

Date: September 2023

RE: **2024 Compensation Guidelines and Benefits**

The enclosed 2024 compensation guidelines were approved by the Montana Synod Council at its September 2023 meeting. To smooth out significant swings in the inflation rate, the Synod Council utilizes a 3-year rolling average. Given the high inflation rate over the past two years, this resulted in a **6.25% increase for 2024**.

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. **There can be flexibility in negotiating when financial constraints are involved.** 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. **Congregations and pastors should annually review the entire compensation guidelines and agree upon a full compensation package for the coming year.**

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 2024, there is an estimated 6.25% Cost of Living Adjustment increase over 2023 based on a 3-year rolling average. Additionally, the multipliers for years of experience are as follows: 1.5% for years 1-9; 1.4% for years 10-19; 1.3% for years 20-29; 1.1% for years 30+. These increases are reflected in the following table.

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 2023	Three Year Average Inflation Rate		Base 2024	Base 2023	Three Year Average Inflation Rate		Base 2024
\$ 38,221	6.25%		\$ 40,610	\$ 34,788	6.25%		\$ 36,962
YEAR OF ORDINATION	YEARS FROM ORDINATION TO 1/1/23	BASE SALARY		BASE SALARY	Hourly Equivalent Rate for Those Serving Part Time		
2024	0	40,610		36,962	17.77		
2023	1	41,219		37,517	18.04		
2022	2	41,837		38,079	18.31		
2021	3	42,465		38,651	18.58		
2020	4	43,102		39,230	18.86		
2019	5	43,748		39,819	19.14		
2018	6	44,405		40,416	19.43		
2017	7	45,071		41,022	19.72		
2016	8	45,747		41,638	20.02		
2015	9	46,433		42,262	20.32		
2014	10	47,083		42,854	20.60		
2013	11	47,742		43,454	20.89		
2012	12	48,410		44,062	21.18		
2011	13	49,088		44,679	21.48		
2010	14	49,775		45,305	21.78		
2009	15	50,472		45,939	22.09		
2008	16	51,179		46,582	22.40		
2007	17	51,895		47,234	22.71		
2006	18	52,622		47,895	23.03		
2005	19	53,359		48,566	23.35		
2004	20	54,052		49,197			
2003	21	54,755		49,837			
2002	22	55,467		50,485			
2001	23	56,188		51,141			
2000	24	56,918		51,806			
1999	25	57,658		52,479			
1998	26	58,408		53,162			
1997	27	59,167		53,853			
1996	28	59,936		54,553			
1995	29	60,715		55,262			
1994	30	61,383			<u>July</u>	<u>Yearly</u>	<u>CPI-U</u>
1993	31	62,059			2020	<u>Inflation Rate</u>	259.101
1992	32	62,741			2021	5.40%	273.003
1991	33	63,431			2022	8.50%	296.276
1990	34	64,129			2023	4.82%	309.402
1989	35	64,835		3-Yr Average	6.24%	6.47%	50.301
1988	36	65,548					19.41%
1987	37	66,269					
1986	38	66,998					
1985	39	67,735					

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. **Paid leave days do not generally accrue and/or carry over to the following year.** 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.

Bereavement Leave

Up to five (5) days per year (including a Sunday) of bereavement leave at full pay for the death of a member of one's immediate family may be granted. The immediate family will be defined as father, mother, sister, brother, husband, wife, significant other, children, father-in-law, mother-in-law, daughter-in-law, son-in-law, grandparents, grandchildren, or other persons based on council approval. One (1) day per year of bereavement leave may be used for the death of a close friend, relative, or member of the community not covered as defined by immediate family, contingent on council approval.

■ **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 2023 is 65.5 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.montanasynd.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 \$175 and \$75 for each additional service on the same day and at the same location.** Travel should be reimbursed at \$0.655 per mile (or the current IRS rate). **Additional pastoral ministries and duties should also be compensated.** For more information contact the Synod office.

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**

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. **Paid leave days do not generally accrue and/or carry over to the following year.** 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.

Bereavement Leave

Up to five (5) days per year (including a Sunday) of bereavement leave at full pay for the death of a member of one's immediate family may be granted. The immediate family will be defined as father, mother, sister, brother, husband, wife, significant other, children, father-in-law, mother-in-law, daughter-in-law, son-in-law, grandparents, grandchildren, or other persons based on council approval. One (1) day per year of bereavement leave may be used for the death of a close friend, relative, or member of the community not covered as defined by immediate family, contingent on council approval.

■ 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 **.655 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.montanasynd.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.