**CLERGY COMPENSATION GUIDE**

**Anglican Diocese of the Great Lakes**

**(Updated January 9, 2024)**



## Endorsed by the Standing Committee

*If you have any questions, please contact The Ven. Canon Jeff Smead: jeffsmead@ADGL.US*

Clergy Compensation Guide

This Guide addresses the values for the compensation packages for clergy in the Anglican Diocese of the Great Lakes (Diocese). In addition, the compensation for Supply Clergy is also addressed in this policy.

The purpose of this guide is to provide standards for the proper compensation of Anglican priests employed as full-time parochial clergy and guidance in the compensation for church planters, part-time clergy, and supply clergy. The guide is applicable to the Diocese and all congregations in the Diocese, with the understanding that every congregation (Mission Fellowship-in-formation, Mission Fellowship and Congregations in Union with the Synod) and every priest may have unique circumstances that require adjustments.

It is the responsibility of each vestry to use the following guidelines in determining the compensation levels for clergy for whom that body may be responsible. For congregations in regions other than our geographic footprint where cost of living is higher, minimums should be adjusted proportionately. The Diocesan office and specifically the office of Assistant to the Bishop are always available to vestries and clergy when there are questions.

## *The Diocese of the Great Lakes requires all clergy to sign a Letter of Agreement, which includes the compensation and benefit package, prior to beginning a ministry. The letter should also be signed by the Wardens and Treasurer of the congregation and must be approved by the Bishop.*

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# Categories of Pastorates

Since clergy in our Diocese consist of men and women in vastly different stages of life from one another – second careers, retirees, young families, married, single, etc. – their needs vary greatly from congregation to congregation. When issuing a call, the vestry should have the flexibility to tailor a total compensation package that fits the needs of the individual. The focus of this guide, therefore, is on the total compensation package provided to a member of clergy, rather than just cash compensation.

Clergy compensation is appropriately guided by the congregational setting in which the ministry is offered, the size of the congregation and the level of responsibility and commensurate skill and experience required for the particular situation of each Congregation. The **recommended minimum starting total compensation packages** for full and part time and parochial clergy of the Diocese are outlined below based on the following general categories:

1. Type of Pastorate
   1. Rector
   2. Full Time Assistant Priest
   3. Part Time (25 hour per week) Rector, Church Planter, Assistant Priest
2. Operating Income
   1. Under $250,000 annually
   2. From $250,000 to $500,000 annually

c. From $500,000 to $1,000,000 annually

d. In excess of $1,000,000 annually

1. Congregational Setting
   1. Major Metropolitan Area and Immediate Suburbs
   2. Town / Rural

Minimum cash compensation (Salary/Housing) recommendations for the first year of incumbency: (In addition see **Required** Benefits beyond Cash compensation)

## Rector

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Budget under**  **$250,000** | **Budget over**  **$250,000 &**  **under $500,000** | **Budget over**  **$500,000 &**  **under $1,000,00** | **Budget over**  **$1,000,000** |
| **Metro/Suburban** | **$68,200** | **$73,650** | **$88,900** | **$90,225** |
| **Town/Rural** | **$65,975** | **$71,850** | **$86,275** | **$90,950** |

**Full Time Assistant Priest**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Budget under**  **$250,000** | **Budget over**  **$250,000 &**  **under $500,000** | **Budget over**  **$500,000 &**  **under $1,000,00** | **Budget over**  **$1,000,000** |
| **Metro/Suburban** | **$60,700** | **$66,900** | **$71,850** | **$74,875** |
| **Town/Rural** | **$59,275** | **$66,500** | **$69,950** | **$73,800** |

**Half Time (25 hour per week) Rector, Church Planter, Assistant Priest**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Budget under**  **$250,000** | **Budget over**  **$250,000 &**  **under $500,000** | **Budget over**  **$500,000 &**  **under $1,000,00** | **Budget over**  **$1,000,000** |
| **Metro/Suburban** | **$22,450** | **$22,500** | **$25,475** | **$26,000** |
| **Town/Rural** | **$22,650** | **$23,975** | **$26,300** | **$25,575** |

Highlighted areas are as of 1/31/2020 and should be increased if there is any inflation. (Data obtained from the Anglican Diocese of Pittsburgh which is predominantly western Pennsylvanian though they are in multiple states.)

These are the minimum total cash compensation package recommendations for the first year of incumbency. For congregations in regions other than the Diocese geographic footprint minimums should be adjusted proportionately to the area’s cost of living. Total compensation packages above the minimums vary greatly as should be expected.

Adjustments to higher levels should be considered for the following factors:

* Prior years of service in ordained ministry
* Ability as a preacher and worship leader
* Ability as a teacher
* Administrative leadership
* Meeting targeted growth goals in Average Principal Service Attendance (ASA) or other specified growth goals
* Interpersonal skills and skills in counseling and/or conflict resolution
* Stewardship and fund-raising leadership
* Ability in communications and in community and ecumenical relations
* Job Complexity issues including:
  + Size of staff
  + ASA in excess of 300
  + Oversight of Preschool or Day School
* Variety of duties to be performed.
* Recognition as an expert in a field
* Publications or requirement to publish.
* Education level

## The Treasure or a member of the Finance Committee is available to each congregation to assist in determining the appropriate adjustments in each specific circumstance.

**It should be the goal of every congregation to provide each member of clergy with the minimum total compensation package recommended.**

A clergy total compensation and benefit package should include but is not limited to the benefits detailed on the following pages.

Cash Compensation

1. Stipend
   1. Stipend is that cash amount which is paid directly to a member of the clergy exclusive of housing, utilities, and Social Security Self- employment tax allowance.
2. Allowances
   1. Housing - Congregations should provide a housing allowance for their clergy. Clergy that resides in church owned housing are also eligible for a housing allowance for furnishings and other allowable housing expenses. The housing allowance must conform to the tax code. The allowance must be church designated (Via resolution) and be done in advance of the allowance being taken, meaning that it cannot be acted upon retroactively. The vestry, with input from the clergy, should review the allowance annually to make sure only allowable costs are considered. A sample housing allowance resolution is provided in [Appendix A on page 18] and a suggested format for documentation of clergy housing allowance is provided in [Appendix B on page 19].
   2. Utilities - Congregations with church-owned or church-provided housing should provide for a utility allowance for clergy-paid invoices, or the provision for utilities to be paid directly by the church. This should be voted on by the Vestry and treated the same as the housing allowance for tax purposes.

**Required Employment Benefits Beyond Cash Compensation**

1. Retirement/Pension - The Anglican Diocese of The Great Lakes requires each congregation, mission, and other ecclesiastical organization to pay into a retirement/pension plan for their clergy. It is highly recommended that congregations participate in the retirement plan of the Anglican Church in North America. The Diocesan recommendation is 10 - 18% of the cash compensation for each cleric and may include a matching component from the clergy. The Anglican Church in North America (ACNA) Plan document explains this in greater detail. Different rules may apply to the definition of "total compensation" for clergy that provide their own housing and those for whom housing is provided. Please contact the Treasurer or a member of the Finance Committee if you would like clarification for budgeting purposes.

**NOTE**: Be aware that the match portion of the retirement plan must also be offered to eligible lay employees.

1. Health Insurance Health Insurance
   1. Medical insurance is legally required for full-time clergy and lay employees, their spouses, and children. Congregations can provide coverage through its own group policies, or to the extent available, through policies provided through the Diocese to the extent available. Questions concerning the availability of and coverage through the Anglican Church in North America (ACNA) should be directed to the national headquarters. Congregations providing coverage through their own policies should ensure compliance with federal law, which does contain significant penalties for non-compliance. Cost-sharing arrangements for health care benefits should be handled at the congregation level, but please note, to the extent a congregation does not directly provide insurance, it should not reimburse clergy or lay employees for the cost of their coverage; otherwise, legal penalties could apply. Health benefits are a negotiated benefit for part-time clergy.
2. Time away from work
   1. Weekly - A normal work week for full-time clergy is \_\_\_ hours – usually measured as approximately twelve units of mornings, afternoons or evenings in various combinations reflecting the demands of the ministry. Clergy are expected to have at least one continuous twenty- four-hour period reserved for time away from work. (Archbishop Rober Duncan recommended 50 hours and utilized such for the Anglican Diocese of Pittsburgh which included tithes and offerings – others have utilized 44 hours – tithe only).
   2. Vacation - Clergy are entitled to four weeks of vacation time per year, which will include a minimum of four Sundays.
   3. Holidays – Holidays can be a complex matter for clergy. Some recognized “paid” holidays on a business calendar, such as Christmas, are actually working days for clergy. Congregations are encouraged to provide additional compensatory time away when clergy work a recognized holiday.
   4. Maternity/Paternity Leave - Female clergy are entitled to take up to six weeks of paid, maternity leave upon the birth or adoption of a child(ren). Male clergy are entitled to take up to two weeks of paid paternity leave upon the birth or adoption of a child(ren). Additional unpaid time off can be taken in accordance with the Family Medical Leave Act, or as otherwise required by law.
   5. Sick Days and short-term disability - Paid sick days should be provided pursuant to each congregation’s policy, and short-term disability insurance should be provided for longer term illnesses.
3. Life Insurance – Life insurance should be purchased on clergy from a reputable insurance company. The minimum life insurance coverage should be $50,000.

*Many if not most Churches are offering a lump sum amount that that may be split by the cleric for the following: Stipend (Salary), Housing Allowance, Retirement/Pension, Insurance -Health, Dental, Vision, Life (If the ACNA plan is not adopted the vestry probably will have to approve and administer a HAS, ICHSA and/or QSEHRA plan to save on taxes). The cleric can separate the lump sum into each of these categories as allowed under the tax code.*

Potential Additional Benefits

1. Social Security Self-Employment Tax Allowance - For purposes of social security, clergy are considered self-employed. An allowance amount equal to half of the clergy’s social security/self-employment tax (SECA), as of the date of said policy 15.3%, may be paid directly to the member of the clergy as an optional benefit. NOTE: This income is fully taxable and reportable as income to the clergy.
2. Long-term Disability - It is recommended that each congregation purchase or make available Long-term disability insurance from a reputable company.
3. Additional Life Insurance - Congregations are encouraged to purchase or make available additional life insurance for clergy and their dependents.
4. Housing Equity Allowance - “Letters of Agreement for all clergy living in church-provided housing shall include an additional category of compensation entitled “Housing Equity Allowance” and the specific amount of the Housing Equity Allowance shall be calculated by using a percentage of the value designated for housing (30% of cash stipend plus utilities) or an amount agreed upon between the clergy and the congregation”.
5. Wellness – There are various activities which all clergy should be encouraged to participate in:
   * Spiritual health activities: daily times of prayer, scripture reading, meditation, tithing, regular retreats to hear from God, and regular meetings with a spiritual director of the clergy’s choosing.
   * Work family balance. Vestries should ensure that clergy take their vacation and holiday time outside of the congregation context.
   * An annual medical exam (vestries should reserve for the exam in the unlikely event that it is not covered by the Health Insurance Plan).
   * Regular exercise and healthy eating habits, including moderation or

abstinence of tobacco, alcohol, or other drug use.

* + A professional support group of the clergies’ choosing, and adequate attention to emotional health, which may require professional counseling (vestries should reserve for the cost if it is not covered by the Health Insurance Plan).
  + Community activities and involvement (outside of the congregation context or role of clergy).

1. Recommended Expense Allotments and Reimbursement\*
2. Travel - Each congregation should provide either a monthly allowance or an accountable reimbursement plan utilizing the IRS per mile reimbursement rate set semi-annually by the IRS. It is recommended that the vestry adopt an accountable reimbursement plan. Reimbursements paid under an accountable reimbursement plan are not reportable by the employer or employee as taxable income if they meet the tax statutes, unlike the monthly allowance, which is taxable. The accountable reimbursement plan is a significant advantage to the clergy. Note: When the accountable reimbursement plan is adopted by the vestry it applies to all employees – clergy or lay. Clergy should not be paid at a rate in excess of the IRS per mile reimbursement rate, under IRS revenue ruling 84-127. Finally, no reimbursement should be made for fuel or maintenance since those are included the in the per mile reimbursement rate.
3. Travel expenses either reimbursed as an allowance or under an accountable reimbursement plan must be documented. See [APPENDIX C on page 20] for a sample documentation form. In the event of an audit the IRS will request the documentation of these expenses.

\*IRS Publication 463 provides additional information and a sample record form. <http://www.irs.gov/publications/p463/ch05.html>

1. Continuing Education - All clergy are encouraged to engage in regular continuing education to strengthen their ministries. Congregations are expected to provide both time and money (usually $500-$1,000 annually toward the expenses of continuing education projects and materials). Continuing Education time should be focused on vocational development in areas that undergird present or future ministry and develop or strengthen talents and skills. This time is not to be used as additional vacation or leisure time.
2. Sabbaticals - After (Pick four, five or six) years of service, a full-time priest is eligible for sabbatical leave that has accrued at the rate of (Pick number of weeks or days to be equal to or less than three months) per year of service, up to a maximum of three months of leave. Congregations should build provision into their budgets to cover the expenses of a sabbatical, which include program and travel costs as well as liturgical and pastoral care coverage for the congregation. A periodic sabbatical is a healthy and effective means of preventing burnout and of renewing and enhancing a professional’s capabilities for dealing effectively with problems facing those who need help. A written description of the sabbatical plan should be submitted to the Bishop no fewer than 90 days before it commences. The following planning guidelines are recommended:
3. The sabbatical is intended to provide rest and renewal but should have a structure to it. Planning for the sabbatical is just as important for the clergy or lay professional as it is for the congregation. The planning process can be broken into three phases: (1) the pre-sabbatical or planning phase; (2) the sabbatical itself; and (3) the post-sabbatical phase.
4. During the first phase, the objectives of the sabbatical should be defined in general terms and a flexible plan should be developed to achieve those objectives. The plan might involve study, travel, writing or some combination of all three, blended with a good measure of relaxation and family time.
5. The second phase is the sabbatical, and the person should follow a flexible approach to pursuing the planned objectives, bearing in mind that the overall goal is rest and renewal, not rigid adherence to a prescribed plan of action.
6. The third phase is a time of adjustment for both the person returning and for those who have experienced that person’s absence. Feedback should be provided through face-to-face dialogue or in the form of a written report or journal to the Bishop’s office within 90 days of returning from a sabbatical.
7. Business Entertainment -

Entertaining on behalf of the church should be reimbursed under an accountable reimbursement plan (see footnote under item 5 above). Vestries are encouraged to budget annually for these anticipated needs.

1. Moving -

When a congregation issues a call, it should pay the expenses associated with the relocation. Clergy who have been called and the leadership of the congregations to which they have been called are encouraged to discuss the anticipated expenses in advance and to set up a reserve.

1. Attendance at annual Clergy Retreat/Synod –

The annual Clergy Retreat and Synod are both a time when, through prayer, study of God’s Word, reflection, worship and fellowship the clergy of the Diocese are refreshed and re-invigorated to continue to perform their ministry within their congregations. It is strongly recommended that the congregations annual budget include a line item to fully fund the attendance of your including travel expenses.

# Guidelines for Supply Clergy Rates

The following Reimbursement Guideline (Approved by the Standing Committee) addresses recommended financial and contractual guidelines for the ADGL congregations.

1. Remuneration for Celebrating Eucharist and providing Exhortation.

a. Single Service $150

b. Additional Services $75 per additional service/teaching

c. Round trip mileage should be paid according to IRS business mileage allowance.

d. A document describing the reason for remuneration should accompany payment.

2. Remuneration for hosting meetings in absence of Rector

a. Each meeting $75

b. Round trip mileage should be paid according to IRS business mileage allowance.

c. A document describing the reason for remuneration should accompany payment.

3. Remuneration for providing leadership to a congregation or fellowship during an extended period resulting from a sabbatical or other prolonged absence should be discussed with the Rector/Vicar and Vestry/Mission Council. A simple contract is recommended outlining:

a. Expectations regarding celebration of communion and other services

b. Participation in vestry/congregational meetings

c. Clergy visitations

d. Duration of contract

e. Remuneration

f. The Office of the Bishop should be notified if an extended absence is anticipated, planned or apparent.

4. Remuneration for services are subject to Federal, State and Local tax regulation.

a. A 1099 should be provided if payment is made directly to an individual

receiving $600 or more during a calendar year.

b. If payment in lieu of remuneration is made to a Discretionary Fund, the payment must be documented as to the financial institution and account to which payment is accomplished.

c. A year end ‘Record of Payment’ should be sent to the supply clergy stipulating.

the nature of the payment, personal or a Discretionary Fund.

Advocacy for Clergy during Compensation/Benefit Negotiations

Clergy often find it difficult to negotiate for an adjustment in their compensation and benefits. Negotiation is not a skill that everyone possesses. In response to this reality, the Standing Committee proposes that a cleric may ask for an advocate to represent his or her needs and desires to the vestry or budget committee.

1. The cleric should let the vestry know well in advance that he or she will have a representative during the negotiation process.
2. The advocate does not need to be a member of the congregation but does need to be someone with credibility in the congregation and should not be the Treasurer as this would be a conflict of interest. Often the Senior Warden will act as the advocate for the cleric. The advocate should understand the covenant between the cleric and the congregation and have a sense of advocacy as a ministry that serves both the cleric and the congregation. The cleric should communicate clearly with the prospective advocate, articulating what is being requested, for example:
   1. To represent the cleric’s needs to the vestry or budget committee.
   2. To discuss the cleric’s hopes for the next year regarding

compensation.

* 1. To meet one or two times before the vestry budget meeting.
     1. The Diocesan Clergy Compensation Guidelines should be used as a tool for the meeting. All the categories of the covenant between the cleric and the vestry should be addressed, keeping in mind that the recommended compensation reflects minimums and not maximums.
     2. The cleric should be comfortable discussing finances and articulating his or her needs with the advocate.
     3. Prayer is central to this process as leadership seeks to steward potentially limited resources considering competing needs.
  2. To meet annually with the cleric to review future needs and expectations.

# Guidelines for Congregation, Cleric and Family during Marital

# Stress, Crisis and Divorce in Clergy Families

The establishment, blessing and nurture of Christian marriage and Christian family life are a primary task of the church. However, like any marriage, clergy marriages come under stress and clergy separation and divorce sadly do occur at times. They are realities usually accompanied by confusion and hurt. They are among life's most threatening and painful experiences. These guidelines are designed to be helpful for vestries, clergy, and his/her family as they develop ways of dealing with marital problems of clergy. Special consideration should be given to principles articulated in Title III, Canon 3, Section 5 & 6 of The Canons of the Anglican Church in North America. In the process of working with the problems that have become apparent in a marriage, the various parties affected have responsibilities that they must accept. Each should respect the confidentiality of the situation, but also recognize the effect that a cleric’s marital crisis might have on the Congregation.

1. Clergy Responsibility:
   1. Recognizing serious problems developing within the marriage.
   2. Discussing problems with spouse (and children).
   3. Discussing the situation with an appropriate and trusted third party.
   4. Seeking professional counseling for self and family.
   5. Recognizing the potential impact upon the congregation in such areas as:
      * Management of the church’s day-to-day affairs,
      * Counseling for parishioners,
      * Visiting parishioners, and
      * Emotional response of the congregation.
   6. Counseling with the bishop for guidance on what approaches to use for the problem.
   7. Discussing with the Senior Warden, as appropriate, when problems impact the congregation, or might result in divorce or separation.
2. Spouse Responsibility:
   1. Recognizing serious problems developing within the marriage.
   2. Discussing problems with spouse and children.
   3. Discussing the situation with an appropriate and trusted third party.
   4. Seeking professional counseling with spouse.
3. Vestry/Senior Warden Responsibility:
   1. Approaching the clergy when problems are having an impact upon the congregation or may result in separation or divorce.
   2. Deciding what role vestry should take.
   3. Suggesting counseling for clergy and family if problems appear to be escalating.
   4. Considering a leave of absence or sabbatical for the clergy and spouse to focus on the issue.
   5. Requesting assistance from bishop if unable to help to resolve the problem.
   6. Setting limits as to when the congregation can no longer allow problems to disrupt the ministry of the congregation.
   7. Deciding what continuing financial support is available to the clergy and family should separation or divorce result.
4. Bishop’s Responsibility
   1. Setting up a protocol as to when the bishop becomes involved.
   2. Being available to clergy and family.
   3. Having within the Diocese counseling resources available to clergy and families.

* Any Questions Please contact The Rev. Canon Jeff Smead [jeffsmead@ADGL.US](mailto:jeffsmead@ADGL.US) or 724-422-4230.

# Appendix A

# Housing Allowance\*

# SUGGESTED INSERT FOR MINUTES OF VESTRY FOR DESIGNATION OF CLERGY HOUSING ALLOWANCE

The Vestry has received a statement from The Rev.

detailing the amounts that they expect to spend in 20 to provide a home for themselves for the full year.

A copy of this statement is attached to this resolution and forms a part of the original minutes of this meeting. After consideration, on motion duly made and seconded, the following resolution was adopted:

**BE IT RESOLVED that** $ of The Rev. ’s compensation is designated as an allowance for the expenses of providing a home, based upon the attached statement of The Rev. ’s estimated housing expenses for the year 20\_\_.

(If the clergy person is provided with the rent-free use of a house, the following should be added.) The Rev. shall also be provided with the rent-free use of the house located at for the year 20 in consideration of their services as of

Church, , State of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

(The clergy person should retain a copy of the minutes containing this notice, to be placed with their IRS records.)

\*The tax code requires that a Housing Allowance resolution (Approved Budget clearly indicating the amount for each clergy or the Annual Clergy Letter Agreement is acceptable by the IRS in place of a resolution) is approved before the beginning of the new year or hiring date.

Clergy Housing Allowance Supporting Documentation

TO:

(Name of Church)

(Address of Church City, State)

FROM:

(Clergy Person)

SUBJECT: Housing Allowance for 20

The following amounts are estimates of the costs I expect to pay during 20 to provide a home while employed at the church:

**Example 1. If you own a Home**

(1) Mortgage Payments/Interest $ \*SEE BELOW

|  |  |  |
| --- | --- | --- |
| (2) | Utilities | $ |
| (3) | Property Taxes | $ |
| (4) | Insurance on the Home | $ |
| (5) | Repairs and Maintenance | $ |
| (6) | Cleaning supplies | $ |
| (7)  (8) | Lawn Care, Pest Control  Purchase of Furnishings | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| (9)  **TOTAL** | Other expenses **\*\*** | $  $ |

Clergy Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date

\*IRS is not consistent in their documents, some documents state Mortgage Payments which would be Principal and Interest others state Mortgage Interest (See your Tax Advisor)

\*\* Homeowners association dues are acceptable. If you are purchasing or refinancing a home there may be additional write offs available if they were approved by the Vestry/Mission Council in the Housing Allowance Resolution prior to the expense and still less than the Fair Rental Value of the owned home such as: Refinancing Costs, Settlement Costs on a purchase and others. Some tax advisors have utilized the down payment on a home, the purchase of artwork and Personal property taxes (if any) paid on furnishings purchased. (Again, Check with your Tax Advisor).

**Example 2. Fair Rental Value (FRV) of the Home you Own (Required Since 2002)**

(1) FRV of the home you own $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (From Zillow or a Realtor) (2) FRV of Furnishings $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (3) Utilities $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (4) Cost of Renters Insurance $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (5) Cleaning Supplies $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**TOTAL**  $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Clergy Person's Signature: Date:

**Maximum Housing Allowance if you own your home, is the lower of what was approved as a housing allowance by the Church or Example 1 or 2 per the tax code.** The fair rental value (FRV) of the home must also be considered if you own a home since 2002. You must utilize the lower of the three which would normally be what was approved by the Church or Example 1 for the year. With FRV do not add taxes or repairs that would be paid for by a landlord if you rented your home. See bullet point 3 below.

**Example 3: If You are Renting a Home or Apartment**

(1) Rent $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (2) Utilities $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (3) Cost of Renters Insurance $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (4) Cleaning Supplies $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (5) Other Expenses $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ( Such as Furnishings etc.)

**TOTAL**  $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Clergy Person's Signature: Date:

If you receive as part of your salary (for services as a minister) an amount officially designated (in advance of payment) as a housing allowance, and the amount isn’t more than reasonable pay for your services, you can exclude from gross income the lesser of the following amounts on your federal income tax return.

* the amount officially designated (in advance of payment) as a housing allowance by a church resolution.
* the amount actually utilized to provide for if you owned or rent a home; or
* the fair market rental value of your owned home.
* Housing Allowance will be in Box 14 on your W-2, and you are required to pay social security taxes on the full amount. Some states and Cities also tax the Housing Allowance. We highly recommend utilizing Ministry Works for your payroll service <https://www.ministryworks.com/>

**Clergy Housing Allowance (**[**https://www.irs.gov/taxtopics/tc417**](https://www.irs.gov/taxtopics/tc417)**)**

* A licensed, commissioned, or ordained minister who performs ministerial services as an employee may be able to exclude from gross income the fair rental value of a home provided as part of compensation (a parsonage) or a housing allowance provided as compensation if it is used to rent or otherwise provide a home. A minister who is furnished a parsonage may exclude from gross income the fair rental value of the parsonage, including utilities. However, the amount excluded can't be more than reasonable compensation for the minister's services.
* A minister who receives a housing allowance may exclude the allowance from gross income to the extent it's used to pay expenses in providing a home**. Generally, those expenses include rent, mortgage interest, utilities, and other expenses directly relating to providing a home.** The amount excluded can't be more than reasonable compensation for the minister's services.
* If you own your home, you may still claim deductions for mortgage interest and real property taxes. If your housing allowance exceeds the lesser of your reasonable compensation, the fair rental value of the home, or your actual expenses directly relating to providing the home, you must include the amount of the excess in income.
* In order to be able to exclude the housing allowance from income, the minister's employing organization must officially designate the housing allowance as such before paying it to the minister.
* The fair rental value of a parsonage or the housing allowance is excludable only for income tax purposes. **The minister must include the amount of the fair rental value of a parsonage or the housing allowance for social security coverage purposes.**
* The services you perform in the exercise of your ministry are generally covered by social security and Medicare under the self-employment tax system, regardless of your status under the common law. This means that your salary on [Form W-2, Wage and Tax Statement](https://www.irs.gov/forms-pubs/about-form-w-2), the net profit on Schedule C, and your housing allowance less pertinent deductible expenses are subject to self-employment tax on [Schedule SE (Form 1040), Self-Employment Tax](https://www.irs.gov/forms-pubs/about-schedule-se-form-1040).

# **Fair Rental Value**

# How do you determine the fair rental value of the parsonage or pastor’s home? In general, the fair rental value of the property is a question of facts and circumstances based on the local real estate market.

# If the pastor rents their home, the amount of the rent would be presumptive evidence of the fair rental value (assuming the rental agreement was an "arm’s-length" transaction). Other methods of substantiating the fair rental value might include calculations and written documentation drawn from listings with local realtors of similar properties, verification of rent paid for comparable housing in the neighborhood, or a review of newspaper advertisements for rents of similar housing in the community.

# Perhaps the best substantiation would be a letter estimating the fair rental value of the property written by a realtor who is familiar with your property and other rental property in your community.

# Appendix C

# MILEAGE & TRANSPORTATION REPORT

**Name**

===================================================================================

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| --- | --- | --- | --- | --- |
| Date | Location To/From | Purpose of Travel | Miles | Toll/Parking |
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Number of Miles X current IRS Rate = $

Total Amount of Other Expenses $

**Total Mileage & Transportation Expenses $**

(Contact the Diocese or the Canon of the Ordinary- Administration [Jeffsmead@adgl.us](mailto:Jeffsmead@adgl.us) if you would prefer an excel template)