

2025 Clergy Compensation Package Instructions

Found on <https://ntcumc.my.site.com/>

WHY DOES THE CHURCH COMPLETE THE COMPENSATION REPORT?

The Ministerial Compensation Report is used by the charge conference, clergy, and conference to:

1. Officially set the salary and benefits for appointed pastors each year.
2. Serve as official documentation to meet IRS compliance requirements.
3. Calculate the amount to bill the local church for pension and health benefits.

This form must be adopted at Charge Conference and can only be changed later by Charge Conference action.

General Instructions:

- All amounts are to be **ANNUAL** (not monthly) amounts regardless of the date of the appointment.
- Be sure all approvals are obtained before submitting the form to the District Superintendent at charge conference.
- All payments to or on behalf of the clergy must be included on this form; ie: church paid utilities, insurance contributions, annual conference meeting reimbursements, etc.

PART 1 GENERAL INFORMATION-TOP OF FORM

All information in Part 1 is completed for you, based on the information gathered when the Compensation Report was created. If there is an error in Part 1, please contact your District Office.

PART 2 - COMPENSATION INFORMATION BY LINE NUMBER

A. Base Compensation

1. This is the cash salary before any reductions are taken. If you are clergy by tax law definition and not retired, an amount must be entered on this line. You must have a minimum cash salary of 4% of plan compensation for full time clergy and 5.75% for less than full time clergy to fund your pension defined contribution (DC) benefit. In addition, according to the IRS Code Section 415 (c), total annual before-tax, Roth, and after-tax participant contributions, plus plan sponsor contributions to all retirement plans, cannot exceed the lesser of a participant's compensation or \$69,000 in 2024. Housing allowances are excluded from "compensation" for this calculation.
2. Equitable compensation and new church salary is a grant to the local church. **Check with your DS for the correct amount** to enter here, if any. The amount is included on the W-2 form.
3. Non-Accountable Plan Allowances are salary type elements that are for your business expenses. **This amount is to be paid equally to the pastor without documentation.** These amounts **are reported** in Box 1 of your W-2 form. You must take deductions on your tax return for the actual expense you paid. If the pastor accounts to the church treasurer for the expenses, then you must use a reimbursement plan in Part 4 below.
4. Total Compensation

B. Housing

There are two types of housing allowances. **Both should be paid in equal amounts throughout the year.** Clergy are required to account for these funds to the IRS.

5. Please mark “yes” if you live in a parsonage or “no” if you do not live in a parsonage. If “No”, then enter the amount of Housing Allowance on Line 5 representing funds paid to the pastor by the church to provide a home when the pastor does not live in a UM parsonage.
6. Utilities and other allowable housing related expenses are acceptable whether the home is provided by the church or pastor. These amounts can be changed for future months-not prior months (only by official vote of Charge Conference, SPRC, Admin Council or Finance Committee). Be sure you submit any changes on this form to your district office. This amount should be entered in Box 14 of the W-2 Form and marked as Clergy housing.
7. If the church pays the utilities for the parsonage DIRECTLY, then list the amount here. This is for UM parsonages only.
8. Total Housing which is lines 5-7 combined.
9. **TOTAL COMPENSATION** is the sum of lines 4 and 8 and is the Pension Plan Compensation (if there is no parsonage), the number from which the pension’s Defined Contribution is determined. This is **BEFORE** any before-tax, HealthFlex related expenses, after-tax, and Roth contributions are deducted.

Before-Tax Salary Reductions

10. If you are making a **BEFORE-TAX** contribution to UMPIP, the annualized amount from line 7a is automatically entered on Line 10. **Full time clergy must contribute up to 1%** of “pension plan compensation” to UMPIP to receive the church equivalent match of up to 1%. “Pension Plan compensation” is Line 9 if there is no parsonage. If there is a parsonage, Roman Numeral VIII is the Pension Plan Compensation. This contribution may be either before-tax, Roth, or after-tax. **Complete the integrated UMPIP worksheet** as a guideline to help determine the amount of personal contribution necessary to receive the matching contribution from the church. **Please do not report cents – round figures up to the next whole dollar.** After-tax Roth contributions are reported on Line 17 and after-tax contributions are reported on line 18.
11. (As well as 12.) **Additional health insurance premiums:** participant premium overages, spouse and family premium contributions, elective vision and dental are listed here. Only Horizon Texas Conference HealthFlex plan contributions can be listed on this line according to the Affordable Care (ACA). These costs are a salary reduction and are **billed to and remitted by the local church/salary paying entity**. *(If you are filling out this Compensation Report prior to Open Enrollment, either leave it blank or put in what you are currently contributing; and THEN contact your district office to change the form after open enrollment. This will not affect your Total Compensation, just the “Cash Salary After Reductions”, line 20.)*
12. Combined with Line 11 now.

13. This is an annual election on January 1, 2025, for the Flexible Spending Account (FSA). It will carry over to any appointment change. To enter any amount on this line, the Affordable Care Act (ACA) requires that Clergy must be eligible to participate in the Conference provided group health insurance plan, HealthFlex. If an amount is entered on this line, the administration of the plan must be through the conference benefits office.
14. The Dependent Care Flexible Spending Account is an annual election for childcare or dependent adult care up the maximum levels as provided by IRS guidance. It will carry over to any appointment change. If an amount is entered on this line, the administration of the plan must be through the conference benefits office.
15. The HSA level of participation is governed by the high deductible plan in which the participant enrolls. It will carry over to any appointment change. If an amount is entered on this line, the administration of the plan must be through the conference benefits office.
16. Total Before-Tax Salary Reductions. (Add lines 10-15.)

After-Tax Salary Reductions

17. **Optional Roth after-tax UMPIP contribution. Full time clergy must contribute up to 1%** of “plan compensation” to UMPIP to receive the church equivalent match of up to 1%. “Plan compensation” is Line 9. If there is a parsonage, Roman Numeral VIII is the Pension Plan Compensation. This contribution may be either before-tax, Roth, or after-tax. Complete the UMPIP worksheet as a guideline to help determine the amount of personal contribution necessary to receive the matching contribution from the church. The annualized Roth UMPIP contribution amount will transfer automatically to the compensation report.
18. **Optional After-tax UMPIP contribution. Full time clergy must contribute up to 1%** of “plan compensation” to UMPIP to receive the conference equivalent match of up to 1%. “Plan compensation” is Line 9. If there is a parsonage, Roman Numeral VIII is the Pension Plan Compensation. This contribution may be either before-tax, Roth, or after-tax. Complete the UMPIP worksheet as a guideline to help determine the amount of personal contribution necessary to receive the matching contribution from the church. The annualized after-tax UMPIP contribution amount will transfer automatically to the compensation report.
19. Total After-Tax Salary Reductions (Add lines 17-18.)
20. Cash Salary after Reductions (Line 4 minus line 16 and 19.) This amount should be what the church pays for the pastor’s cash salary after all the reductions.

PART 3 - REQUIRED BENEFITS

- **Line C - CRSP Pension** must be paid by the local church for all full-time appointed elders, deacons, local pastors, and provisional members. In addition, pension should be paid by the local church for local pastors or elders appointed at least one-half time; however, less than full-time appointees have the option to waive participation in the pension plan. The appointee must have notarized signatures on an original waiver form which must be mailed to the conference office within 30

days of effective date. The amount of the 2025 pension premium will be \$5,400 plus 3% of pension plan compensation. Pension Plan Compensation is comprised of total compensation (line 9). If a parsonage is provided, the value of the housing to be added to base compensation is 1.25 times line 9. (Roman Numeral VIII is the Pension Plan Compensation for either clergy with parsonages and clergy with housing allowances.)

- **Line D - Appointee's health insurance premium** paid by local church for all full-time appointed elders, deacons, probationary members, and full-time local pastors. Part-time and student local pastors are not eligible for conference insurance. The 2025 premium amount per participant is \$12,900.
- **Line E – CPP Death and Disability** paid by local church. Prior to 2025, for the North Texas Conference, this was an apportioned amount. It is 3% of the pension plan compensation for all fulltime and three-quarter (3/4) appointed clergy. If a pastor is less than 3/4 time, the line will have a "0".

PART 4 - EMPLOYER REIMBURSABLE EXPENSE LIMIT

21. This is the block where you will enter the amount budgeted annually by the church for employee business expenses. There must be a plan adopted by the Board or charge conference **prior to payment of the first check**. The pastor must submit their receipts to the church for these reimbursed expenses within 60 days of incurring the expense. These amounts **shall not** be included on the W-2 form. **Any amount not used cannot be legally paid to the pastor.**

PART 5 – OPTIONAL CHURCH BENEFITS

The following two items which may be provided by some churches are totally optional.

22. Automobile provided by local church including insurance and maintenance.
23. Dependents HealthFlex insurance premiums paid by the local church.

PART 6 – SIGNATURES

Only your signature (typed name) is required to submit the Compensation Report. The acknowledgement wording has been changed to show that your signature acknowledges that the Clergy person, SPRC chair, and the Church Treasurer have approved the report. **Please ensure that you get the proper approvals prior to submitting the Compensation Report.** Once the District Office has signed the report, you must notify the District Office to reopen the report for changes.

Note: Comprehensive tax information can be found on the General Council on Finance and Administration website at www.gcfa.org in the Clergy Tax Guide.