

**INSTRUCTIONS FOR
2014 CLERGY COMPENSATION & EXPENSE REPORT
READ BEFORE COMPLETING FORM**

Legend: Conference Relationship

AF - Affiliate Member	OD – Deacon Member of Other Annual Conf.	RD – Ret. Deacon in Full Connection
AM – Associate Member	OE – Elder of Other Annual Conf.	RE – Ret. Full Elder
DM – Diaconal Minister (1992)	OF – Full Member of Other Denom.	RL – Ret. Local Pastor
DR – Retired Diaconal Minister (1992)	OP – Provisional Member of Other Annual Conf.	RO – Retired Full Member of Other Denomination
FD – Deacon in Full Conn.	OR- Retired Elder of Other Conf	RP – Retired Prov. Memb.
FE – Elder in Full Conn.	PE – Provisional Elder	SY – Supply Pastor
FL – Full Time Local Pastor	SP – Student Local Pastor	CP – Coordinating Pastor
PD – Provisional Deacon	PL – Part Time Local Pastor	LM - Certified Lay Minister
OA – Associate Member of Other Annual Conf.	RA – Retired Associate Member	

Minimum Salary Full Member \$41,122 Prob. Elder/Deacon, Assoc. Member \$37,010 FT Local Pastor \$34,954 (+ \$300 per year)

Health Insurance Premiums for 2014

The Conference Board of Pensions established the 2014 premiums.

	<u>2013 Rates</u>	<u>2014 Rates</u>
Employee Only	16,000	15,500
Employee and Child(ren)	16,000	15,500
Employee and Spouse	16,000	15,500
Employee, Spouse and Children (Family)	16,000	15,500

Clergy Housing

DEFINITIONS:

Housing Exclusion: Amount of cash salary prospectively designated by the church conference resolution to pay for housing expenses paid by clergy. The Exclusion Resolution is required by IRS Section 107 and approved by the charge conference/church council prior to when it takes effect. The following are excluded from income tax, but not from the clergy self employment (SECA) contribution.

- (1) furnished parsonage (if provided)
- (2) the portion of cash salary used for housing

Housing Allowance: Cash paid in lieu of providing a parsonage.

Housing Exclusion is included as part of minimum compensation.

Housing Allowance is not included as part of minimum compensation.

The Housing Exclusion is exempt from income tax and should include the Housing Allowance.

See *attached* CLERGY HOUSING EXCLUSION RESOLUTION FOR 2014

Line Item Instructions

1. *Total Church Salary* – Amount of Clergy salary from church resources.
2. *GNJAC Equitable Compensation Grant* – Grant approved by Cabinet and Equitable Compensation Commission.
3. *GNJAC Salary Supplement Grant* – Grant approved by Cabinet
4. *Taxable Cash Allowances* - Report non-vouchered expenses (i.e. church gives pastor an allowance and does not ask for an accounting of how it was spent, or does not require IRS documentation).
5. *Housing Allowance* - Cash paid to pastor to provide a domicile when a parsonage is not provided. (Pastor pays SECA tax).
6. *Total Salary* - Total Lines 1-5.

Lines 7 through 11. Use to list the tax-sheltered portion of the salary reported on Line 6. They should not be reported in the W-2 Box 1 as taxable income. Refer to the individual line on the compensation report for the appropriate W-2 reporting box.

7. *Tax-deferred UMPIP* - This is an amount withheld from the pastor's salary and sent to the General Board of Pension and Health Benefits for investment in the Personal Investment Plan (UMPIP) on a tax-deferred basis. Contribution to UMPIP is strongly recommended and is the option of the pastor. **Per 2012 General Conference changes, pastors contributing at least 1% of Plan Compensation into UMPIP will gain an additional 1% match into CRSP.** Pastor must complete a BEFORE-TAX AND AFTER-TAX CONTRIBUTIONS AGREEMENT (attached). Church must complete a BILLING CHANGE FORM (attached) for the UMPIP if amount changes or pastor is in a new appointment.
8. *Other Tax-deferred* - This line is for retirement savings withheld from salary and paid to a plan other than UMPIP.
9. *Health Insurance Contribution* – 2% of salary required contribution for the Conference Health Insurance Plan (see attached explanation). For Clergy enrolled in the local church's Section 125 Plan 2% will be entered on line 9. **Line 9 will be calculated upon entering a premium amount on line 20.** If no Section 125 Plan enter 2% on line 14.
10. *Flexible Spending Account* - This is an amount withheld from the pastor's salary and used by the church to reimburse medical or childcare expenses on a tax-exempt basis. The church must have a written plan document. Do not use this line to report medical expenses that are not reimbursed under a qualified Section 125 plan. Professional assistance is recommended to set Section 125 Flexible Spending Plans.
11. *Housing Exclusion* - List amount of salary designated from the 2014 CLERGY HOUSING EXCLUSION RESOLUTION –Section A or B. Amount listed is subject to SECA tax (paid by clergy).
12. *Total Tax Sheltered* - Line 12 is the total of Lines 7 through 11.

Lines 13 through 14: Use to list the taxable deductions portion of the salary reported on Line 1.

13. *Tax-paid UMPIP* - This is an amount withheld from the pastor's salary and sent to the General Board of Pension and Health Benefits for investment in the Personal Investment Plan (UMPIP) on a tax-paid basis. Contribution to UMPIP is at the option of the pastor.

Per 2012 General Conference changes, pastors contributing at least 1% of Plan Compensation into UMPIP will gain an additional 1% match into CRSP. Pastor must complete a BEFORE-TAX AND AFTER-TAX CONTRIBUTIONS AGREEMENT (attached). Church must complete a BILLING CHANGE FORM (attached) for the UMPIP if amount changes or pastor is in a new appointment.

14. *Health Insurance Contribution* – 2% of salary required contribution for the Conference Health Insurance Plan ONLY if the church hasn't established a Section 125 plan.
15. *Cash paid to clergy* – Line 6 minus Lines 7 through 10 and minus 13 & 14.
16. *Total Federal Taxable Salary* - Line 16 is the total of Lines 6 minus 12. This amount would be reported at year-end as taxable salary in Box 1 of Form W-2.
17. *Total Salary* - Line 17 is the sum of Line 12 plus Line 16. The resultant number must equal the figure reported on Line 6.
18. *Parsonage provided* - If the church normally provides a parsonage for the clergy person, enter the amount on line 17. In not, skip to Benefits (Non-Taxable).
19. *Parsonage Value for pension purposes* – If a parsonage is provided, multiply line 18 (salary) by 25%.

Benefits (Non-Taxable) A. B. C. & D.

Please enter an "X" if you are in any of the categories listed.

If you enter "X" in Box A or C you are not eligible for CPP.

If you enter "X" in Box B you are not eligible for CRSP or CPP.

If you enter "X" in Box D (½- time or ¾-time) CPP will be \$2,216 (Box 25), **for ¼-time manually enter \$2,868.**

20. *Health Insurance Premium* - Show 2014 health insurance premium paid to the conference.
21. *Net Health Insurance* – Line 20 minus Line 9 or 14. This represents the cost of Health Insurance annual premium less the 2% of salary contribution by the pastor.
22. *Plan Compensation* – Definition of compensation for Pension purposes. If a parsonage is provided, add the salary (Line 17) plus 25% of salary (Line 17). Or, if a cash housing allowance is paid in lieu of providing a parsonage, the salary (Line 17).
23. *Clergy Retirement Security Program (CRSP)* **for FT, ¾, ½ time Clergy or United Methodist Personal Investment Plan (UMPIP) for ¼ time Clergy. Per 2012 General Conference changes effective 1/1/14 pastors serving ¼-time are no longer eligible for CRSP. Pastors currently appointed to ¼-time and enrolled in CRSP will be enrolled in UMPIP effective January 1, 2014.** Annual Premium that will be billed from the Conference to the church. Multiply Line 22 by 0.125 (12.5%). Enter the resultant number.

Pastors serving less-than-full-time that have waived out of CRSP, enter "0" in this Box.

Retired Clergy and lay persons serving as Supply Pastor (SY) or Lay Minister (LM) do not receive contributions to CRSP or CPP. For those pastors, Lines 23 and (24 or 25) should be \$0. If, however, your church has adopted the United Methodist Personal Investment Plan (UMPIP) plan for lay employees, please enter the annual contribution amount for the supply pastor on Line 23 and indicate that the contributions are for the UMPIP plan.

24. *Comprehensive Protection Plan (CPP)* - Annual Premium that will be billed from the Conference to the church. If the pastor is a Full Member, Provisional Member, Deacon in Full Connection or Associate Member, or Local Pastor serving a full time appointment, multiply Line 22 by 0.03 (3 %). Enter the resultant number OR \$3,911, whichever is less. Contributions are limited to 200% of DAC (130,372), which is \$3,911. **Please Note: Part-time Local Pastors are not eligible for CPP.**
25. *CPP for Less than Full-Time* - If the pastor is a Full Member, Provisional Member, Deacon in Full Connection or Associate Member serving a ½-time or ¾ time appointment, enter \$2,216. If the pastor is enrolled in Optional CPP as ¼-time enter \$2,868.
26. *Other Benefits* - Indicate any other benefits you are paying for this pastor.
27. *Total Benefit Costs* - Line 27 is the total of lines 21 + 23 + (24 or 25) + 26.

Accountable Reimbursement Plans:

- An accountable reimbursement plan is not a salary reduction item (tax shelter). A reimbursement assumes that the employer (church) is paying for the employee's (pastor) business expenses out of its own funds. When an employer pays an employee for his/her business expenses through a salary reduction, it is the employee and not the employer that is paying for the expenses. Reimbursements paid through a salary reduction agreement would be taxable to the employee.
 - In order for a reimbursement plan to be accountable, the employee must submit proper documentation of the expense in a timely manner (no more than 60 days after the expense).
28. *Travel Expense* - Show amount budgeted for reimbursed travel. Pastor must submit documentation of date, place, business purpose and mileage.
29. *Continuing Education* - Show amount budgeted for continuing education events. Pastor must submit documentation of date, place, and event.
30. *Other Business Expenses* - List amount budgeted for other business-related expenses.
31. *Total Reimbursed Business Expenses* - Line 31 is the total of Lines 28 through 30.