

Date: September 2022

RE: **2023 Compensation Guidelines and Benefits**

The enclosed 2023 compensation guidelines were approved by the Montana Synod Council at its September 2022 meeting. This year, instead of using the annual CPI-U change, the Synod Council adopted a policy to use a 3-year rolling average. Given the recent high inflation rate, this resulted in a **5% increase for 2023**.

These guidelines are provided as a starting point for determining compensation and benefits for pastors and deacons. Please keep in mind that these are guidelines and should be used with thoughtful flexibility as congregations work to come up with fair and just compensation and benefits packages that care for the rostered leader and their family as well as considers the well-being of the congregation. These guidelines cannot possibly speak to all our congregations with their varying financial and personnel resources and expectations. Congregations are encouraged to use the guidelines as minimum standards of financial support and hopefully go beyond them.

Each year a pastor or deacon has an additional year of experience which adds value to the shared ministry of the whole congregation. This added experience needs to be considered in providing fair compensation. Therefore, **a yearly increase for ministry experience is factored into these guidelines**.

If your congregation's pastor and/or deacon are paid below guidelines, a concerted effort should be made to increase their compensation to meet guidelines. Congregations in such situations are encouraged to create a plan over three to five years to increase compensation to guidelines. Adequate and fair compensation encourages good morale on the part of both professional leaders and the congregation as they work together to do ministry and mission in the name and Spirit of Jesus Christ.

Compensation and Benefits Guidelines For Pastors

■ Salary

Pastor salary is based on several considerations—the number of years of experience, additional factors related to the context of the ministry, cost of living, and job responsibility. Pastors serving in part-time positions should receive prorated salary and benefits. The information that follows will assist you in determining a starting point for salary. These figures are guidelines and are not intended to restrict a congregation in fairly compensating a pastor beyond these amounts.

For 2023, there is an estimated 5% Cost of Living Adjustment increase over 2022. Additionally, the multiplier for years of experience are as follows: 1.5% for years 1-10; 1.5% for years 11-20; 1.4% for years 21-30; 1.1% for years 31+

The following figures are the Base Salary and do not include housing allowance, pension, medical, social security offset, and other ministry expenses:

Montana Synod Minimum Salary Guidelines

CLERGY				DEACONS (WORD AND SERVICE)			
Base 2022	Three Year Average Inflation Rate		Base 2023	Base 2022	Three Year Average Inflation Rate		Base 2023
\$ 36,401	5.00%		\$ 38,221	\$ 33,131	5.00%		\$ 34,788
YEAR OF ORDINATION	YEARS FROM ORDINATION TO 1/1/23		BASE SALARY	BASE SALARY	Hourly Equivalent Rate for Those Serving Part Time		
2023	0		38,221	34,788	16.72		
2022	1		38,794	35,309	16.98		
2021	2		39,376	35,839	17.23		
2020	3		39,967	36,377	17.49		
2019	4		40,566	36,922	17.75		
2018	5		41,175	37,476	18.02		
2017	6		41,793	38,038	18.29		
2016	7		42,419	38,609	18.56		
2015	8		43,056	39,188	18.84		
2014	9		43,702	39,776	19.12		
2013	10		44,313	40,333	19.39		
2012	11		44,934	40,897	19.66		
2011	12		45,563	41,470	19.94		
2010	13		46,201	42,050	20.22		
2009	14		46,848	42,639	20.50		
2008	15		47,503	43,236	20.79		
2007	16		48,168	43,841	21.08		
2006	17		48,843	44,455	21.37		
2005	18		49,527	45,077	21.67		
2004	19		50,220	45,709	21.98		
2003	20		50,873	46,303			
2002	21		51,534	46,905			
2001	22		52,204	47,514			
2000	23		52,883	48,132			
1999	24		53,570	48,758			
1998	25		54,267	49,392			
1997	26		54,972	50,034			
1996	27		55,687	50,684			
1995	28		56,411	51,343			
1994	29		57,144	52,011			
1993	30		57,773	July	Yearly	CPI-U	
1992	31		58,408	2019	Inflation Rate	256.571	
1991	32		59,051	2020	1.00%	259.101	
1990	33		59,700	2021	5.40%	273.003	
1989	34		60,357	2022	8.50%	296.276	39.705
1988	35		61,021	3-Yr Average	4.97%	5.16%	15.48%
1987	36		61,692				
1986	37		62,371				
1985	38		63,057				
1984	39		63,750				

For clergy called to part-time ministry, a commensurate percentage of the relevant salary is recommended.

In addition to years of experience since ordination, there are several factors that should be considered when determining a pastor's salary. Some of these factors are:

- Multi-Point Parish
\$1000 per congregation (2-point equals \$2000 additional, 3-point equals \$3000, etc.)
- Supervisory Responsibilities for Program Staff
\$1500 for supervision of 2-3 program staff
\$2500 for supervision of 4 or more program staff
- Additional Education
\$1000 for additional degrees earned beyond the Master of Divinity
- Unusual Cost of Living Expenses
- Size of Congregation

■ Housing

Parsonage

When a **parsonage is provided** (rather than a housing allowance) the congregation pays for all maintenance and utilities of the parsonage. Utility expenses should be paid directly to the utility provider by the congregation. A congregation and pastor would benefit from a mutually created parsonage use agreement. Pastors are subject to social security tax (15.3%) on the fair-rental value of the parsonage.

Housing Allowance

When a housing allowance is provided (rather than a parsonage) that allowance should be enough to pay for and maintain an adequate home for the pastor and family in the community in which the congregation is located.

What is a fair way to determine an appropriate housing allowance? There seem to be many ways to do this. One way is to consider using the fair-rental value of an appropriate home in your community and add the cost of utilities and other expenses. For example, \$12,000 fair-rental value of an appropriate home + \$5,000 for utilities and expenses (gas, electric, phone, insurance, etc.) = \$17,000.

As congregations contemplate raising the pastor's salary each year, they should also consider including the housing allowance or value of the parsonage in that percentage calculation. Otherwise, a pastor's raise is only on a portion of their compensation.

It is important to distinguish between what churches pay for housing expenses and what a pastor declares as "housing allowance" on income tax forms. Pastors do not pay federal or state income tax on housing allowances. It is the responsibility of the pastor to determine the amount officially declared as housing allowance on tax forms. In general, a housing allowance should be designated as high as possible, keeping in mind that the amount that can be excluded from taxable income cannot exceed the lowest of the following:

- 1) The allowance itself,
- 2) The amount actually used "to provide a home" or
- 3) The fair rental value of the furnished home, plus utilities.

The pastor determines the Housing Allowance amount portion from the total compensation package and submits that housing amount to the church council. The church council must annually include the amount to be designated for housing in the council minutes prior to the beginning of the new tax year. The pastor assumes full responsibility for complying with IRS definitions of the cost to provide a house. See Appendix A on page 6 for a sample "Housing Allowance Resolution" the Church Council can use.

Housing Equity

When the congregation provides a parsonage, it is recommended that the congregation contribute an amount equal to at least **\$1,583.28 per year** to a housing equity account maintained in the name of the pastor and invested either in the

ELCA Retirement Plan or other appropriate investment which will be available for the use of the pastor when purchase of a home becomes necessary. This benefit assists pastors in gaining equity for future housing needs. Without this benefit, pastors who live in a parsonage may be unable to accumulate equity in a home and at retirement would have limited funds to provide for their housing needs. (The housing equity figure of \$1,583.28 is 3% of the December 2013, average Montana Synod Clergy salary. The ELCA has not updated this figure in some years, so congregations should use their discretion when determining the Housing Equity amount).

■ Social Security

All pastors are considered self-employed for social security purposes and therefore pay a self-employment tax of 15.3 percent of their income. It is strongly recommended that the church or calling body give a Social Security allowance, even though it is taxable, to their pastor to pay at least half of his or her self-employment tax as they do for the other employees of the church when they pay the employer's share of the FICA tax. This allowance is included on the pastor's W-2 as taxable income.

This tax is levied on the Social Security tax base which includes the following:

Cash salary

Housing allowance or parsonage

Furnishing's allowance

Utilities allowance (paid to or on behalf of the pastor)

***Social Security Offset**

Other taxable income

***FORMULA FOR CALCULATING SOCIAL SECURITY OFFSET**

1. Cash Salary

2. Housing Allowance, or if parsonage 30% of Cash Salary or fair market value

3. Other Cash Compensation (utilities allowance, furnishings allowances, etc.)

Subtotal

Subtotal _____ **x .0765 x .9235** =** _____

(Social Security Offset)

**The Social Security allowance is includable as income for Social Security purposes but the SECA tax is calculated on only 92.35 percent of includable compensation.

■ ELCA Benefits

Retirement and Major Medical and Dental Benefits

The congregation enrolls the pastor in the ELCA Pension Plan, including provision for major medical and dental coverage with family coverage as needed. Information is available at the Portico website: <https://www.porticobenefits.org>

■ Paid Leaves

Leave Policy

It is recommended that congregations develop a clear written policy relating to parental leave, extended medical leave, short-term disability and extended family medical leave. Such leave should be included on the Letter of Call for their pastoral leader (regardless of gender). Congregational personnel policies should allow negotiation of unpaid leave after paid leave is used in the event that rostered leaders require additional time. Congregations can seek support from the synod office in the event of extended leave of their pastoral leader.

Sick Days

Pastors and deacons should be allowed to take personal sick days as well as use sick days to care for immediate family members when ill without jeopardizing vacation or continuing education time.

Parental Leave

Paid leave with full salary, housing, and benefits for a minimum of **twelve weeks** is recommended upon the birth or adoption of a child to recover and/or care for a new child. Vacation and continuing education time should not be jeopardized by this.

Extended Medical Leave and Family Medical Leave

Paid leave with full salary, housing, and benefits for a minimum of **twelve weeks** is recommended during a rostered leader's extended illness or recovery from injury. Also, paid leave with full salary, housing, and benefits for a minimum of **twelve weeks** is recommended to care for a family member with a serious health condition.

■ **Reimbursed Professional Expenses**

Automobile Allowance

The automobile allowance is considered as reimbursement for ministry-related expenses and is not part of a pastor's salary, if substantiated through an Accountable Plan. An allowance based on current IRS rates is recommended (the current rate for **2022 is 62.5 cents per mile**) and is based upon actual miles driven and reported by the pastor. It is important that reimbursements be made through an Accountable Plan system; otherwise, the pastor must pay taxes on them. See the Appendix B on page 7 for more information.

Sabbaticals

The Montana Synod Council recommends that each congregation provide its pastor a sabbatical every five years with full pay. The Sabbatical Guidelines may be found here: <https://www.montanasynod.org/for-congregations.html>

Continuing Education

The congregation provides funds in the amount of \$700, and two weeks each year, for continuing education. Each pastor is encouraged to contribute \$300 in addition to the \$700 provided by the congregation. Continuing Education benefits the congregation. It allows the pastor to take time to intentionally update and acquire new skills, which is essential for effective, ongoing ministry. The ELCA expects a minimum of 50 contact hours annually in continuing education. A contact hour is defined as a typical fifty-minute classroom instructional session or the equivalent.

Professional Ministry Expenses

Congregations should consider including in their budget funds for professional expenses (books, robes, periodicals, entertaining, etc.) These should be reimbursed under the Accountable Plan.

■ **Other**

Vacation Time

The congregation will provide a total of four weeks of annual paid vacation which will include four Sundays. This leave is non-cumulative unless negotiated by the Rostered person and the Council.

Payment to Supply Pastors

The congregation should establish reasonable reimbursement rates for the conducting of worship services and travel when the pastor is unavailable due to vacation, illness, attendance at a church event, military duty, sabbatical, or the like. The recommended rate for one worship service is \$100 and \$50 for each additional service on the same day and at the same location. Travel should be reimbursed at \$.625 per mile (or the current IRS rate).

Appendix A

Housing Allowance Resolution Example

Pastors and congregations may wish to use this Housing allowance resolution to formalize the Housing Allowance agreement.

This resolution should be included in the minutes of the Church Council prior to January 1 of each year. A copy should be made, signed and titled by the president or secretary of the congregation, and given to the pastor(s) for his/her records.

Please note that this is only for tax purposes for the pastor. It is not part of the process a congregation goes through in determining the amount paid to the pastor for housing above the base salary. The Pastor determines that amount from their total compensation and gives it to the Church Council.

Housing Allowance Resolution [To be inserted in Church Council Minutes]

In order to permit (Name of Pastor) to benefit from the provisions of Section 107 of the Internal Revenue Code, the council specifies that the total compensation paid to her/him during the fiscal year () includes a housing allowance. (Name of Pastor) estimates that she/he will spend \$ during the year for housing expenses. Since such approval by the council would permit her/him to deduct that amount from her/his taxable income and has no further effect upon our congregation or budget, it was:

RESOLVED

That the total compensation of \$() paid to (Name of Pastor) includes a housing allowance of \$.

Signature

Title

Date

Appendix B

Pastor's Reimbursement – Accountable or Non-Accountable?

If a pastor is paid a set amount each month towards the professional allowance or the car allowance, this amount also is taxed and must appear in Box 1 of the W-2. This is called a “**non-accountable plan**.” The pastor can only take a deduction for these expenses as a miscellaneous itemized deduction on the tax return, limited to the amount above 2% of adjusted gross income. Because the pastor is considered an employee, the congregation is responsible for the pastor's expenses, such as professional allowance and mileage. Therefore, all pastors need to be using an “**accountable plan**” for expenses. Reimbursed amounts are not considered taxable income only if the pastor has an “**accountable plan**.”

It is extremely important that churches structure their reimbursement plans to be accountable. An “**accountable plan**” has a line item amount in the budget. Each month the pastor submits verification of what was spent during the month (receipts and log of mileage driven). It is strongly recommended that the treasurer then submits a separate check to cover reimbursements.

IRS guidelines for an “**accountable plan**” include:

1. The church is required to have a written reimbursement plan that must be recorded in the Council minutes. (See below.)
2. The church is required to identify reimbursements either by making separate payment or by specifying the amount of both wages and reimbursement if they are combined in a single payment.
3. The pastor must adequately account to the church for the expenses he/she wishes to have reimbursed. The pastor needs to keep a daily expense book, receipts, canceled checks, and credit card slips as well as an auto mileage log.
4. If a pastor receives an advance of expenses, (e.g. if a pastor is going to a conference or school) the pastor must save receipts and return any excess reimbursement over the expenses for which he/she did not adequately account.
5. A church person other than the pastor needs to examine the substantiating records, which should be kept at least four years by the church.

A written accountable professional expense reimbursement plan might read as follows:

“The parish recognizes the pastor will incur expenses for which the congregation is responsible. Such professional expenses include, but are not limited to the following...”

1. Purchases of books, magazines and CDs up to a designated amount.
2. Entertainment of visiting church leaders.
3. Hosting and entertaining local church members and groups.
4. Dues to clergy associations and other professional organizations.
5. Professional clothing (robes, stoles, collars, etc.), including dry cleaning.
6. Office supplies, postage.
7. Auto - If a pastor and congregation wishes, the auto and professional reimbursement can be combined under one line item which includes mileage reimbursement at IRS recommended rate and professional reimbursement as listed in 1-6.

We name the following person from the congregation (name) who will substantiate the records.”

It is recommended that this person not be the treasurer but perhaps someone from the executive committee, council or finance committee.

APPENDIX C

Compensation and Benefits Guidelines

For Deacons

(Formerly known as AIMs, Deaconesses, Diaconal Ministers)

■ Salary

Salary for deacons is based on several considerations, including the number of years of experience, education, additional functions related to the context of the ministry, cost of living, and job experience. Those serving in part-time programmatic positions should receive pro-rated salary and benefits. The information that follows will assist you in determining a starting point for salary.

Years of Experience

The figures in the chart below are guidelines and not intended to restrict a congregation in providing fair compensation. The figures assume a bachelor's degree.

See Deacon Salary Guidelines Chart on page 2

Additional Education

Add \$1500 to \$3000 for additional earned degrees beyond a bachelor's degree. An additional \$3000 is recommended for a seminary degree leading to deacon status. Add \$200 to \$500 for certification in a specific area.

Supervisory Responsibilities

Add \$500 to \$1500 for supervision of one or more program staff.

■ Benefits

Social Security and Workers' Compensation

All congregations should provide Workers' Compensation coverage, since definite liability accrues to the congregation in case of accidental death or disability in conjunction with one's employment. Congregations are required to pay half of the Social Security taxes (7.65% of taxable income) for all lay employees and to file federal tax W-2 forms for lay employees.

Retirement and Major Medical and Dental Benefits

The congregation may enroll the rostered lay person in the ELCA Pension Plan, (depending on ELCA guidelines) including provision for major medical and dental coverage with family coverage as needed. Information is available at <https://www.porticobenefits.org/>

■ Vacation

The congregation will provide a set number of weeks for paid vacation which will include Sundays. This vacation leave is non-cumulative.

■ Paid Leaves

Parental Leave

It is recommended that congregations develop a clear written policy relating to parental leave and include parental

leave on the letter of agreement. Parental leave with full salary and benefits for a minimum of six weeks is appropriate when a child is born or adopted.

Sick Leave

Deacons should be allowed to take personal sick days as well as use sick leave to care for immediate family members when ill. Vacation and continuing education time should not be jeopardized by this.

Extended Family Leave

Congregation personnel policies should allow negotiation of unpaid leave after paid leave is used, in the event that deacons require additional time with family during critical times.

Extended Medical Leave

It is recommended that each congregation develop a clear written policy relating to extended medical leave and short-term disability. Such a policy might include allowing deacons to use sick leave to care for immediate family members who are ill.

■ **Reimbursed Professional Expenses**

Automobile Allowance

The automobile allowance is considered as reimbursement for ministry-related expenses and is not part of a deacon's salary, if substantiated through an Accountable Plan. An allowance of **.535 cents per mile based on IRS rates** is recommended and is based upon actual miles driven and reported by the person. It is important that reimbursements be made through an Accountable Plan system; otherwise the employee must pay taxes on them. See Appendix B for more information.

Sabbaticals

The Montana Synod Council recommended that each congregation provide its deacons a sabbatical every five years with full pay. See the complete Sabbatical Guidelines here: <https://www.montanasynod.org/for-congregations.html>

Continuing Education

The congregation provides funds in the amount of \$700, and two weeks each year, for continuing education. Each deacon is encouraged to contribute \$300 in addition to the \$700 provided by the congregation. Continuing Education benefits the congregation. It allows the deacon to take time to intentionally update and acquire new skills, which is essential for effective, ongoing ministry. The ELCA expects a minimum of 50 contact hours annually in continuing education. A contact hour is defined as a typical fifty-minute classroom instructional session or the equivalent.

Professional Ministry Expenses

Congregations should consider including in their budget funds for professional expenses (books, periodicals, entertaining, etc.). These should be reimbursed under the Accountable Plan.