through a salary reduction, it is the employee and not the employer that is paying for the expenses. Reimbursements paid through a salary reduction agreement would be taxable to the employee.
 - In order for a reimbursement plan to be accountable, the employee must submit proper documentation of the expense in a timely manner (no more than 60 days after the expense).
29. *Travel Expense* – Show amount budgeted for reimbursed travel. Pastor must submit documentation of date, place, business purpose and mileage.
 30. *Continuing Education* – Show amount budgeted for continuing education events. Pastor must submit documentation of date, place, and event.
 31. *Other Business Expenses* – List amount budgeted for other business-related expenses.
 32. *Total Reimbursed Business Expenses* – Line 32 is the total of Lines 29 through 31.