

# How to Complete the Compensation Report Form

(for the form that was revised in 2008)

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## 1. Compensation Information

Note that the first line, “Salary paid by church,” is actual compensation received from the church and/or (in some cases) Conference Equitable Compensation, but it does not include any accountable reimbursement funds. Note also that “Utilities or Housing Exclusion” is a separate amount. The Utilities or Housing Exclusion amount will be included in the regular salary checks but it will be listed separately on this form.

Example: If a church has set aside \$50,000 for total compensation, the pastor may want to request that \$3,600 be designated for utilities and housing exclusion; therefore, the form would look like this:

Salary Paid by Church	\$46,400
Utilities and Housing Exclusion	\$3,600
Total Compensation	\$50,000

The IRS allows the pastor to suggest the Utilities and Housing Exclusion (within reason) for parsonages provided; however, if the church provides a housing allowance, the line for Utilities and Housing Exclusion must remain blank – (\$0).

If there is Conference Equitable Compensation being paid to the pastor, that amount (though already included in the Salary Paid and Total Compensation lines) should be listed separately in the final box of Section 1.

## 2. Benefit Information

Check the appropriate box if a parsonage is being provided by the church.

If the church is paying a Housing Allowance in lieu of providing a parsonage, list the amount being paid. Do not include any of this amount in the Compensation Information section.

If the church is paying the pastor’s and/or pastor’s family’s health insurance and it is being paid directly to the insurer (the pastor never sees this money) list the amount being paid on the “Health Benefit...” line. If a church does pay this benefit, it is important that the church comply with all IRS guidelines. Therefore the church should investigate this thoroughly before offering this benefit. Do not include any of this amount in the Compensation Information section.

Again, **the amounts listed in this section are not to be included in section 1- Compensation Information.**

### 3. Accountable Reimbursement

This section represents the biggest difference between the old and new compensation forms. In the past, pastors were expected by the church to pay their own travel and professional expenses out of their salary. (I don't know of any business that says to an employee, "Take your car and make this trip and pay your own expenses out of your pocket." But that is what most United Methodist churches have always done.) To give them a break with the IRS, the pastors were allowed to declare how much of their salary they wanted to designate as Accountable Reimbursement. To compound the problem, it was rarely a true accountable reimbursement because most churches did not require the pastor to submit receipts or mileage charts. In a word, this is *illegal*. It does not conform to IRS standards; therefore, a change must be made beginning now.

In section 3 of the new form you will find two lines for Accountable Reimbursement. The first line is for travel and other professional expenses (expenses incurred during the performance of pastoral duties). Each church should set aside an amount that its pastor will need in order to perform his/her duties. Because this is a new expectation, some churches will not be able to designate as much as others, but a conscientious effort should be made by each church to build up this amount until the pastors' actual expenses are being covered. The pastor is not allowed to designate this amount, but in consultation with the SPRC a pastor can give the committee an idea as to how much expense is being incurred annually. The SPRC will then set the amount and that amount will be listed on the church budget as a separate line item – not a part of the pastor's salary. Also, the pastor will only receive the Accountable Reimbursement as he/she uses it and submits receipts and mileage logs. This is a "use it or lose it" line item. Do not include any of this amount in the Compensation Information section.

The second line of section 3 deals with Continuing Education for the pastor. In the past, the pastor was given much latitude in determining this amount and he/she still should be consulted regarding the pastor's continuing education plans. But like the first line in section 3, continuing education is an accountable reimbursement line item in the church budget and should be treated as described in the previous paragraph. Do not include any of this amount in the Compensation Information section.

Again, **the amounts listed in this section are not to be included in section 1- Compensation Information.**