

2025 Clergy Compensation Recommendation Report Instructions

If you are using the 2025 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: Type/print 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 the 4 Church compensation form available from the Benefits Office.

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 box.

[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).]

Health Insurance Enrollment Coverage: Place an "X" in the appropriate box, if applicable.

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 the dollar amount of a cash allowance paid for housing to the clergy person. This is usually cash paid to the clergy person when a parsonage is not provided.

Line 3: 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 3. **[This is additional salary and the salary-paying unit cannot designate or require that the amount be used for health care premiums.]**

Line 4: Enter other taxable salary items paid to the clergy: i.e. Equitable Salary, Discretionary Allowances, Non-Accountable Reimbursement Plans.

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 1-5 for Total Cash Compensation.

TOTAL PLAN COMPENSATION FOR WESPATH & BENEFITS BILLINGS

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

Line 7: Enter EITHER - Total Cash Compensation from Line 6 (if Housing Allowance has "X" at the top) or if Parsonage has "X" at the top, multiply Line 6 by 1.25 and enter the amount. If Neither has an "X" at the top, enter total from Line 6.

SALARY REDUCTION (Before-Tax) ITEMS

Line 8: 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 9: Enter the amount of the clergy's contribution for health insurance per the "Conference Health Insurance Premium Chart" [**Based on Line 6 minus Line 2**]. 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 10: Enter the amount clergy elected 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. Clergy on the Conference health care plan are eligible. This amount cannot be larger than the IRS limit set each year.** All clergy eligible for a Medical FSA may enroll in the Conference FSA Plan administered by our FSA provider, HRPro, during open enrollment in the fall. There are no additional administrative charges to the church or participant for this benefit. The Conference Benefits Office strongly recommends utilizing this service to assure compliance with HIPAA, IRS and Affordable Care Act regulations.

Line 11: 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 12: Add Lines 8-11 for Total Salary Reduction Items. This amount is deducted from salary reported on the W-2.

SALARY REDUCTION (After-Tax) ITEMS

Line 13: Enter the clergy's After-Tax personal contribution to the pension plan being withheld from payroll for a Roth IRA Plan.

Line 14: Enter the clergy's After-Tax personal contribution to UMPIP.

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 15: Enter the clergy's other After-Tax withholdings. [Example: A personal IRA.]

Line 16: Add Lines 13-15 for Total After-Tax Salary Reduction Items. This is salary that is reported on the W-2, but is deducted from the paycheck.

IRS HOUSING EXCLUSION

Line 17: This is an amount that the clergy person sets that is not reported on the W-2 as salary, though it is reported in Box 14 as "Housing Allowance." It can include Line 2, but can also be a further amount determined by the clergy person for use towards the cost of housing as applicable by the rules set forth by the IRS.

SALARY REPORTABLE TO IRS

Line 18: **This is the amount reported as taxable wages on the clergy's W-2, box 1. It is Lines 12 & 17 added together and subtracted from Line 6.**

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

CHURCH TREASURER'S CALCULATION FOR PAYROLL

Line 19: This is Line 6 minus Line 12 and gives you the total cash to be paid to the clergy person for the year.

Line 20: Divide Line 19 by the number of pay periods 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.*

ADDITIONAL EXPENSES OF CLERGY BENEFITS

Line 21: Enter the Benefits Billing invoiced directly to the local church. [Benefits Billings are calculated as a percentage of Line 7 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 22: 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 3.

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 23: If the clergy is eligible but elects to waive the conference health care plan, enter \$2,100.

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 in the Conference Health Care Policy, available on the Benefits Website.

Line 24: 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 25: 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 25, but must be listed on Line 4.

Line 26: If not already included in the Professional Accountable Reimbursement Plan on Line 25, enter a *numeric value* for estimated travel expenses. Do not enter words such as "IRS rate" or "All".

Line 27: If not already included in the Professional Accountable Reimbursement Plan on Line 25, enter the budgeted amount for Continuing Education expenses.

Line 28: If not already included in the Professional Accountable Reimbursement Plan on Line 25, enter the budgeted amount for Annual Conference expenses.

Line 29: Enter other budgeted fringe benefits and provide a description of the item(s).

Line 30: Add Lines 21-29 for Total Cost to Church for Benefits budgeted as church ministry expenses.

***References to Housing Allowance, Cash Allowance for Housing and IRS Housing Exclusion 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 IRS Housing Exclusion is entered on Line 17.
2. If a parsonage is not provided but a Cash Allowance for Housing amount is provided in addition to the cash salary, the amount is entered on Line 2 and that number is part of the total reported on Line 17.

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 Line 2. The total \$20,000 (\$5000 Cash Allowance for Housing + and additional \$15,000 claimed as further Exclusion) is entered on Line 17.

Contact the Conference Benefits Office with further housing allowance questions. We can guide you as to how to complete the Clergy Compensation Recommendation Report.