



**PCA** CALL  
PACKAGE  
GUIDELINES

The PCA Call Package Guidelines are provided with the understanding that neither the Presbyterian Church in America, nor any of its agencies or committees are engaged in rendering legal or accounting services or advice. If expert assistance is needed, the services of a competent professional should be sought. These Guidelines are revised or updated annually in print, and digitally revised or updated as necessary during the year and available on our website at [www.pcarbi.org](http://www.pcarbi.org). Due to the ever-changing legal environment governing these matters, always make sure that you are referencing the most recently updated version of these Guidelines.

Circular 230 Disclaimer: This guide should not be viewed as legal, tax, or other advice. Any tax advice contained in the body of this material was not intended or written to be used, and cannot be used, by the recipient for the purpose of (1) avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions, or (2) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

**Copyright © 2021 PCA Retirement & Benefits. All rights reserved.** (Volume 10, Issue 1 - 2021)

# PCA Retirement & Benefits Vision & Mission

## OUR VISION

We believe the gospel advances and the church thrives as men and women who serve PCA ministries grow spiritually and financially healthy.

## OUR MISSION

We guide PCA pastors and ministry workers through the complexities of financial planning and employee benefits, so they and their families are able to live generously in every season of ministry.

## TABLE OF CONTENTS

Introduction to the <i>PCA Call Package Guidelines</i> .....	Page 6
A Call Package Defined.....	Page 6
The Purpose of This Document .....	Page 6
PCA Retirement & Benefits' Role.....	Page 6
The Proper Uses of this Document.....	Page 7
Elements of the <i>PCA Call Package Guidelines</i> .....	Page 11
Salary .....	Page 11
Housing Allowance .....	Page 13
Benefits .....	Page 15
Vacation, Leaves of Absence, Sabbatical .....	Page 23
Reimbursable Expenses.....	Page 25
Other Considerations .....	Page 27
Small Churches.....	Page 27
Social Security – Important Considerations.....	Page 27
Ministers' Dual Tax Status.....	Page 29
Ministers' Options in Paying Taxes.....	Page 29
Challenges in Preparing Ministers' Returns .....	Page 30
Separation from Service.....	Page 31
Workers' Compensation Insurance.....	Page 32
The PCA Ministerial Relief Ministry .....	Page 32
PCA Call Package Recommendation Summary .....	Page 33
Presbytery Implementation Resources Addendum .....	Page 35
Sample Forms and Policies .....	Page 36
Housing Allowance Worksheet I – Manse.....	Page 37
Housing Allowance Worksheet II – Rental or Mobile Home.....	Page 38
Housing Allowance Worksheet III – Home Owner .....	Page 39
Housing Allowance Resolution .....	Page 40
Sabbatical Policy.....	Page 41
Accountable Reimbursement Policy .....	Page 42
Accountable Reimbursement Form.....	Page 43
The Recommended Form of Call to a PCA Minister.....	Page 44

## PREFACE

The original edition of the *PCA Call Package Guidelines* was developed by PCA Retirement & Benefits (RBI), an agency of the Presbyterian Church in America, in 2011 in consultation with the Office of the Stated Clerk/Administrative Committee of the Presbyterian Church in America. RBI also partnered with stated clerks from each Presbytery to find teaching and ruling elders who had interest in this project or expertise in the field of human resources. Based on this feedback and advice from other professionals (e.g. attorneys, accountants, etc.), a number of enhancements and additions to the initial draft were made. In 2012, the completed document was presented to the PCA General Assembly (GA) for approval. The 40th GA received the *PCA Call Package Guidelines*, and ***exhorted Presbyteries and member churches to implement their use***. Each year RBI presents the PCA Call Package Guidelines before the General Assembly and the General Assembly typically exhorts ministries and church to review and use the PCA Call Package Guidelines. This year however is unique and found 48th General Assembly being postponed until 2021. Regardless, we have produced the 10th edition of the PCA Call Package Guidelines and it includes a number of updates and enhancements.

This booklet is designed to provide accurate and authoritative information on ministers' compensation packages. It is also intended to provide instruction about other important compensation and tax issues affecting PCA ministers. The use of the PCA Call Package Guidelines is highly advisable for churches and Presbyteries concerned about the financial security of their ministers.

### Resources recommended for use with these guidelines are:

#### **Church and Clergy Tax Guide**

By Richard R. Hammar, J.D., LL.M., CPA

Church Law & Tax Store • [www.store.churchlawandtax.com](http://www.store.churchlawandtax.com)

#### **Zondervan Minister's Tax and Financial Guide**

By Dan Busby, CPA

Zondervan • [www.zondervan.com](http://www.zondervan.com)

#### **Worth's Income Tax Guide for Ministers**

By B.J. Worth, EA, ATA, CTP • [www.worthfinancial.com](http://www.worthfinancial.com)

#### **Ministers' Taxes Made Easy**

By Michael Martin, et al. • [www.pcarbi.org](http://www.pcarbi.org)

#### **Church Reporting Made Easy**

By Michael Martin, et al. • [www.pcarbi.org](http://www.pcarbi.org)

#### **Tax Guide for Churches and Religious Organizations**

IRS Publication 1828 • [www.irs.gov](http://www.irs.gov)

### For additional questions, please contact PCA Retirement & Benefits

PCA Retirement & Benefits  
1700 North Brown Road, Suite 106  
Lawrenceville, GA 30043

(678) 825-1260

(800) 789-8765

(678) 825-1261 FAX

[www.pcarbi.org](http://www.pcarbi.org)

# INTRODUCTION

## A Call Package Defined

In its simplest terms, a call package is a minister's compensation package. We refer to it as a call package because that is the term used by the PCA *Book of Church Order* (e.g. BCO 20-6). A "call" is more than the internal call by the Holy Spirit to the minister; it is also a church or other organization acceptable to a Presbytery requesting a Teaching Elder to exercise his ministry on a regular basis.

## The Purpose of this Document

With this booklet we are attempting to provide 'best practice' guidance regarding the content and structure of ministerial call packages for ordained clergy. It is our hope that this document will be a valuable reference for ministers, churches, Sessions, Presbyteries and PCA-related organizations. We pray that God would use this valuable resource for the edification of His Church and the propagation of the Gospel.



We recognize that the issue of clergy compensation can be difficult, or even controversial. There may be circumstances, for example, where a man may feel called by God to serve a church that is unable to provide elements of compensation customary for similar positions. It is not our intention to pass judgment

on such circumstances. We would, however, strongly assert that every effort should be made to adequately compensate a minister of the Gospel for his work. In Paul's encouragement to his brother Timothy, two very important and helpful principles are set forth.

*"Let the elders who rule well be considered worthy of double honor, especially those who labor in preaching and teaching. For the Scripture says, 'You shall not muzzle an ox when it treads out the grain,' and, 'The laborer deserves his wages.'"*

(I Timothy 5:17-18, ESV)

*"If anyone aspires to the office of overseer, he desires a noble task. Therefore an overseer must be above reproach, the husband of one wife, sober-minded, self-controlled, respectable, hospitable, able to teach, not a drunkard, not violent but gentle, not quarrelsome, not a lover of money."*

(I Timothy 3:1b-3, ESV)

These Scriptural verses clearly make two points. First, a minister should receive just and reasonable compensation for his labors. And second, he should be content with those wages. Ultimately, both of these principles are issues of the heart, and it is beyond the scope of this document to fully address them here. Nevertheless, we have sought to provide helpful financial information to those endeavoring to pursue faithful obedience in these matters. It is our hope that this booklet will describe the appropriate components of clergy compensation, be of assistance to ministers, churches, and Presbyteries desiring to structure adequate call packages, and motivate churches and Presbyteries to regard the provision of these components as an expression of love for their shepherds, as well as an act of faithfulness.

## PCA Retirement & Benefits' Role

RBI is a denominational agency of the PCA, and our ministry since its inception has been one of sup-

port to PCA churches, church-related organizations, and PCA church servants. We assist over 1,500 PCA churches and church-related organizations by providing cost effective employee benefits plans which include a 403(b) Retirement Plan as well as Term Life, Short Term Disability, Long Term Disability, Vision, Dental Insurance Plans, and ServantCare Counseling. Our supervision of these plans helps reduce the burden on our ministry partners.

We regularly work with a number of industry experts who advise and inform us of new rules and regulations that affect our ministers and churches. RBI also belongs to a church association that studies, advocates for, and disseminates information about church employee benefit programs. In short, we do the heavy lifting so churches can put more of their precious resources towards the ministry of the Gospel.

RBI also has a deep commitment to our ministers and their families. These men have answered the Lord's call to lead and care for PCA church families, often accepting calls with little regard to salary or benefits. We feel it is our duty to help these men by providing financial guidance. We recognize that simply offering benefit plans to our ministers doesn't necessarily translate into financial security, or faithful stewardship. We hope that the financial guidance we provide will assist ministers in properly assessing and planning for their family's financial future.

Another ministry close to our hearts is Ministerial Relief. Through this ministry, we have the privilege and responsibility of assisting our retired and disabled ministers and their widows in times of financial need through the Ministerial Relief Fund. In our years of Ministerial Relief experience we have seen the devastation that disability or death brings upon a minister and his family. We are ministering monthly to elderly widows who have outlived their retirement savings and are no longer able to afford the basic necessities of life on their own. We understand the circumstances that put our PCA ministers and their families at risk of catastrophic loss, and we are thankful for the Lord's provisions and the privileged role that we have to assist them.



These guidelines are intended to assist you with that important calling.... They can be used as a springboard for discussion with your Session or Diaconate when reviewing an existing call...

We also delight in our role as a partner in the Gospel, and as an advocate for our PCA churches and ministers. It is our hope and prayer that the *PCA Call Package Guidelines* will assist our churches in developing a stronger partnership with their ministers and help to establish a firm financial footing for our ministers and their families. These guidelines are offered to assist our PCA ministers and the churches they serve in structuring call packages that better manage these risks through appropriate financial products and proper planning.

### **The Proper Uses of this Document**

The PCA General Assembly exhorted Presbyteries and member churches to implement the *PCA Call Package Guidelines*. To truly profit from these guidelines, they should not only be thoroughly read, but



also implemented. Ministers and church leaders as well can all benefit from the guidelines and must share equally in their implementation.

### ***Ministers***

The responsibilities of ministry can be all-consuming. But the Lord has also laid upon you, as husbands and fathers, the fundamental responsibility of providing for your own family's welfare (1 Timothy 5:8, ESV). These guidelines are intended to assist you with that important calling. Use them to educate yourself, and become acquainted with the financial aspects of your call.

Familiarity with these guidelines can help you evaluate the sufficiency of a call. They can be used as a springboard for discussion with your leadership when reviewing an existing call, or when considering a proposed call from a prospective congregation. Some calls may need to be restructured or improved. Other calls may require additional funding from some creative or tent-making sources. But, at the end of the day, you must determine whether a particular call adequately provides for the current and retirement needs of your family. After all, it is your responsibility to make sure that your wife can pay the bills one day if God calls you home first!

### ***Church Leadership***

In light of the 2012 PCA General Assembly's exhortation, local churches also should seek to implement these guidelines thoroughly. As congregational leaders, Ruling Elders and Deacons have been entrusted with the biblical stewardship of providing for the financial welfare of their ministers and their families (1 Timothy 5:17–18, ESV). To that end, congregations and leaders are morally constrained (BCO 20-6: "obliged") to make public promises to their ministers, and to present those promises to Presbytery—promises to provide "all proper support," and promises that under your care they will be free from "worldly cares and avocations."

Keeping these promises can be challenging! Faithfulness requires nothing less than a heart for God, a heart for your minister and his family, and a good



working knowledge of the financial issues involved. These guidelines were developed to assist you with this important calling by increasing your understanding of the financial aspects of your minister's call. They will help you identify the necessary components of a well-structured call package, and help you clarify the differences between your minister's compensation and your own.

Use these guidelines as an educational tool. Communicate these to all who need to be aware of them, including members of your Diaconate and Finance Committee. Use them to evaluate the sufficiency of a call package that you plan to offer a prospective minister. Or, simply use them to review the sufficiency of your current minister's call package. Financial reviews should be conducted annually for adequacy and sufficiency. Ask: "Does our minister's call package minimize risks and provide adequately for his family today, and in the years in which he will no longer be able to work? Is our minister's family, and our church, adequately protected if something should happen to our minister?"

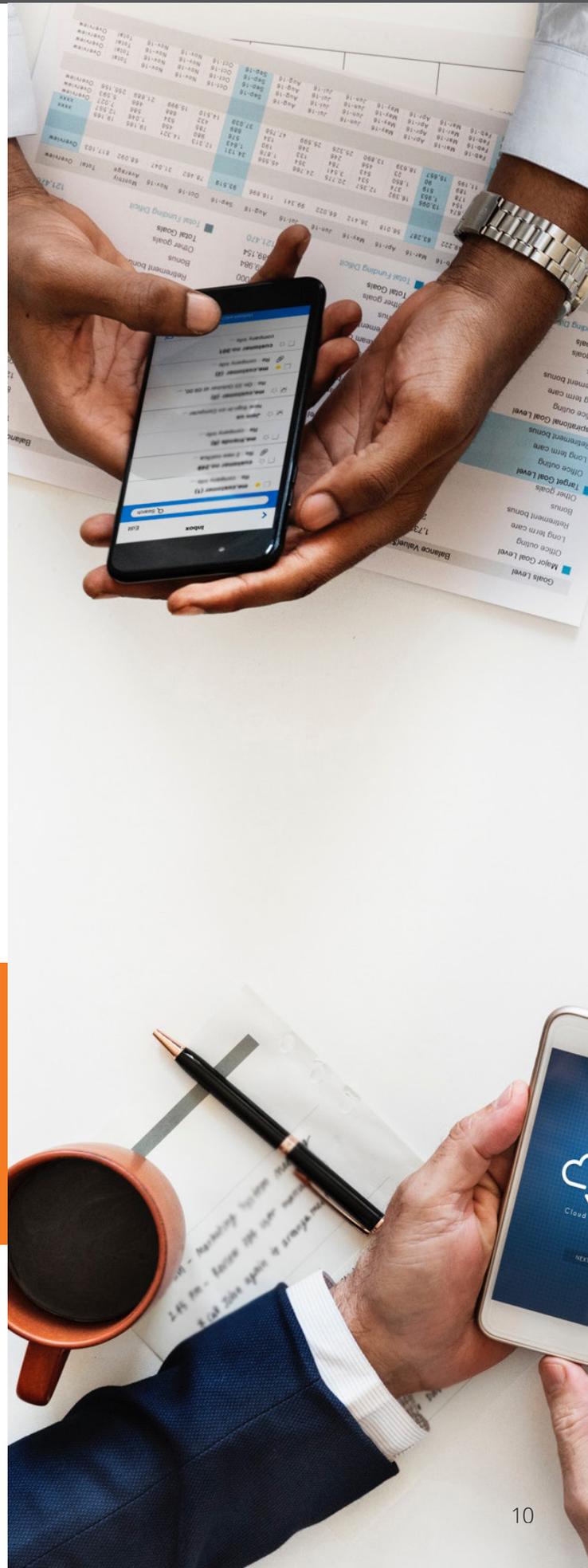
### **Presbyteries**

Presbyteries also have a responsibility to evaluate the adequacy and sufficiency of call packages. Called to guard and protect the welfare of the congregations and ministers entrusted to their care by examining and evaluating candidates, and call packages, presbyteries directly bear the burden of their brother's welfare. For this reason, the PCA General Assembly also exhorted Presbyteries to discharge their duty by *implementing these guidelines*. How might these guidelines be best implemented? We believe that these guidelines would be best implemented by establishing a presbytery policy. This does not necessarily mean changing presbytery bylaws. Policies are simply agreed upon rules clarifying how things will be typically handled going forward. A policy creates expectations, establishes an acceptable standard, and can keep these guidelines from being ignored or forgotten. And a policy lessens the potential for misunderstandings when call packages are presented to presbytery. A 'Presbytery Implementation Resources Addendum'

section is available on our website, [pcarbi.org](http://pcarbi.org). Using the search feature on the top right hand of the page, type 'Presbytery Implementation.' Click on the 'Publications' result and then select 'Presbytery Documents' under 'Call Package Resources.' Please feel free to adopt, adapt, or alter these resources for use in your Presbytery.

Specifically, presbyteries need to establish a policy that every call package presented to Presbytery reflects interaction with these Guidelines by *breaking-out* separate, specific, and sufficient amounts for each necessary component of the call package. Furthermore, they need to assign the responsibility to implement these Guidelines to a particular committee, and communicate the policy to all of their churches to avoid misunderstandings. And, as soon as possible, the committee that examines and approves call packages should enter into conversation with churches developing call packages to assist them in the process. Every call should be examined by a committee for adequacy. And helpful suggestions should be offered to rectify any shortcomings or excess. Hopefully, this will increase the efficiency of our Presbyteries and eliminate awkward discussions about the sufficiency of a call on the floor of Presbytery.

Use these guidelines as an educational tool. Communicate these to all who need to be aware of them, including members of your Diaconate and Finance Committee.



# ELEMENTS OF A CALL PACKAGE

## Salary

The purpose of this section is to encourage the church to care for its ministers in such a way that they fulfill their promise [from the PCA *Book of Church Order* (BCO)] to ensure that these men and their families are “free from worldly cares and avocations.” (BCO 20-6)

There is no better place to begin this topic of a minister’s compensation than the Bible. In 1 Timothy 5:17–18 (ESV), Paul states clearly that a minister should be paid for his work and quotes Deuteronomy 25:4 and Leviticus 19:13 to make his point from Old Testament Scripture. This teaching is repeated in 1 Corinthians 9:7–12 where he argues that those who serve the church are workers who are deserving of their wages. Jesus as well taught his disciples in Luke 10:7–8 and Matthew 10:10 that they should expect to be cared for by those whom they came to serve. While this is not an exhaustive exegesis of the topic, it is abundantly clear from Scripture that a minister should be fairly paid for his labors to the church.

The subject of a minister’s compensation has the potential to set off alarm bells. One alarm might be an effort to set minister salaries from a denominational mandate instead of a complex set of reasonable factors (i.e. actual cost of living, experience, credentials, scope of responsibilities, unusual circumstances, etc.). Setting salary levels for ministers in the PCA is not the purpose of this portion of the Guidelines. Our desire is to help churches thoughtfully reflect on these complex issues. Determining an *appropriate* salary level is truly challenging, but it is a necessary consideration for every minister. As you study these issues, please carefully consider the following principles.

At a minimum, a minister should be paid at least enough to live at the accepted standard of living of the congregation or the Session which he is serving. It would serve the church well to complete a thorough personal budget analysis for an incoming minister before he is hired and to give him an opportunity to review and to point out weaknesses in

that analysis before issuing a call. When a minister does point out a weakness in a proposed budget or call package (or even in his current call package), his comments should always be viewed graciously as an evidence of faithful concern for his family, and not as an indication that he is “in the ministry for the money.”

Care should be taken to avoid extremes. A minister serving in Palm Beach, Florida doesn’t need a chauffeured limo, nor should he be required to live in grinding poverty if he serves in Haiti. The PCA *Book of Church Order* (BCO) provides an excellent standard for the financial care of a minister and his family. BCO 20-6 states, we (the church) “do earnestly call you to undertake the pastoral office in said congregation, promising you, in the discharge of your duty, all proper support, encouragement and obedience in the Lord. That you may be free from worldly cares and avocations, we hereby promise and oblige ourselves to pay you the sum of...” If a minister living

If an annual review of a minister’s compensation is not done, then inflation will erode the purchasing power of his compensation over time.

conservatively is unable to make ends meet on the salary provided, then he is not free of worldly cares and avocations. In fact the stress created by the financial pressure he is under may significantly erode his ability to minister effectively to his congregation.

Paying a minister an equitable salary involves evaluating several other important factors. Just as the secular world pays higher salaries for certain professional capabilities, so should a minister’s extensive educational background, technical abilities, and experience be reflected in his remuneration. Moreover, specific pastoral responsibilities, church bud-

# CONSIDER THIS:

## The Shortcomings of a Lump Sum Approach to Compensation

Many churches in the PCA create call packages using the “Lump Sum” approach. A church taking this approach will provide a lump sum dollar amount to their new minister (often greater than or equal to the lump sum given to the previous minister). A minister is then responsible to determine how that money is spent on him and his family. While the lump sum approach may appear gracious at first glance, most people in secular vocations would reject such an arrangement.

The lump sum approach for many of our churches, is really more of a payment method than a true compensation approach. If it were a compensation approach, churches would use appropriate methodologies (described on pages 11–26) to formulate the lump sum amount. Taking the time to create a thorough compensation package is not an easy task! An exhaustive approach may take into consideration local living expenses, tax rates, housing cost, schooling of children, the cost of benefit plans, and more. Because of the complexity, many churches resort to the lump sum approach. Rarely does this approach serve the best interest of our ministers.

So, what is specifically wrong with this compensation approach?

First, the “Lump Sum” approach may create a larger tax liability for PCA ministers. A minister may be paying for benefits on an after-tax basis resulting in the payment of unnecessary taxation. Instead, the church should directly pay the benefits, wherever possible, on a pre-tax basis, thus avoiding this tax expense.

Secondly, the “Lump Sum” approach can be unintentionally misleading to both ministers and Sessions. The confusion centers on the difference between “total compensation” (i.e. lump sum amount) and “salary.” A salary figure refers to the base pay an employee receives in exchange for their work. This is the amount people quote when a person asks them how much they earn. Compensation, on the other hand, refers to monetary and non-monetary pay a person receives for performing their job, such as salary, benefits (i.e. medical, retirement, life insurance, long term disability insurance), bonuses and perks. Salary is only one of several components included in a person’s compensation. While most people are familiar with their salary figure, many do not know the dollar value of their total compensation.

When a minister is quoted a lump sum figure by a church, he often misconstrues it to be the amount of his “salary.” This is understandable given that most new hires are quoted a salary figure and not a total compensation dollar amount. This is the root of the problem. The lump sum figure tends to give our ministers the false impression that they have more in discretionary income than the call may actually provide.

*Continued in sidebar on page 13*

get limitations, and other unique circumstances are also an important part of this larger and more complex compensation equation. In view of these issues, churches should carefully weigh each element, including the specific needs of their minister and his family, the cost of living in your particular area, and the salaries of similarly qualified individuals. Specific information from salary surveys might also be helpful; they may be acquired from the following resources:

**PCA Administrative Committee**  
(678) 825-1000 (to request a copy of the PCA Pastors Compensation Study)

**National Association of Church Business Administrators**  
[www.ministrypay.com](http://www.ministrypay.com)

**Compensation Handbook for Church Staff**  
[www.store.churchlawandtax.com](http://www.store.churchlawandtax.com)

Once a call has been issued to a minister, every church should schedule at least an annual re-evaluation of the minister’s compensation. This job is best accomplished by a committee of the Session having the authority to talk directly to the minister. Church leaders should understand that most ministers are naturally uncomfortable talking about money and many will not press the issue. But church leaders should take very seriously their promise to properly support a minister and his family by keeping him free from worldly



cares and avocations. A private meeting between a trusted member of the Session and the minister is often a perfect time to ask “Pastor, how are things going financially for you and your family... really?”

If an annual review of a minister’s compensation is not done, then inflation will erode the purchasing power of his compensation over time. All too often a minister and his family will suffer in silence and begin to accumulate debt. With such a burden hanging over his head, it is hard to imagine a minister in this circumstance experiencing maximum effectiveness in his labors.

Frequently, hard choices must be made when it comes to the church budget, and staff salaries are a large part of any church budget. **Given the PCA’s high biblical priority on the preaching of the Word and the administration of the sacraments, all churches must give high priority to this portion of the budget.** For instance, if there is a choice between giving the minister a needed raise or making improvements to the church building infrastructure, choosing to support the preaching of the Word is the right choice.

Finally, and perhaps most importantly, a church should never pay a minister using the “Lump Sum” Methodology. The adjacent sidebars on page 12–13 will address our concerns with this type of methodology.

## Housing Allowance

The minister’s housing allowance is the most important tax benefit available to a PCA minister. Ordained and licensed PCA Ministers who live in a church owned manse, rent a home, or own a home may be eligible to receive a housing allowance (sample housing allowance worksheets and resolution forms can be found on pages 37–40). With this benefit, a minister can exclude a portion of his income as a housing allowance under Section 107 of the Internal Revenue Code.

### *Housing Allowance Limitations*

The IRS places limitations on the amount that can be designated as housing allowance. It is important for churches and ministers to be aware of

*Continued from sidebar on page 12*

Often, this leads to budgeting mistakes. For example, ministers who purchase and finance a home based on the lump sum amount may quickly discover that they are “house poor,” with insufficient income to adequately maintain their home, save for retirement, or provide other important benefits for their families. And ministers aren’t the only ones to think lump sum figures are synonymous with salary figures. Church leaders often confuse these terms as well and mistakenly conclude that their minister’s salary is more than sufficient when that might not be the case.

Thirdly, when calls are approved by the congregation, “Lump Sum” amounts are stated publicly. Understandably, most congregational members also conclude that this figure is the minister’s salary.

This creates a difficult, uncomfortable, and unfair situation for the minister, and may potentially hinder his ministry with individuals who erroneously conclude that he is “overpaid.” Because this issue is so widely misunderstood, we urge leaders to carefully consider how to most effectively communicate the call package. The congregation must approve the financial details of the call in order for those details to be presented to Presbytery. This cannot be avoided. But leaders ought to avoid the written or verbal use of a “Lump Sum” amount when publically presenting the call package to the congregation. Whether package details are printed in a handout, or shown on an overhead screen, the call should be verbally presented in a summary manner focusing on the individual components of compensation being provided—cash salary & housing allowance, employee benefits, and vacation (a sample Recommended Form of Call to a PCA Minister can be found on pages 44 and 45).

Moreover, after approving and adopting an annual budget, many Sessions also present their budget to their congregation. And, for similar reasons, it is also important that the budget not present to the congregation the minister’s total compensation as a ‘Lump Sum’ amount on one line. Budgets should account for call package components separately (i.e. salaries, housing allowance, employment taxes, insurance benefits, and retirement benefits, according to best practices in order to provide clarity and transparency. This approach to annual budget presentations should also help church members better understand the minister’s actual compensation.

It would be impossible for this document to answer every potential question about a minister’s salary. By God’s grace, however, there are several resources available for ministries and churches needing assistance in the PCA. PCA Retirement & Benefits has significant experience in the area of ministerial compensation and benefits. In addition, the PCA Administrative Committee conducts an annual compensation survey for the denomination, and most Presbyteries have at least one church business administrator who has dealt with most of the typical questions asked. You are not alone, and your questions will be gladly received.



these limits and to manage this benefit wisely. Each year a minister's housing allowance should be prospectively designated by his PCA church and noted in the Session minutes (i.e. designated in advance of the coming year, in December or earlier—it cannot be designated retroactively). The tax code only requires that a church designate the housing allowance exclusion, not determine it. Therefore, ministers themselves must calculate their anticipated expenses, and consult with their Session regarding the amount of the designation.

Section 107 of the tax code lays out a framework for calculating the maximum amount that can be excluded by law. Sessions should keep this in mind when designating a minister's housing allowance. However, ministers themselves are responsible for keeping records to substantiate their actual housing allowance expenses, calculating the maximum amount of housing allowance they are eligible to exclude from their income, reporting any excess housing allowance as earned income on their personal tax returns, and paying any additional taxes.

The tax code specifies that housing allowance is excluded from income only to the extent that it is used for one home, and falls within these guidelines:

- It cannot exceed the amount designated by the church.
- It cannot exceed the amount of actual expenses incurred in owning or renting a home.

- It cannot exceed the fair rental value of a home including furnishings plus utilities.

### 1. Designated Housing Allowance

Estimating expenses a full year in advance can be challenging. As previously stated, if actual expenses exceed the amount of housing allowance designated by the church, the minister will be limited to the amount designated by the church. For this reason, ministers should estimate liberally in the calculation of their housing allowances, and Sessions should be generous in their designations. After all, ministers should be allowed to maximize their use of this important benefit.

### 2. Actual Expenses

Most PCA ministers have one of three living arrangements. A) *They live in a church owned manse*; B) *they live in a rented home*; or C) *they own their own home*. The greater the personal stake you have in your living arrangement, the greater your housing allowance will be. Ministers living in a manse can exclude the following from their current income: utilities, furnishings, appliances, landscaping, yard maintenance, pest control, personal property insurance, umbrella liability insurance, and personal property taxes on contents. Ministers living in a rental home can count all of the previously mentioned exclusions, and they can also include rental housing payments. Ministers who own their own home can exclude the following for federal income tax purposes: utilities, furnishings, appliances, landscaping, yard maintenance,

pest control, umbrella liability insurance, structural repair, down payment on a home, mortgage payments, homeowners insurance, home improvement loans, real estate taxes, real estate escrow and commission, and association dues. It is important that ministers review and compare their actual expenses to their designated expenses before they file their taxes. If the actual expenses are less than their designated expenses, ministers are limited to the amount of their actual expenses. Any excess between the actual expenses and the designated expenses must be declared as additional income and appropriate taxes should be paid.

### 3. Fair Rental Value

Fair Rental Value typically places an upper-limit on how much Housing Allowance you can take. Since there are no authoritative sources that explain exactly how this value is to be calculated, you might consider the following suggestion: consider asking a local realtor or real estate appraiser to provide the church with a written estimate of how much a furnished house similar to the one you own and in your location would rent for on the open market. Some websites may allow you to estimate the Fair Rental Value from the convenience of your home. It is a good idea to contact a furniture rental company to assist you in estimating the cost of furnishing your home. Do not forget to include utility costs based on actual utility expenses. Regardless of your methodology, it is useful to perform this step annually, especially in a climate of shifting property values.

### *Housing Allowance in Retirement*

In retirement, PCA ministers are also eligible for the housing allowance exclusion. Though this provision is not well known in the PCA, RBI, the retirement and welfare agency of the PCA, is authorized by Revenue Ruling 75-22 to designate housing allowance amounts for all honorably retired ministers who receive retirement plan payments from the PCA Retirement Plan. This provision **may provide significant tax savings to you during your retirement years!** However, this important benefit will be forfeited if you transfer your retirement assets from the PCA Retirement Plan to a bank, brokerage firm,

insurance company or other financial services provider.

The Housing allowance can significantly reduce a PCA minister's tax liability when properly used during pre- and post-retirement. If PCA churches or ministers have any questions about effectively managing the housing allowance benefit, they should contact RBI.

### Benefits

One of the cornerstones of a good call package is a strong benefits plan that includes at a minimum, retirement savings, health insurance, disability insurance, and life insurance, as well as Social Security, Medicare and a home equity allowance (when applicable). When a church provides the insurance components of a minister's benefits, often the money contributed by the church is not considered taxable income for the minister. However, if a minister directly pays for his own benefits, he will have to pay taxes on the amount he pays for these premiums. Therefore, it is very important that churches directly pay for benefits within the call package to minimize taxes for their ministers.

The housing allowance can significantly reduce a PCA minister's tax liability when properly used during pre- and post-retirement. If PCA churches or ministers have any questions about effectively managing the housing allowance benefit, contact RBI.

We recognize that some churches are concerned about the additional cost of paying for benefit plans. What many churches do not realize is that they wield a lot of discretion when it comes to benefit plans. Churches are often able to control costs through their input on insurance plans, plan design, and by shopping carriers each year. Churches concerned about the additional work of creating a well-balanced call package should look to the cost-effective solutions provided by RBI. To learn more, please give us a call at (800) 789-8765.

### **Primary Benefits**

#### **1. Health Insurance and Health Sharing Ministries**

Healthcare Insurance continues to be one of a minister's most important benefits because it enables ministers to protect themselves and their families against catastrophic medical emergencies. Often, these emergencies are very expensive and the debt associated with these events can cripple a family. A good health insurance policy (or a Medicare Supplement policy for ministers 65 years old and older) can significantly reduce medical expenses and provide peace of mind to ministers, their families, and the churches in which they serve.

One of the challenges of offering a health plan to employees is the high price of health care. Experts tell

us that this trend will continue to be a challenge for the foreseeable future. Therefore, it is important that both churches and ministers look for opportunities to contain costs. For ministers, this means ensuring you and your family are living a healthy lifestyle. For churches this means being actively engaged in finding cost-effective healthcare solutions.

Before a decision can be made on a health solution, churches must have a good understanding about two categories of health insurance plans: individual and group. Though it may be permissible for any church to provide group coverage, some churches and organizations are required by law to provide group insurance. The Patient Protection and Affordable Care Act (PPACA), commonly called the Affordable Care Act (ACA) or "Obamacare," requires all employers with 50 or more FTE's (the equivalent of 50 or more full-time employees), to provide affordable group healthcare insurance coverage for their employees. Churches and organizations with less than 50 FTE's are not obligated to provide group healthcare coverage, but they are strongly encouraged to provide a group health plan or a salary that is sufficient for ministers and their families to purchase healthcare insurance. It is important to remember that the cost of not carrying adequate health insurance coverage can be financially catastrophic to all parties involved.

#### **Group**

Group healthcare coverage may be purchased directly from insurance agents, brokers, and individual carriers, or, if a church has 25 or fewer FTE's, coverage may be purchased through the Small Business Health Options Program (SHOP) marketplace as well. There are a wide variety of health insurance carriers that provide a number of health plan options (i.e. HMO, PPO, POS, etc.) at different premium levels. Marketplace plans may also be categorized by four levels of coverage: bronze, silver, gold, and platinum. All categories offer the same quality of care, but differ in how much an employee will pay for deductibles, copayments and total out-of-pocket costs. By shopping rates among carriers and examining multiple levels of deductibles, copays, prescription and

...it is important that both churches and ministers look for opportunities to contain costs. For ministers, this means ensuring you and your family are living a healthy lifestyle. For churches this means being actively engaged in finding cost-effective health care.

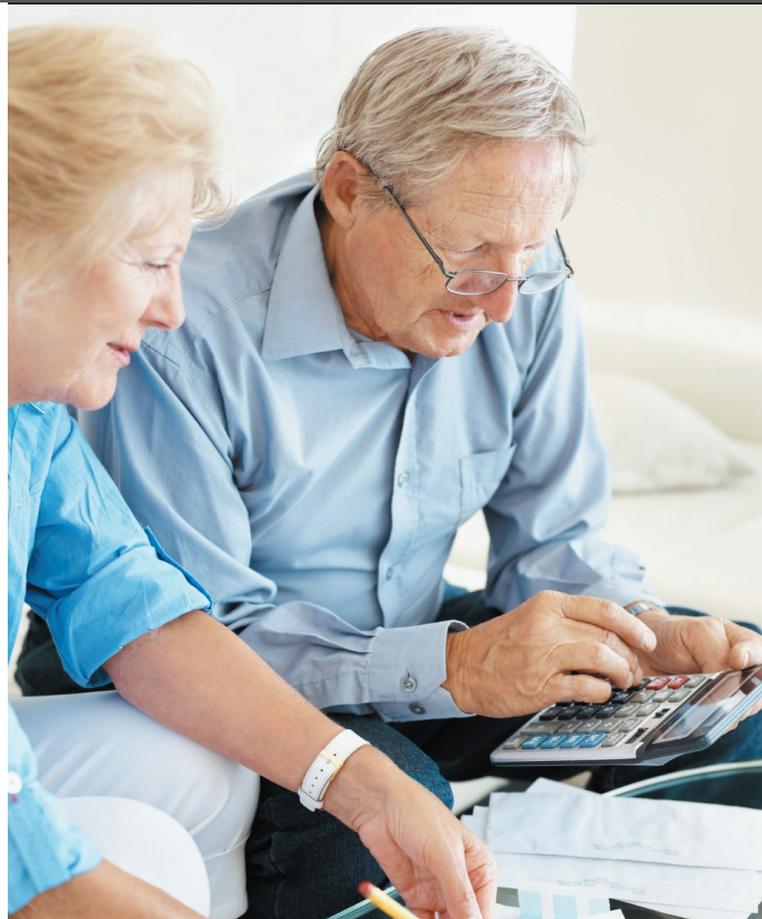
hospitalization coverages, a PCA church may be able to find a cost-effective plan that provides adequate coverage for its staff.

Another alternative to consider are the variety of consumer-driven health plans (aka High Deductible Healthcare Plans—HDHP's). These plans work in conjunction with a *savings account* (i.e. health reimbursement account, or health savings account) to set aside funds for medical expenses in the future. The success of consumer-driven health plans is dependent upon employees becoming better purchasers of medical care. The more money employees save in health care expenses, the more money they will keep in their health savings accounts. The benefits do not end there. Typically, premiums for consumer-driven health plans are appreciably lower than other types of plans. However, these do come with one drawback. The deductibles for consumer-driven health plans tend to be significantly higher. Any church considering an HDHP option should make sure the minister or the church has sufficient savings to pay for the deductibles.

### **Individual**

There are several options for individual healthcare insurance. These plans continue to be offered through insurance agents, brokers, and individual carriers. There are a wide variety of health insurance carriers that provide a number of health plan options (i.e. HMO, PPO, POS, etc.) at different premium levels.

Individual plans are also offered through a Federal or State “healthcare exchange” depending upon your State of residence (the Federal exchange website is [www.healthcare.gov](http://www.healthcare.gov)). Individuals are no longer turned down for pre-existing medical conditions, and policies purchased on the exchange may provide significant tax credits to eligible participants. It may be easier for pastors to qualify for these *tax credits* (which off-set the monthly premiums) since the Housing Allowance portion of his compensation is excluded from Modified Adjusted Gross Income (MAGI)—the ACA’s qualifying income calculation. Many ministers may find individual policies purchased on the healthcare exchange to be the most cost-efficient policies as a result of these tax credits.



Federal and State healthcare exchanges offer four levels of coverage, categorized as bronze, silver, gold, and platinum, differing only in how much an individual or family will pay for deductibles, copayments and total out-of-pocket costs. These plans are available during annual open enrollment (November 1–January 31), or at any time during the year when a “*qualifying event*” for special enrollment occurs (e.g. a move to a new state, a change in income or family size, a loss of job-based coverage, etc...). There is a 60 day special enrollment period following a qualifying event. If an individual is not eligible for special enrollment, short-term health insurance policies can be purchased from individual carriers.

### **Healthcare Sharing Ministries**

Lastly, there are non-insurance-based health care *sharing programs* which are exempt from some ACA regulations. Members of health care sharing ministries agree to live healthy lifestyles, share each other’s medical expenses every month, and are exempt from the ACA individual mandate to purchase healthcare insurance. (ACA Sec.1501) Those consid-

ering one of these ministries should be encouraged to carefully examine the organization, benefits, and costs, and to recognize that sharing programs are not the same as insurance policies; benefits are not contractually guaranteed.

### **Tax Issues**

Recent guidance has made it clear that unless the minister is the only full-time employee of the church, churches are not permitted to continue to reimburse or pay their pastor's individual insurance plan premiums.

However, in June 2019, a helpful and promising new rule was issued allowing employers of all sizes to fund a new kind of health reimbursement arrangement (HRA), known as an Individual Coverage HRA (ICHRAs). Starting Jan. 1, 2020, employees without group coverage can use employer-funded ICHRAs to buy individual-market insurance, including insurance purchased on the ACA public exchanges (though ACA tax credits would not be available). Whereas Qualified Small Employer Health Reimbursement Arrangements (QSEHRA), which became available in 2017, limit the amount of reimbursement and require employers to offer reimbursements to all employees, ICHRAs allow for unlimited reimbursement amounts, and allow employers to 'class-out' employees and only offer reimbursement benefits to some. ICHRAs can also be used by larger churches looking to move away from group coverage. For more on the rules to see if ICHRAs make sense for your multi-staff church, look on our website for details.

In conclusion, if possible, PCA churches are encouraged to provide either health care coverage or a sufficient salary level that would make the purchase of adequate individual healthcare insurance affordable for a minister and his family. If you need further information about ACA issues, and church-related healthcare options, you might start with the ECFA booklet entitled *5 Roads for Healthcare Reimbursements for Churches and Ministries*. The booklet is free, and you can obtain a copy online at: [www.ecfa.org](http://www.ecfa.org). However, because of the changing nature of healthcare regulations and the magnitude of the potential penalties involved, unless your situation is clearly described



as one of the ECFA's "5 Roads," we would encourage you to seek professional legal and tax advice on your specific situation.

## 2. Retirement Plan

The easiest way for a church to provide a retirement plan for a minister is through the PCA Retirement Plan. RBI is prepared to assist with the myriad of compliance rules and regulations governing retirement plans, so our churches can focus on the ministry of the Gospel.

Churches can effectively use the PCA Retirement Plan to make contributions on the minister's behalf. The minister may also make additional contributions over and above the church's contributions by executing a salary reduction agreement. These contributions can be made on a pre-tax basis, a Roth after-tax basis, or some combination of both. Pre-tax contributions reduce your taxable income (i.e. Income and Social Security taxes) for the current year. Alternatively, unless exempt from Social Security, ministers who make traditional IRA contributions must pay a 15.3% self-employment tax (SECA) on all contributions!

Income tax on PCA Retirement Plan contributions and earnings is deferred until you begin taking distributions from the plan. Future distributions will be taxed as ordinary income in the year taken. Alternatively, Roth after-tax contributions do not reduce your current taxable income. The tax advantage comes in the future, when you can take tax-free distributions of your contributions and their earnings (if you meet certain conditions). Once the amount is determined and the agreement is signed, the church begins to withhold the pre-determined amount from the minister's salary and contribute it to the PCA Retirement Plan.

Denominational retirement plans, like the PCA Retirement Plan, also provide other unique tax benefits that are not available through a commercial plan. One such benefit is the Annual Housing Allowance. When a minister retires and begins receiving retirement benefits from a denominational plan, those benefits are considered eligible for the tax-free



housing allowance exclusion. This benefit can be significant for our ministers. For example, a minister in the 22% tax bracket with \$20,000 in annual housing allowance would **save \$102,414.27\*** in income tax over a 15-year retirement—and the tax savings would increase for ministers in a higher tax bracket or with a larger housing allowance.

PCA churches and ministers are encouraged to contribute a sum that totals between 10% and 15% of the minister's annual salary plus their housing allowance. It is wise to designate retirement contributions as a percentage of salary rather than a fixed dollar amount. This will allow contributions to keep pace with salary increases without having to complete a new salary reduction agreement.

## 3. Short Term and Long Term Disability Insurance

Disability insurance provides ministers with income in the event of illness or injury. It should also provide a Session with peace of mind. Most PCA churches are not financially strong enough to deal with the consequences of a minister's long term disability. What would your church do in the event your minister was disabled? How would you financially support him and who would take on the responsibilities

\*When tax savings are invested returns are not guaranteed, calculated at a 6% rate of return.

of the disabled minister? Your church may be able to continue this practice for a year, but how about three years, five years or longer? Most PCA churches do not have the financial resources to provide for the salary of two senior ministers (i.e. disabled minister and the acting minister). Having a long term disability policy in place protects not only the minister and his family but also the church.

Having good short term and long term disability insurance plans is a cost-effective way of reducing



your risk. PCA churches are encouraged to provide a Long Term Disability Plan that replaces at least 60% of income. Most churches self-insure their employees for any short term disability. Be aware that some states have rules governing insured and self-insured plans. If your church is in a state that requires short term disability coverage, you should carefully research applicable state law to determine your options.

RBI currently offers a number of group long term disability solutions. All PCA long term disability products are now considered “after-tax” benefits so that disabled employees will be able to receive tax-free disability income. This means employees will have to pay taxes on the amount of their premiums each year. But it also means that, if you’re disabled, your entire disability benefits check is available to help pay the bills!

RBI also offers the option of adding short term disability coverage to employers who have elected PCA long term disability coverage. The short term disability plans are designed to pair with our long term disability plans and replace a portion of income beginning at the 15th day of disability.

#### 4. Life Insurance

Life insurance is an essential component of a good financial plan. It protects survivors of the insured against financial loss in the event of death. *But many PCA churches fail to recognize that life insurance also protects their church!* Most congregations are unable to provide long term financial assistance for widows and their families. Why subject your church to undue risk, especially when life insurance is so inexpensive? Providing life insurance for ministers is a cost-effective way to manage your risk and a good way to care for your minister and his family.

There are many types of life insurance products available, but the most cost-effective type is term life insurance. Term life policies, on average, are cheaper because, unlike cash value (whole, variable, universal life insurance, etc...), no part of the premium is used for investment purposes. Term life insurance has another benefit. The first \$50,000 of church-paid term group life insurance coverage is tax-free. However, cash value life insurance premiums paid for by an employer are entirely taxable.

RBI currently provides a number of group life insurance and accidental death & dismemberment products for ministers, spouses and children. Determining how much life insurance a minister needs is a multi-factor decision that is best determined on an individual basis. We encourage PCA churches and

ministers to contact us if they need assistance in determining how much life insurance is needed.

### **5. Home Equity Allowance**

A Home Equity Allowance is not another term for the Minister's Housing Allowance. It is a benefit designed for ministers living in a church-owned manse.

Most ministers who live in a church-owned manse are unable to continue living in that manse in retirement. *Therefore, it is important for ministers living in church-owned housing to save additional resources for their housing needs in retirement.* It is also important for PCA churches to recognize that ministers living in a church-owned manse cannot accumulate home equity since they do not own a home. PCA churches are encouraged to provide a home equity allowance that will help ministers secure a home in the future.

The optimum method of funding a home equity allowance is a decision best made in consultation with a qualified tax professional. However, for tax purposes, a home equity allowance is taxable both for income and Social Security tax purposes unless the contribution is directed to a 403(b) or similar retirement plan.

### **6. Social Security and Medicare Allowance**

Generally, ministers serving in PCA churches have a dual tax status. This means that the IRS considers them employees for federal income tax purposes (they receive a W-2), and self-employed for Social Security and Medicare tax purposes (they file a Schedule SE with their personal return). Unlike lay church employees who make contributions to the FICA system for Social Security (OASDI) and Medicare, ministers contribute to the SECA system system for Social Security (OASDI) and Medicare, which requires them to pay the full 15.3% on their cash salary and housing allowance (or fair market rental value of their manse).

Many PCA churches would like to defray their ministers' expenses by paying the equivalent of the employer portion of the Social Security and Medicare program to the IRS. Regrettably, churches cannot directly pay FICA taxes on their ministers' behalf. However, PCA churches are permitted to give an allowance that offsets some or all of the Social Security

and Medicare taxes.

PCA churches are encouraged to pay ministers who have remained in the SECA system a special allowance on income of \$142,800 in 2021 that provides for 7.65% of their salary, housing allowance, and other taxable benefits (including this allowance), just as they are required to do for lay church employees. The difference is that the amount should be paid directly to the minister. The allowance must be considered taxable income, and must be included with wages in Box 1 of the minister's W-2 form, and reported on the minister's tax return. For income over \$142,800, the special allowance should include 1.45% of their salary, housing allowance and other taxable benefits to cover the payment to the Medicare program.

Those who have opted-out of Social Security have enormous savings needs. Churches with ministers who have opted-out of Social Security might consider contributing this same amount to their minister's retirement plan if they are concerned about their minister's retirement readiness.

### **7. Counseling and Coaching for Ministers**

There are many roles, e.g. Shepherd, Preacher, Teacher, Evangelist, Administrator, etc., that PCA ministers perform in the course of their labor. One of those roles is the high calling to preach the word of God. Each Sunday, many PCA Ministers stand before a congregation and preach God's redemptive plan for mankind with great boldness. It is easy for members of the congregation to equate the minister with the authoritative and infallible message he is preaching. It is easy for the church to wrongly place their minister on a pedestal and think his sanctification is complete.

The reality is that ministers have the same desperate need of Christ's transforming grace in their lives as other members of their church. Therefore it is important that churches remember that ministers need to be ministered to as well. Regrettably this is an area where many churches and presbyteries fall short. While there are a number of resources and ministries geared towards the pastoral care and spiritual growth of the congregation; there are few (if



any) resources established for the on-going spiritual vitality of their ministers.

What is your church doing to minister to your Shepherd(s)? Should your Teaching Elder(s) receive less of the pastoral ministry of the Body of Christ than the rest of the congregation? Clearly not, especially when you consider the vital role of a minister within a church.

For this reason, leadership within PCA churches should consider having a plan in place to support a minister's spiritual and emotional well being. Part of that plan may include budgeting resources for counseling and/or coaching for all the ministers in your church. Such a benefit will help ministers as well as the congregations they serve.

PCA Retirement & Benefits offers a Christian counseling benefit plan called ServantCare Counseling. The Plan provides counseling services that are affordable, convenient and confidential. We have partnered with two counseling networks: Christian Counseling and Education Foundation and the Global Counseling Network and each network provides counseling conducted in the privacy of your own home or office via videoconferencing or phone.

### **Secondary Benefits**

#### **8. Cafeteria Plan (Section 125)**

One of the most underused benefit plans is the Cafeteria Plan which is outlined in section 125 of the US tax code. This plan allows a minister to withhold a portion of his pre-tax salary to cover certain medical or child-care expenses with the understanding that if

he does not use those amounts for those purposes by the early part of the following year, he will lose them. Because these benefits are free from federal and state income taxes, a minister's taxable income is reduced. The savings can be meaningful to ministers paying 15.3% in SECA taxes, but because of the compliance issues including a requirement for a written plan document, and the significant recordkeeping involved, we would recommend that you hire a professional cafeteria plan provider to oversee your plan and administrate accounts and reimbursements.

#### **9. Other Important Benefit Plans**

- **Dental**—These policies provide essential dental care such as exams, cleanings and fillings. RBI currently provides one individual and two group dental plans for ministers and their families.
- **Vision**—This type of insurance pays for comprehensive eye examinations and helps to offset the cost of corrective lenses. Eye examinations are recommended every five years for individuals between the ages of 20 and 40. Those over 40 should have an eye examination every two years. RBI currently provides one group and one individual vision plan for ministers and their families.
- **Long-Term Care**— These types of policies help those with chronic illnesses and disabilities function on a day-to-day basis. Neither Medicare nor employer provided health insurance pays for long-term care services for an extended period of time. If you are a minister age 50 or older, you should investigate the benefits of long-term care insurance.

## Vacation, Leaves of Absence, Sabbatical

The pastorate is a unique calling that comes with unusual hours. Ministers do not work a five-day workweek as many lay people do. They work most weekends and often evenings as well. This means they have limited time on evenings and weekends to spend with their families. Scheduled time with family can often be interrupted by congregational emergencies, such as a church member's death or illness. Due to the 24/7 nature of a minister's calling, it is vitally important that ministers have sufficient periods of time off for rest, recuperation and uninterrupted quality time with their families.

PCA churches are encouraged to provide at least four weeks of paid time off from work (including Sundays) for vacation and most leaves of absence with the exception of educational leave. Churches should work closely with ministers to determine appropriate scheduling for ministers continuing their education or for those taking a sabbatical.

### Vacation

It is appropriate to look at a vacation policy as part of the annual compensation review. One thing to consider when offering vacation is the minister's total number of years of dedicated service, not just his length of service to the current congregation.

One thing to consider when offering vacation is the minister's total number of years of dedicated service, not just his length of service to the current congregation.

## Leaves of Absence

Listed below are five types of leaves of absence.

- **Sick Leave**—Time away from church should be provided for illness and medical treatment in a hospital. In cases of prolonged illness or injury, a church's short term disability provisions will provide care for the minister.
- **Paternity Leave**—Fathers who are blessed with a new child through birth or adoption are encouraged to be at home to strengthen familial ties.
- **Bereavement Leave**—Time away should be provided to a minister to attend the funeral of an immediate family member (i.e. spouse, children, sibling, or parent).
- **Educational Leave**—Continuing education and professional development are necessary for carrying out the work of the ministry. This may require periods of educational leave from one to two weeks annually. This will be of value not only to the minister but also to his church. Ministers interested in pursuing continuing education should develop a plan with the assistance of their Sessions.
- **Holiday Leave**— There are federal, state and religious holidays where employees typically take time off from work. Your church or church related organization should designate holidays (e.g. Fourth of July, Memorial Day, Thanksgiving, Christmas, etc.) where your employees can take paid time off from work. Floating holidays, paid time off that is not tied to a specific holiday, can assist employees who are required to work on holidays like Christmas Eve or Easter.

## Sabbatical Leave

The gospel ministry is a high calling. But it is also



a highly intense and demanding career. There are a number of battles, difficulties, and temptations that are either *“unique to or intensified by pastoral ministry”* (Paul Tripp, *Dangerous Calling*). In many ways, pastoral ministry has become an increasingly difficult vocation. Surveys and statistics from all over the theological landscape report the same truths—ministers are leaving the ministry in droves. Many leave because of discouragement and frustration over critics, conflict, burn-out, financial struggles, family issues, and moral failure. At their core, all of these issues are issues of the heart. External trials and opposition abound, but pastoral ministry is by nature a continuous battle fought on the soil of the heart!

God continues to call men to serve Him enthusiastically and tirelessly in the spiritual warfare of pastoral ministry. This “dangerous calling” is both invigorating and exhausting. And it is easy to lose sight of biblical priorities, perspective, joy and zeal. No minister is immune from these struggles. For this reason, all who have been engaged in battle need rest from time to time. This need for renewal is embodied in the concept of a Sabbatical leave.

In accordance with the biblical principal of rest and refreshment exemplified in the Sabbath, a Sabbatical leave might be defined as an extended time of paid planned rest and renewal during which a minister seeks personal and professional enrichment. Sabbatical leaves should be spent in rest, reading, study, and/or in other activities or ministries prayerfully designed to refresh and encourage a minister in his walk with Christ.

Many arguments could be advanced for and against this extended leave. But the testimonies of ministers who have benefited from them, and the churches who have provided them as part of their overall ministry to and care for their pastor, are strikingly similar. Many ministers have returned to their congregations with renewed energy, spiritual vision, and revitalized effectiveness.

Churches should establish policies to govern Sabbatical leaves (a sample policy can be found on page 41). Those policies ought to address which ministe-

rial staff are eligible after a certain number of years and what kind of advanced planning is required. Churches should clearly define the process of submitting an acceptable written Sabbatical leave proposal—including deadlines and potential expenses involved (e.g. additional pulpit supply costs, agreed upon travel expenses. etc.). It is recommended that Sabbatical leave proposals be submitted no less than 3 months in advance, and where possible prior to the preparation of the annual budget. Sabbatical leaves should not be counted as vacation leave—though they could be taken concurrently if mutually agreeable.

### Reimbursable Expenses

Traditionally, some churches have included expense reimbursements as part of the call package. **We recommend that all churches discontinue this practice.** Instead, all PCA churches should agree to a maximum amount of reasonable and necessary business expenses to be reimbursed each year (a sample accountable reimbursement policy and form can be found on pages 42 and 43). These expenses should be included in the church budget completely separate from the minister's compensation. For this reason, before the beginning of each year, the minister should carefully estimate the amount of expenses he will incur over the course of the year. The Session should evaluate and approve or revise this amount in the church budget as the maximum expense reimbursement for the upcoming year. Please note if at the end of the year there remains money in the reimbursement account, that amount will revert back to the church, and cannot be paid to the minister as additional non-taxable compensation (e.g. bonus, extra salary, etc.).

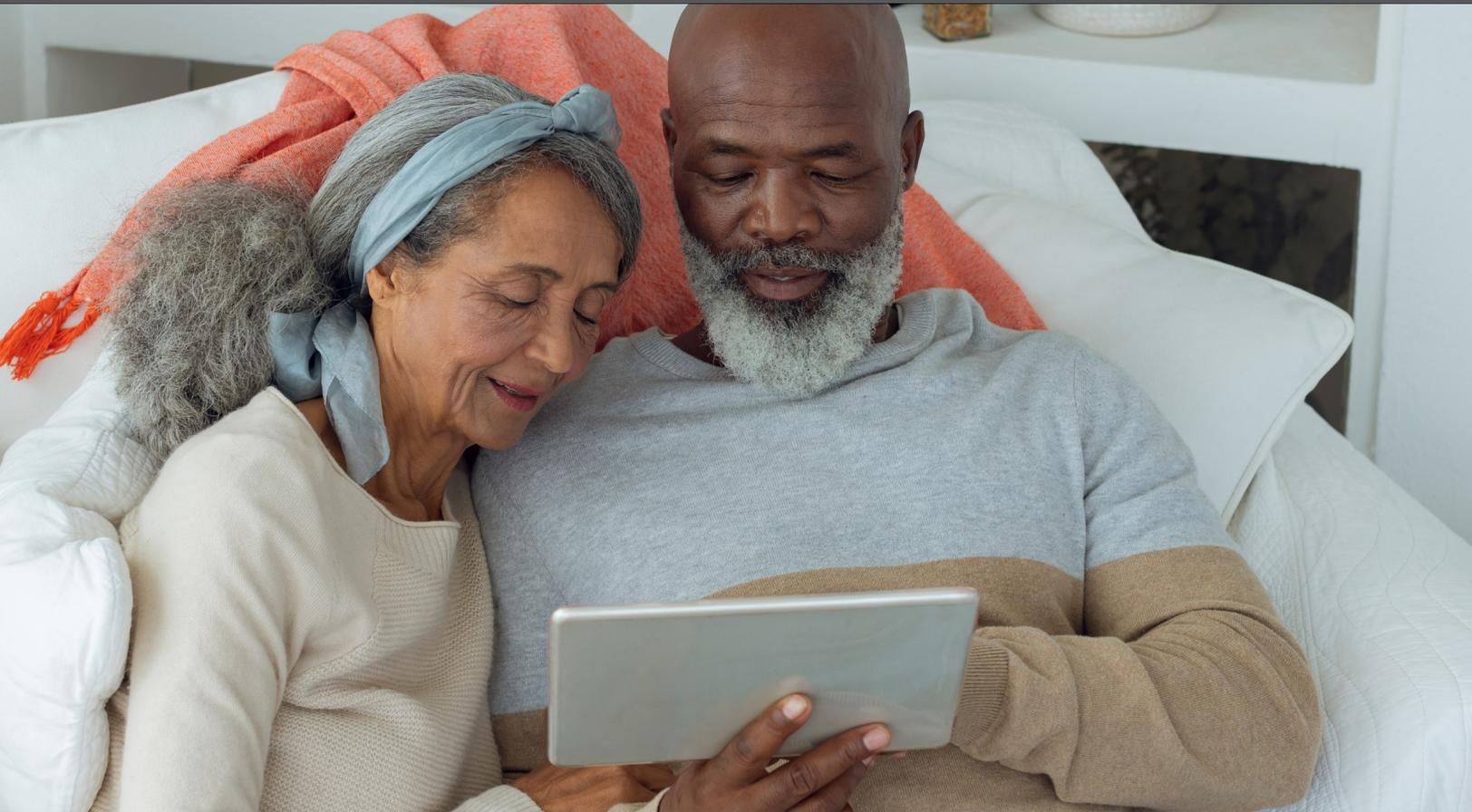
Before a church can reimburse expenses, an accountable reimbursement plan must be created and it should be tax code compliant (see IRS Publication 1828, "Tax Guide for Churches and Religious Organizations"). This plan would require ministers to submit reimbursement requests for mileage and submit receipts for such things as books, business lunches, etc. in a timely manner (within 60 days after the expenditure). If the minister receives a monthly allow-

ance he would need to submit documentation for its use for business purposes within 120 days and return any unused funds. Payments made to ministers pursuant to an accountable reimbursement plan can be excluded from taxable income. However, if the minister receives a monthly allowance from the church and submits no documented evidence of the expenses (an unaccountable plan), the amount must be included as part of his taxable income.

By way of reminder, reasonable and necessary ex-

### Suggested categories for accountable expenses:

1. Ministry Related Expenses
2. Travel Expenses
3. Hospitality Expenses
4. Personal Vehicle Expenses
5. Educational Expenses



God continues to call men to serve Him enthusiastically and tirelessly in the spiritual warfare of pastoral ministry.

penses (e.g. travel, lodging, meals, registration fees, etc.) incurred by attending and traveling to and from Presbytery and General Assembly meetings are to be paid by PCA churches and PCA related organizations. These expenses may be reimbursed, billed, or simply paid in advance by the church, but they are not to be considered discretionary. These costs are to be paid by the church whether an accountable reimbursement plan is established or not. As stated in the Book of Church Order:

*The expenses of ministers and ruling elders in their attendance on the courts shall be defrayed by the bodies which they respectively represent.* (BCO 10-6)

# OTHER CONSIDERATIONS

These guidelines serve as a tool to help our PCA ministers, churches and Presbyteries create equitable call packages. This document was created to apprise you of a number of challenges and assist you in formulating solutions. Items mentioned under this section are not part of the traditional call package, but have been included to remind you about important information related to employee benefits.

## Small Churches

We recognize that there will be a number of high hurdles for some churches to cross, particularly smaller PCA churches, church plants and missions. Many of these organizations have limited resources and annually struggle to keep afloat. These churches play a vital role in Christ's Kingdom and would welcome the opportunity to better compensate their staff. Regrettably, there are not enough resources to cover all the ministries of the church.

Most of our ministers recognize these limitations and have answered Christ's calling to serve in these churches.

However, provisions must be made to allow them to adequately provide for themselves and their families. One solution is to change the expectations that congregations have of ministers. If a church is unable to adequately compensate their minister, acknowledging this challenge is the first important step. If a church calls a full-time minister, it is obligated to adequately compensate the minister for full-time employment.

An equally important second step is developing a plan that will permit a minister to adequately provide for himself and his family. Three alternatives are listed below.

1. Reduce the minister's workload to the essentials of ministry (i.e. work that cannot be carried out by church members) and call a bi-vocational, partially retired, or part-time minister.
2. Partner with other small churches in your area to

call a minister that will serve in multiple congregations.

3. Develop a plan to adequately compensate your minister within a reasonable amount of time (e.g. 1–5 year plan).

## Social Security —Important considerations

Every newly ordained minister in the PCA faces a difficult decision about his compensation structure. It is a choice that has significant personal ramifications. The decision regarding whether or not to opt out of Social Security is supposed to be based solely on a religion-based personal opposition to the acceptance of Social Security benefits. For the minister who opts out of Social Security, the need to adopt conservative budgeting practices becomes paramount.

The decision whether or not to opt out of Social Security is supposed to be based solely on a religion-based personal opposition to the acceptance of Social Security benefits.

Ministers who remain in Social Security will ultimately qualify for the following important benefits:

- Retirement benefits payable to a fully-insured person.
- Survivor benefits payable to the surviving spouse or dependent children of a deceased worker.
- Disability benefits payable to a permanently disabled worker and his dependent children under 19 years of age.

- Medical and hospital benefits payable at age 65 (the Medicare program).

This section of the *PCA Call Package Guidelines* will attempt to address this very complex topic and provide guidelines based on the experiences of ministers within the PCA.

First, let's review some basic information about this important topic. The payment of Social Security and Medicare taxes is typically split evenly between the employer and non-ministerial employee. The tax rate of 15.3% of an employee's wages is paid, with the employer paying 7.65% and the employee paying 7.65%. However, ministers are considered self-employed for Social Security purposes. So, instead of paying just the employee's portion of the Social Security tax, ministers pay a self-employment tax on their salary and housing allowance equal to the entire 15.3%. Sadly, this self-employment tax feature is not widely understood by most church members or their leaders.

Ministers may apply for exemption from self-employment taxes (opt out of Social Security) with respect to their ministerial earnings if several conditions are met. The requirements are:

- The minister must be an ordained, commissioned, or a licensed minister of a church.
- The church or denomination that ordained, commissioned, or licensed the minister is a tax-exempt religious organization.
- The minister must file an application in triplicate with the IRS. (IRS Form 4361). On the application, the minister must attest to the fact that he is "conscientiously opposed to, or because of his religious principles is opposed to the acceptance (with respect to services performed by him as a minister) of any public insurance that makes payments in the event of death, disability, old age,

or retirement, or that makes payments toward the cost of, or provides services for, medical care."

— *Notice that opposition "to the acceptance of public insurance" is the ONLY legitimate basis for signing the form and opting out.*

— *In other words, he must be opposed on the basis of religious considerations to the acceptance of Social Security benefits—not in opposition to the payment of the tax, or any other economic reasons.*

- The exemption application (IRS Form 4361) must be filed on time. The deadline is the due date of the federal tax return for the second year in which a minister has net earnings from self-employment of \$400 or more, any part of which is derived from the performance of services in the exercise of ministry.
- By law, the ordaining, commissioning, or licensing church or denomination must be notified. (Therefore, under PCA church polity, this view and decision must be made known to Presbytery.)
- IRS verification and approval is required. No application for exemption is approved unless the IRS "has verified that the individual applying for the exemption is aware of the grounds on which the individual may receive an exemption, and that the individual seeks an exemption on such grounds." Ministers seeking the self-employment exemption must certify they have read the statement and agree on the grounds listed in the statement under penalties of perjury. Once completed, the exemption is irrevocable.

It is very important that ministers who are considering opting out of Social Security carefully consider their reasons for such a decision. Many potential rea-

sons given for opting out of Social Security would, in fact, contradict the plain meaning of the tax code. Some examples would be:

- I can't afford to pay the self-employment tax.
- If I opt out of Social Security I will get an effective increase in my compensation.
- Social Security won't be around by the time I retire.
- My financial advisor told me to opt out.
- I can invest that money better.
- Any other economic or nonreligious consideration.

Ministers who opt out should understand that their religion based opposition to Social Security cannot be based on opposition to the *payment* of Social Security taxes. Instead, a minister must be “conscientiously opposed to, or because of his religious principles is opposed to the *acceptance* (with respect to services performed by him as such minister) of *any* public insurance that makes payments in the event of death, disability, old age, or retirement, or that makes payments toward the cost of, or provides services for, medical care.” The two key words in this statement are *acceptance* and *any*. A minister must be religiously opposed to the acceptance of these benefits and further opposed to the acceptance of any public insurance benefits for theological reasons.

Those ministers who opt out of Social Security face an enormous challenge to save sufficiently to replace the value of renounced Social Security benefits. They will need to have at least an additional \$500,000 in retirement savings compared to ministers who remain in Social Security. And that amount does not include the impact of the loss of Medicare (health insurance benefits) in the years when healthcare expenses are the highest. The RBI-sponsored PCA Retirement Readiness Survey revealed that ministers who have opted out of Social Security are not saving sufficiently to replace these important benefits.

PCA churches who want to encourage their ministers to remain in Social Security should include in a minister's compensation a reimbursement for one-half of the minister's self-employment tax.

Given the extraordinary good faith claim required for exemption from Social Security, few ministers would qualify for this exemption. But because of substantial economic temptation, PCA churches who want to encourage their ministers to remain in Social Security should include in a minister's compensation a reimbursement for one-half of the minister's self-employment tax. (Churches should not, however, withhold or make FICA payments since this reporting is incorrect. See Social Security section p. 21.)

## Ministers' Dual Tax Status

Most PCA ministers who labor in a church or related Christian ministry have a dual tax status. They are treated as employees for income tax purposes and as self-employed for Social Security and Medicare (self-employment) tax purposes (SECA). Churches should consider ministers as employees for income tax purposes and issue them a W-2. Additionally, ministers must file a schedule SE to pay for self-employment tax. Many churches do not understand the uniqueness of a minister's tax status nor do they understand the implications of a minister's dual tax status.

This year, most lay church members will contribute 7.65% of their salary in FICA taxes towards Social Security and Medicare, while ministers will be held responsible for 15.3% in SECA taxes. This is equivalent to the employee (7.65%) and employer portion (7.65%) of FICA taxes. This large tax burden doesn't apply to all church workers, just ordained ministers.

## Ministers' Options in Paying Taxes

Churches and church-related organizations are not

required to withhold taxes from their minister's compensation. It is the minister who is responsible for remitting his taxes to the IRS on a quarterly basis. However, many churches choose to assist their ministers by withholding and depositing those taxes on their minister's behalf.

Churches and church-related organizations should not withhold FICA taxes for their ministers!



Typically, ministers can choose between two options to remit their payment. First, they can choose to submit quarterly estimated payments (April, June, September and January) to the US Treasury using Form 1040-ES.

If their church is willing, ministers can also calculate the amount of estimated tax they owe and request their employer to withhold a set amount on a regular basis. To accomplish this task, ministers should estimate their tax liability (e.g. income tax and self employment tax) and enter the amount their church

should withhold from each paycheck on line 6 of a W-4 form. This form should be given to the person in charge of payroll. The employer would then remit the taxes along with their regular payroll tax deposits using IRS form 941. These payments should be reported on the minister's W-2 as federal income tax withheld.

## Challenges in Preparing Ministers' Returns

Because of the *dual tax status* of ministers, as detailed above, and the way that taxable income and tax withholdings are reported on the W-2, (i.e. only the taxable salary portion of compensation is reported in box 1 and no amounts reported in boxes 3-6) many tax preparers, including some CPAs, do not know how to properly prepare a minister's tax return.

Common errors include:

1. **Assuming that since a minister is self-employed for Social Security and Medicare tax purposes he is self-employed for income tax purposes and reporting his salary on a Schedule C.**
2. **Assuming that, since no amounts are reported in boxes 3-6 of the W-2, none of the minister's compensation is subject to self-employment tax and not filing a Schedule SE, thereby not paying the self-employment tax. (Ministers who timely filed a Form 4361 and opted out of Social Security do not have to file a Schedule SE and pay the self-employment tax on their ministerial income.)**
3. **Reporting on Schedule SE only the amount shown in box 1 of the W-2 and not including the housing allowance, thereby under-reporting and under-paying self-employment tax.**

Due to these errors and others, RBI annually produces and distributes a tax preparation guide including federal tax reporting requirements for churches. These documents are specifically designed for ministers and



church administrators to assist with federal reporting, tax planning and income tax returns. PCA Retirement & Benefits is providing links to an electronic copy of the *2021 Edition of Ministers' Taxes Made Easy* and the *2021 Edition of Church Reporting Made Easy*. The tax preparation and church reporting guides are prepared by Michael Martin, JD and CPA, et. al. Mr Martin is the president of Evangelical Council for Financial Accountability (ECFA), an organization that accredits Christ-centered ministries in the areas of governance, financial management, and stewardship/fundraising.

Some of you will note a change in the title and authors of our tax and church reporting guides. While many tax professionals appreciated the thoroughness of our former tax guide, some of our ministers argued that it was not easy to follow. That is one of the key benefits of the 2021 editions of *Ministers' Taxes Made Easy* and *Church Reporting Made Easy*. They are written in easy-to-understand language for non-accountants. And yet, are also thorough enough to help tax preparers who assist ministers in completing their taxes and church administrators in complying with regulations.

## Separation from Service

The Federal Unemployment Tax Act (FUTA) provides a safety net to most former employees who were discharged for acts other than serious misconduct. In general, benefits will be awarded to former employees who are laid off or discharged for minor misconduct (e.g. incompetence). The award amount for unemployment insurance benefits is almost half of an employee's former earnings. The award amount could be more if the employee is married or has dependents.

Most church employees do not have this type of protection. Section 3309 of the FUTA enables most churches and church-related organizations to opt out of the State Unemployment Tax System (SUTA). While it is possible for a church to voluntarily elect into the unemployment insurance system, most do not. PCA churches and church-related organizations should remember former employees are not covered under unemployment insurance, and are encouraged to factor this disadvantage into severance package decisions for former employees, including non-ministerial employees.

Many churches and church-related organizations assume they are exempt from Workers' Compensation laws, although frequently that is **NOT** the case.

### Workers' Compensation Insurance

Many churches and church-related organizations assume they are exempt from Workers' Compensation laws, although frequently that is not the case. Workers' Compensation laws exist in all fifty states and the majority of states do not provide churches with specific exemptions of Workers' Compensation benefits. If your church or church-related organization is located in a state that requires Workers' Compensation, you should carefully research applicable state laws to determine your options. A prudent course of action would involve the purchase of Workers' Compensation insurance for your employees and possibly volunteer workers as well.

Churches and church-related organizations that have legal exemption from purchasing Workers' Compensation should critically evaluate their ability to pay a large multiyear claim on an injured employee. A serious on-the-job injury would financially overburden most small and midsize churches. If your church is eligible and considering self-insurance, it is best to seek professional counsel in assessing your risks.

### The PCA Ministerial Relief Ministry

The PCA Ministerial Relief Fund was established at the first General Assembly to provide financial assistance to retired or disabled ministers and their widows with acute financial needs. These needs are typically caused by serious medical conditions that

prevent a family from adequately saving for retirement, catastrophic loss due to an accident or death, or, most often, widows with insufficient retirement savings. Without this assistance, these church servants would be living in or near poverty.

While most ministers will be able to fund their retirement plan, we know that some will be unable to achieve a sufficient level of savings to meet their needs. Death or disability will prevent some from meeting their savings goals as well. We will always need the PCA Ministerial Relief Fund to provide this vital assistance.

The Ministerial Relief Fund is primarily funded through donations by churches and individuals giving to the annual PCA Ministerial Relief Offering. Participation in this offering is an important part of any church's plan to provide for our retired ministers and especially their widows. RBI currently provides free Church Toolkits to churches who desire to participate. These may be ordered by contacting the RBI Ministerial Relief office. ([vickie.poole@pcarbi.org](mailto:vickie.poole@pcarbi.org))

When a PCA pastor leaves a church or ministry it may be some time before he finds or begins a call to a new church. During this transition he may not be able to afford health insurance premiums for his family. PCA Ministerial Relief can provide up to six months of Health Insurance Assistance to enable the family to retain coverage. More information is available on the RBI website under Ministerial Relief ([pcarbi.org/relief/financial-assistance](http://pcarbi.org/relief/financial-assistance)).

# RECOMMENDATION SUMMARY

## GROSS SALARY

### *Salary*

Setting appropriate compensation levels for ministers is best handled by local church Sessions and Presbyteries in conjunction with their ministers. There are a number of factors churches should consider when creating the salary component of a call package, including the needs of minister and his family, the minister's education and experience, the income of other local professionals with similar responsibilities, the financial condition of the church, and the responsibilities of the position. The process can be challenging, but it is a necessary step for every church calling a minister. Guiding principles can be found on page 11 of this document.

### *Housing Allowance*

Ordained and licensed PCA ministers who live in a church-owned manse, rent a home, or own a home may be eligible to receive a housing allowance. With this benefit, a minister can exclude a portion of his Gross Salary as a housing allowance under Section 107 of the Internal Revenue Code. Ministers should estimate liberally in the calculation of their housing allowances, and Sessions should be generous in their designations. After all, ministers should be allowed to maximize their use of this important benefit.

## BENEFITS

### *Healthcare*

PCA Churches are encouraged to provide a minister and his family with health care coverage or a sufficient salary that would enable him to purchase affordable individual health insurance. Churches who do not provide full family health insurance coverage, should be sensitive to the restraint that added healthcare expense will place on a minister's budget. Remember, failure to carry adequate health insurance coverage can be financially catastrophic to all parties involved. We would strongly encourage you to seek professional legal and tax advice on your specific situation.

### *Retirement Savings*

PCA churches and ministers are encouraged to contribute a sum that totals between 10% to 15% of the minister's annual salary plus housing allowance. It is wise to designate retirement contributions as a percentage of salary rather than a fixed dollar amount. This will allow contributions to keep pace with salary increases without having to complete a new salary reduction agreement.

### *Short & Long Term Disability Insurance*

PCA churches are encouraged to provide a Long Term Disability Plan (LTD) that replaces at least 60% of income. Churches who provide LTD are also able to offer Short-Term Disability, which replaces income on the 15th day following a disabling event.

### *Life Insurance*

PCA churches are encouraged to provide a Term Life Insurance Plan. Determining how much life insurance a minister needs is a multi-factor decision that is best determined on an individual basis. PCA churches and ministers should contact RBI if they need assistance in determining how much life insurance is needed.

### *Home Equity Allowance*

Given that a manse is an asset of the church, there is a need to enable a minister who lives in a manse the ability to accumulate equity that can eventually be used to provide housing. Therefore, PCA churches should establish a written plan that includes a calculation and a funding plan. Guiding principles can be found on page 21 of this document. If you choose not to provide a Home Equity Allowance, then you should increase your minister's retirement plan contributions to cover house payments in retirement.

### *Social Security and Medicare Allowance*

PCA churches are encouraged to pay ministers who have remained in Social Security a special allowance, on income less than or equal to \$142,800 in 2021, that provides for 7.65% of their salary, as it must do

for lay church employees through the Employer portion of FICA taxes. This amount should be paid directly to the minister instead of through payroll taxes. Additionally, the allowance must be considered taxable income and must be included with wages in Box 1 of the minister's W-2 form, and reported on the minister's tax return.

### **Counseling/Coaching**

PCA churches are encouraged to participate in the denominational counseling service called ServantCare. ServantCare provides confidential, affordable and accessible counseling for Teaching elders and their spouse. This new PCA Benefit Plan can be purchased to assist your ministry workers for as little as \$4.00 a month.

## **VACATION & LEAVES OF ABSENCE**

PCA churches are encouraged to provide at least four weeks of paid time off from work (including Sundays) for vacation and most leaves of absence with the exception of educational leave. Churches should work closely with ministers to determine appropriate scheduling of time off for ministers continuing their education.

### **Examples of leaves of absence:**

- Paid Sick Leave
- Paternity Leave
- Bereavement
- Educational Leave
- Vacation
- Holiday Leave
- Sabbatical

## **REIMBURSABLE EXPENSES**

Traditionally, some PCA churches have included ex-

pense reimbursements as part of the call package. We recommend that all churches discontinue this practice. Instead all PCA churches should set up an Accountable Reimbursement Plan and agree to a maximum amount of reasonable and necessary business expenses to be reimbursed each year. These expenses should be included in the church budget completely separate from the minister's compensation.

### **Examples of reimbursable expenses:**

- Business use of a car, up to the current IRS standard mileage rate
- Business-related travel away from home: transportation, meals, parking, lodging and tolls on overnight trips
- Expenses for meetings including General Assembly, Presbytery meetings, conferences and workshops
- Expenses for continuing education including tuition and books
- Subscriptions to journals and magazines, books and software related to the ministry
- Entertainment expenses related to the ministry
- Computers and cellphones if used for the convenience of the church and not the minister, and as a condition of employment for the minister

### **Disclaimer**

The PCA Call Package Recommendation Summary is provided for ease of reference and is a brief summary of the elements of a proper call package. It is recommended that you review the "Elements of the *PCA Call Package Guidelines*" in its entirety to get a more complete description of the benefits and their correct use within a call package.

## Presbytery Implementation Resources Addendum

These documents are available online for download.

Visit [pcarbi.org/resources/publications](https://pcarbi.org/resources/publications) and select “Call Package Resources”

In the PDFs you will find these resources to assist you in implementing the PCA Call Package Guidelines in your presbytery:

- Letter to Presbyters
- Procedures for Implementing the PCA Call Package Guidelines in your Presbytery
- Sample ‘Policy’ Motion
- Sample ‘Letter to Churches’ — Informing and Explaining the Reasons for the Policy
- Call Package Evaluation and Review Worksheet

## On the following pages you will find Sample Forms and Policies

- Housing Allowance Worksheet I – Manse
- Housing Allowance Worksheet II – Rental or Mobile Home
- Housing Allowance Worksheet III – Home Owner
- Housing Allowance Resolution
- Sabbatical Policy
- Accountable Reimbursement Policy
- Accountable Reimbursement Form
- The Recommended Form of Call to a PCA Minister

# HOUSING ALLOWANCE WORKSHEET I

(For ministers living in a manse)

## Section A

### HOUSING ALLOWANCE EXPENSES

### ESTIMATED AMOUNT

Utilities <i>(gas, electricity, water, trash, phone, cable, internet)</i> .....	\$ _____
Decoration.....	\$ _____
Furnishings and Appliances <i>(purchase or repair)</i> .....	\$ _____
Landscaping and Yard Maintenance..... <i>(yard service expenses are not excludeable)</i>	\$ _____
Structural Repairs/Maintenance/Materials.....	\$ _____
Pest Control .....	\$ _____
Personal Property Insurance on Contents.....	\$ _____
Umbrella Liability Insurance Policy .....	\$ _____
Personal Property Taxes on Contents.....	\$ _____
Miscellaneous Expenses <i>(light bulbs, cleaning supplies, etc.)</i> .....	\$ _____

## Section B

Total all estimated expenses below on the line designated for "Total Estimated Housing Allowance." Keep in mind, the estimated housing allowance for ministers living in a manse should be the lesser of the "Fair Rental Value of Home" or the "Total Estimated Housing Allowance + the Declared Value of Living in the Manse."

### TOTAL ESTIMATED HOUSING ALLOWANCE

\$ \_\_\_\_\_

Minister's Name: \_\_\_\_\_ Year \_\_\_\_\_

#### Disclaimers

- Retroactive designations of housing allowance are not legally effective.
- The entire housing allowance designated by the Session is not necessarily nontaxable. Rather, it is nontaxable (for income tax purposes) only to the extent that it does not exceed actual housing expenses or the Fair Rental Value of the home (furnished, including utilities).
- A minister's housing allowance is an exclusion for federal income taxes only. Housing Allowance is subject to Social Security (SECA) taxation and must be included as taxable income on Schedule SE (unless exempt from Social Security).
- Ministers should keep accurate records and receipts of their eligible housing expenses as proof of their expenses.

# HOUSING ALLOWANCE WORKSHEET II

(For ministers renting or living in mobile home)

## Section A

### HOUSING ALLOWANCE EXPENSES

### ESTIMATED AMOUNT

Utilities ( <i>gas, electricity, water, trash, phone, cable, internet</i> ) .....	\$ _____
Decoration.....	\$ _____
Furnishings and Appliances ( <i>purchase or repair</i> ) .....	\$ _____
Landscaping and Yard Maintenance..... <i>(yard service expenses are not excludeable)</i>	\$ _____
Structural Repairs/Maintenance/Materials.....	\$ _____
Pest Control .....	\$ _____
Personal Property Insurance on Contents.....	\$ _____
Umbrella Liability Insurance Policy .....	\$ _____
Personal Property Taxes on Contents.....	\$ _____
Miscellaneous Expenses ( <i>light bulbs, cleaning supplies, etc.</i> ) .....	\$ _____
Housing Rental Payments .....	\$ _____
Mobile Home Space Rental.....	\$ _____

## Section B

Total all estimated expenses below on the line designated for "Total Estimated Housing Allowance." Keep in mind, the estimated housing allowance for ministers living in a rented home should be the lesser of the "Fair Rental Value of Home" and the "Total Estimated Housing Allowance."

### TOTAL ESTIMATED HOUSING ALLOWANCE

\$ \_\_\_\_\_

Fair Rental Value of Home (*including utilities & furnishings*) .....

\$ \_\_\_\_\_

Minister's Name: \_\_\_\_\_ Year \_\_\_\_\_

#### Disclaimers

- Retroactive designations of housing allowance are not legally effective.
- The entire housing allowance designated by the Session is not necessarily nontaxable. Rather, it is nontaxable (for income tax purposes) only to the extent that it does not exceed actual housing expenses or the Fair Rental Value of the home (furnished, including utilities).
- A minister's housing allowance is an exclusion for federal income taxes only. Housing Allowance is subject to Social Security (SECA) taxation and must be included as taxable income on Schedule SE (unless exempt from Social Security).
- Ministers should keep accurate records and receipts of their eligible housing expenses as proof of their expenses.

# HOUSING ALLOWANCE WORKSHEET III

(For ministers who own a home and are living in that home)

## Section A

### HOUSING ALLOWANCE EXPENSES

### ESTIMATED AMOUNT

Utilities ( <i>gas, electricity, water, trash, phone, cable, internet</i> ) .....	\$ _____
Decoration/Remodeling/Improvements .....	\$ _____
Furnishings and Appliances ( <i>purchase or repair</i> ) .....	\$ _____
Landscaping and Yard Maintenance..... ( <i>yard service expenses are not excludeable</i> )	\$ _____
Structural Repairs/Maintenance/Materials.....	\$ _____
Pest Control .....	\$ _____
Umbrella Liability Insurance Policy .....	\$ _____
Personal Property Taxes on Contents.....	\$ _____
Down Payment on a Home.....	\$ _____
Mortgage Payments ( <i>principal &amp; interest</i> ) .....	\$ _____
Homeowners Insurance.....	\$ _____
Home Improvement Loan ( <i>principal &amp; interest</i> ) .....	\$ _____
Real Estate Taxes.....	\$ _____
Real Estate Closing Costs ( <i>escrows, commissions, etc.</i> ) .....	\$ _____
Homeowner's Association Dues.....	\$ _____
Miscellaneous Expenses ( <i>light bulbs, cleaning supplies, etc.</i> ) .....	\$ _____

## Section B

Total all estimated expenses below on the line designated for "Total Estimated Housing Allowance." Keep in mind, the estimated housing allowance for ministers who own a home and are living in that home should be the lesser of the "Fair Rental Value of Home" or the "Total Estimated Housing Allowance."

### TOTAL ESTIMATED HOUSING ALLOWANCE

\$ \_\_\_\_\_

Fair Rental Value of Home (*including utilities & furnishings*) .....

\$ \_\_\_\_\_

Minister's Name: \_\_\_\_\_ Year \_\_\_\_\_

#### Disclaimers

- Retroactive designations of housing allowance are not legally effective.
- The entire housing allowance designated by the Session is not necessarily nontaxable. Rather, it is nontaxable (for income tax purposes) only to the extent that it does not exceed actual housing expenses or the Fair Rental Value of the home (furnished, including utilities).
- A minister's housing allowance is an exclusion for federal income taxes only. Housing Allowance is subject to Social Security (SECA) taxation and must be included as taxable income on Schedule SE (unless exempt from Social Security).
- Ministers should keep accurate records and receipts of their eligible housing expenses as proof of their expenses.

# HOUSING ALLOWANCE RESOLUTION

Resolution of the Session of \_\_\_\_\_ *(church name)* \_\_\_\_\_ (PCA)  
Designating a Portion of The Reverend \_\_\_\_\_ *(minister's first name, last name)* \_\_\_\_\_  
*(year)* Compensation as Rental/Housing Allowance

**Whereas**, Internal Revenue Code Section 107, as well as the associated Regulations and Revenue Rulings, provide that the portion of a minister's remuneration, designated as a rental/housing allowance by the employing church or other qualifying organization, is excludable from the minister's gross income under Section 107 of the Code; and

**Whereas**, the Session of \_\_\_\_\_ *(church name)* \_\_\_\_\_ (PCA) is a qualifying organization,

**Now, Therefore, be it Resolved** that \$*(housing amount)* of the compensation paid the Reverend *(minister's first name, last name)* during *(year)* is designated as a rental/housing allowance in accordance with the provisions of Section 107 of the Internal Revenue Code.

**Now, Therefore, be it Resolved** that the amounts so designated as rental/housing allowance are excludable from gross income of the recipient only to the extent that said amounts are used to rent or provide a home. Further, the amount eligible for the Section 107 exclusion may not exceed the fair rental value of the minister's home (including furnishings and appurtenances) plus the cost of utilities. To the extent a greater amount is designated as rental/housing allowance, the designation will be ineffectual with respect to such amount.

**This Resolution** is recorded in the church minutes and is applicable for calendar year *(year)* and all future years unless otherwise provided by the Session.

Adopted on \_\_\_\_\_ *(current month, day, year)* \_\_\_\_\_

Session of \_\_\_\_\_ *(church name)* \_\_\_\_\_ (PCA)

Clerk of Session Signature: \_\_\_\_\_

Clerk of Session Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

\* Please provide a copy of this signed document to your minister.

\*\* Retroactive designations of housing allowance are not permitted by law.

# SABBATICAL POLICY

Sabbatical Policy for \_\_\_\_\_ *(church name)* \_\_\_\_\_ (PCA)

## PREAMBLE

Sabbatical leave is periodically granted to ministerial staff and its purposes are twofold:

1. To give time off to ministerial staff for personal and professional enrichment in accordance with the Biblical principal of rest and refreshment embodied in the Sabbath.
2. To encourage longevity, a commitment to growth, and excellence among the ministerial staff in the church.

## POLICY

- 1. Eligibility & Requirements** – *(all or certain classification of ministers eligible)* are eligible to take a sabbatical leave at least once every *(e.g. seven years)*. These ministers must be in good standing with the church and have no intent to leave.

The Sabbatical should be spent in rest, reading, study, or ministry designed to refresh and encourage the minister in their walk with the Lord and ministry.

Eligible ministerial staff members will submit a written proposal to the Session regarding how the Sabbatical will be spent at least *(e.g. three months)* in advance of taking Sabbatical leave. The dates of the Sabbatical leave should be submitted at least *(e.g. six months)* in advance to allow for arrangements to be made for the staff member's absence.

- 2. Length** – A sabbatical leave will be *(e.g. three months)* in length off from the usual and customary labors of church ministry. *(e.g. three months)* is *(e.g. thirteen weeks)* or *(e.g. 91 days)* .

- 3. Compensation** – During sabbatical leave, the employment relationship and all call package provisions remain in effect, with the exception of study leave. Holidays, vacation and leaves of absence will be available during the balance of the year; however, ministerial staff members should not schedule vacation near their sabbatical, causing undue hardship on the ministry of church. The study leave portion of an ordained minister's call package will be included within the sabbatical.

Ministerial staff members will discuss with the Session sabbatical expenses related to travel and/or education, and a stipend may be awarded to cover these costs.

- 4. Required Report** – Staff returning from Sabbatical leave will report verbally and in writing to the Session regarding the activities and benefits of the Sabbatical period.

- 5. Additional** – Sabbatical funding should be a part of the general fund budget and considered in the planning process during the year before the Sabbatical is requested. If plans include travel or additional expenses for which assistance is requested, these expenses must also be planned in the budget cycle of the preceding ministry year.

NOTE: Sabbatical leave is not intended to be an extension of the Family and Medical Leave Act (FMLA), short & long term disability and/or any other benefit provided by the church.





# THE RECOMMENDED FORM OF CALL TO A PCA MINISTER

(church name) (PCA) being on sufficient grounds well satisfied of the ministerial qualifications of you, (minister's first name) (last name), and having good hopes from our knowledge of your labors that your ministrations in the Gospel will be profitable to our spiritual interests, do earnestly call you to undertake the pastoral office in said congregation, promising you, in the discharge of your duty, all proper support, encouragement and obedience in the Lord. That you may be free from worldly cares and avocations, we hereby promise and oblige ourselves to provide you with the following salary, benefits, vacations and leaves of absence.

## SALARY & HOUSING ALLOWANCES

**Gross Salary**, which includes Housing Allowance, on a (weekly, bi-weekly, semi-monthly, monthly, etc.) basis \$

(Amount designated as Housing Allowance\* \$ )

## BENEFITS

### Primary Benefits

Healthcare and Medicare Supplement Insurance/Allowance	\$ <input type="text"/>
Retirement Savings** – amount equal to <u>(percent of salary, which includes housing)</u> % of salary & housing	\$ <input type="text"/>
Long Term Disability Insurance – replaces <u>(percent of salary, which includes housing)</u> % of salary & housing	\$ <input type="text"/>
Life Insurance - amount equal to <u>(number that's multiple of salary, which includes housing)</u> times salary & housing	\$ <input type="text"/>
Social Security/Medicare Allowance	\$ <input type="text"/>
Equity Allowance for ministers who are living in a manse	\$ <input type="text"/>
Leadership Counseling/Coaching	\$ <input type="text"/>

### Secondary Benefits

Dental	\$ <input type="text"/>
Vision	\$ <input type="text"/>
Long Term Care	\$ <input type="text"/>
<b>Benefits Total</b>	\$ <input type="text"/>

## TEMPORARY BENEFITS

Relocation expenses will be reimbursed but should not exceed the following	\$ <input type="text"/>
Other	\$ <input type="text"/>
<b>Temporary Benefits Total</b>	\$ <input type="text"/>
<b>TOTAL AMOUNTS</b>	\$ <input type="text"/>

## VACATIONS & LEAVES OF ABSENCE

Vacation		Days
Holiday Leave		Days
Paid Sick Leave		Days
Paternity Leave		Days
Bereavement		Days
Educational Leave		Days
Sabbatical Leave		Days, after Years

## ATTESTATION

I, having moderated the congregational meeting which extended a call to (minister's first name, last name) for his ministerial services, do certify that the call has been made in all respects according to the rules laid down in the Book of Church Order, and that the persons who signed the call were authorized to do so by vote of the congregation.

### Clerk of Session:

Signature \_\_\_\_\_

Print Name \_\_\_\_\_

Date \_\_\_\_\_

### Minister-Elect

Signature \_\_\_\_\_

Print Name \_\_\_\_\_

Date \_\_\_\_\_

Send a copy to each of the following: 1) Minister-Elect 2) Stated clerk of the Presbytery

\* Section 107 of the Internal Revenue Code allows a minister to exclude a housing allowance from their taxable salary for eligible housing related expenses (i.e. mortgage payments, rent payments, utilities, etc.). It is important to note that the housing allowance is excludable for income tax purposes only (e.g. federal, and most states). It is not excludable for Self-Employment tax purposes (i.e. SECA) which are paid into the Social Security and Medicare system.

A minister's total cash salary can be broken down into two parts: 1) Taxable Salary and 2) Housing Allowance (Partially Taxable Salary).

MINISTER'S SALARY	
Taxable Salary	Housing Allowance (Partially Taxable Salary)
<ul style="list-style-type: none"> <li>• Taxable for Self-Employment Tax Purposes</li> <li>• Taxable for Federal Income Tax purposes</li> </ul>	<ul style="list-style-type: none"> <li>• Taxable only for Self-Employment Tax Purposes</li> </ul>

\*\*There is an annual limit on the amount of total contributions (i.e. employee and employer contributions) that can be made to a 403(b) plan. This limit is referred to as the 415(c) limit and, for 2021, it is the lesser of \$58,000 or 100% of includible compensation for your most recent year of service. However, it is important to note that a minister's housing allowance cannot be included as part of includible compensation because it is not a component of a minister's gross income (1.425-2(d) of income tax regulations). This limit may reduce the amount that can be contributed to a retirement account even though the call package guidelines formula includes it (i.e. retirement contributions are a percentage of salary and housing allowance).

**For further information or questions,  
call PCA Retirement & Benefits at 1-800-789-8765.**

Benefits available from PCA Retirement & Benefits:

**PCA SHORT AND LONG-TERM DISABILITY PLANS**

**PCA LIFE & ACCIDENTAL DEATH & DISMEMBERMENT PLANS**

**PCA DENTAL PLANS**

**PCA VISION PLANS**

**PCA RETIREMENT PLAN**

**PROPERTY & LIABILITY INSURANCE PLANS**

**STATE-MANDATED SHORT-TERM LEAVE SOLUTIONS**

**SERVANTCARE COUNSELING**

**PCA MINISTERIAL RELIEF**



**1700 North Brown Road, Suite 106  
Lawrenceville, Georgia 30043-8143**

**Toll-free: 1-800-789-8765**

**Phone: 678-825-1260**

**Fax: 678-825-1261**

**[rbi@pcarbi.org](mailto:rbi@pcarbi.org)**

**[www.pcarbi.org](http://www.pcarbi.org)**