

2024 Clergy Compensation Recommendation Report Instructions

If you are using the 2024 Compensation Recommendation Report electronic form, please make sure the appropriate boxes at the top are checked correctly with one "X" so the formulas contained in the form will calculate properly.

IDENTIFICATION SECTION

Clergy: Print/type name legibly and place an "x" in all boxes related to membership/appointment status.

District: List the District in which the church/charge resides.

Church/Charge: Use complete church name including city. (First, Grace, Hope, etc. only narrows the possibilities).

For multi-point charges, please indicate which is church 1, church 2, and/or church 3. If a charge includes more than 3 churches, please use a second compensation form.

NOTE: Separate compensation recommendation report forms must be completed for each church if they are separate circuits sharing a clergyperson.

Effective Date: Start date of the Clergy Compensation Recommendation Report.

Eligible for Conf. Health Ins: Place an "x" in the appropriate box.

Health Insurance Enrollment: Place an "x" in the appropriate boxes.

[Example of a Conference Dependent: A clergyperson whose spouse is the primary subscriber on the policy.]

[Common question regarding retired clergy who are enrolled in the conference plan:

Conference: A retired clergy in a $\frac{3}{4}$ or full time appointment (active suffix of the conference plan).

Non-Conference: A clergy in a less than $\frac{3}{4}$ time appointment (retiree suffix of the conference plan).]

Housing: Place an "x" in the appropriate box.

CLERGY COMPENSATION (Use annual figures and round to nearest dollar in all sections)

Line 1: Enter the base cash salary.

Line 2: Enter "0" if the clergy is enrolled in the Conference Group Health Care Plan or if the church pays no health insurance premiums for the clergy. If the church remits premiums for alternate coverage to the insurer or reimburses the clergy to assist in the purchase of alternate health care coverage, the entire amount paid by the church must be entered on line 2. **[This is additional salary and the salary-paying unit cannot designate or require that the amount be used for health care premiums.]**

Line 3: Enter other taxable salary items paid to the clergy: i.e. Equitable Salary, Discretionary Allowances, Non-Accountable Reimbursement Plans.

Line 4: Add Lines 1-3 for Cash Compensation Subtotal.

Line 5: If the church pays the clergy share of the Conference group health insurance premiums, enter that amount. If not, enter "0".

Line 6: Add lines 4 and 5 for Total Cash Compensation.

SALARY REDUCTION (Before Tax) ITEMS

Line 7: Enter the clergy's Before-Tax personal contribution to the pension plan being withheld from payroll. Do not enter the amount if it is being withheld as a Roth or After-Tax contribution.

NOTE: A new "UMPIP Contribution Election" form must be completed whenever a change is made in the contribution amount, or when receiving a new appointment. A new form does not need to be submitted if the amount/percentage is remaining the same in the current appointment. The contribution form is available on the Conference website and may be submitted to the Conference Benefits Office.

Line 8: Enter the amount of the clergy's contribution for health insurance per the "Conference Health Insurance

Premium Chart” **[Based on Line 4]**. Enter the contribution amount on line 8 **even if the church pays the clergy’s portion.** (If the church pays the clergy portion, this amount will also be listed on Line 5.) If the clergy is not enrolled in the conference health care plan, enter “0”.

IMPORTANT: The clergy contribution is an individual amount in addition to the single blended rate paid by each local church/ agency.

Line 9: Enter the amount approved for a Medical Flexible Spending Account (FSA). **Per Affordable Care Act (ACA) regulations, a person must be eligible for group health insurance to be eligible for a Medical FSA.**

All clergy eligible for a Medical FSA may enroll in the Conference FSA Plan administered by HRPro during open enrollment in the new Conference Health Care Plan in the fall. There are no additional administrative charges to the church or participant. The Conference Benefits Office strongly recommends utilizing this service to assure compliance with HIPAA, IRS and Affordable Care Act regulations.

Line 10: Enter other Pre-tax salary items and provide a description of the reduction. [Example: A Dependent Care FSA.]

HRPro will also administer a Dependent Care FSA along with a Medical FSA when enrolled at open enrollment.

Line 11: Add lines 7-10 for Total Salary Reduction Items.

SALARY REPORTABLE TO IRS

Line 12: Enter Total Cash Compensation from Line 6.

***Line 13: Enter approved amount of cash compensation designated as “Household Furnishings Allowance.”

Line 14: Enter Total Salary Reduction Items from Line 11.

Line 15: Subtract Lines 13 & 14 from Line 12. **This is the amount reported as taxable wages on the clergy’s W-2, line 1.**

IMPORTANT: Per IRS regulations, clergy must receive a W-2 and not a 1099.

CHURCH TREASURER’S CALCULATION FOR PAYROLL

Line 16: Enter Total Cash Compensation from Line 6.

***Line 17: Enter the dollar amount of a housing allowance if provided in lieu of a parsonage.

Line 18: Add Lines 16 & 17 for gross cash subtotal.

Line 19: Enter Total Salary Reduction Items amount from Line 11.

Line 20: Enter other authorized “after-tax” payroll withholdings. [Example: UMPIP Roth or After-tax clergy contributions.]

Line 21: Subtract Lines 19 & 20 from Line 18 for Total Cash paid annually.

Line 22: Divide Line 21 by the number of pay dates in the year for net wages per pay period.

Federal and/or State Income Tax may be withheld and subtracted from this number if requested by the clergy.

However, FICA must never be withheld from clergy compensation.

COMPENSATION BASE FOR RETIREMENT PLAN CONTRIBUTIONS & BENEFITS BILLINGS

IMPORTANT: Complete this section for all clergy appointments; Full time, Less than full time, Retired.

Line 23: Enter Total Cash Compensation from Line 6.

Line 24: If a parsonage is provided, multiply Line 23 by 25% and enter the amount. If not, enter “0”.

***Line 25: If a housing allowance is provided in lieu of a parsonage, enter the same amount as entered on Line 17.

[Lines 24 & 25 could both be “0” if there are no housing provisions, but both cannot have a numeric value.]

Line 26: Add Lines 23-25 to determine the compensation base for calculating retirement plan contributions & Benefit Billings.

CHURCH MINISTRY EXPENSES RELATED TO CLERGY COMPENSATION/BENEFITS

Line 27: Enter the Benefits Billing invoiced directly to the local church. [Benefits Billings are calculated as a percentage of Line 26 based on the appointment status indicated on the Clergy Compensation Recommendation Report.]
Full or ¾ time = 12% ½ time = 10% ¼ time = 6% Retired = 5%

Line 28: Enter the local church share (single blended rate) of the conference health care premium per the "Conference Health Insurance Premium Chart." If the local church pays directly or reimburses the clergy for alternate health care coverage, enter "0" and include that amount on Line 2.

NOTE: In the case of an appointed clergy couple, the subscriber's church will be charged for the total church premium and clergy premium contribution. The church with the dependent appointed clergy will not be charged for the premium. If two or more churches/charges are sharing the health premium cost, they must establish an internal payment agreement independent of the conference billing statement.

Line 29: If the clergy is eligible but elects to waive conference health care plan, enter the amount indicated on the "Conference Health Insurance Premium Chart."

If the clergy is not eligible or is enrolled on the conference health care plan as a dependent, enter "0".

NOTE: The conference plan is mandatory unless eligible under the exceptions listed on the "Conference Health Insurance Premium Chart."

Line 30: Enter a *numeric value* for estimated parsonage utilities. Do not enter words such as "Full" or "All". If a parsonage is not provided, enter "0".

***Line 31: Enter the approved amount for clergy receiving a housing allowance in lieu of a parsonage. Include all funds provided for the maintenance of a private home. This number should also appear on Lines 17 & 25. If a parsonage is provided instead of a housing allowance, enter "0".

Line 32: Enter the amount budgeted as a Professional Accountable Reimbursement Plan. A Professional Accountable Reimbursement Plan must be written, IRS compliant, and approved prior to implementation. A plan cannot be approved retroactive for expenses previously incurred.

NOTE: Non-Accountable Reimbursement Plans are not included on Line 32, but must be listed on Line 3.

Line 33: If not already included in the Professional Accountable Reimbursement Plan on Line 32, enter a *numeric value* for estimated travel expenses. Do not enter words such as "IRS rate" or "All".

Line 34: If not already included in the Professional Accountable Reimbursement Plan on Line 32, enter the budgeted amount for Continuing Education expenses.

Line 35: If not already included in the Professional Accountable Reimbursement Plan on Line 32, enter the budgeted amount for Annual Conference expenses.

Line 36: Enter other budgeted fringe benefits and provide a description of the item(s).

Line 37: Add Lines 27-36 for Total Clergy Benefits budgeted as church ministry expenses.

***References to Housing Allowance and Household Furnishings Allowance in this compensation report refer directly to IRS Code 107, taxable income exclusion for clergy, as opposed to discretionary allowances which are subject to taxable income. See APPENDIX A for further information.

APPENDIX A
MICHIGAN CONFERENCE UMC
CLERGY COMPENSATION RECOMMENDATION REPORT

Under IRS Tax Code 107, a minister of the gospel is allowed to exclude from gross income: (1) the rental value of a home furnished to him or her as part of his or her compensation; or (2) a housing allowance paid to him or her as part of his or her compensation, to the extent used by him or her to rent or provide a home and to the extent such allowance does not exceed the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities.

By law, a Housing Allowance must be adopted by the local church administrative/church council prior to implementation. See the [Housing Allowance Form](#) for sample resolutions.

For purposes of the Michigan Conference Clergy Recommendation Report:

Generally, the amount designated as a housing allowance is entered on the Clergy Compensation Recommendation Report in the following manner:

1. If a parsonage is provided, the designated housing allowance is entered on Line 13.
2. If a parsonage is not provided but a housing allowance amount is provided in addition to the cash salary, the housing allowance is entered on Lines 17, 25, and 31.
3. Not common: In a situation where a parsonage is not provided and the housing allowance paid by the church is less than the total housing allowance designated, the housing allowance paid by the church in the above resolution is entered on Lines 17, 25, and 31. The remaining designated amount is entered on Line 13.

Example: Church Aye provides a cash salary of \$45,000 and a Housing Allowance of \$5,000 for a total compensation of \$50,000. Pastor Bea requests and it is approved that \$20,000 of the total compensation is designated as a housing allowance (exclusion from gross wages).

In this situation, \$5,000 is entered on lines 17, 25, and 31. The remaining amount of \$15,000 is entered on Line 13.

Contact the Conference Benefits Office if related housing allowance questions remain how to complete the Clergy Recommendation Report.