

SAMPLE COMPENSATION PACKAGES

(NOTE: All examples assume: Accountable Reimbursement Policy has been approved by the Church; proper Premium Reduction and/or Medical Spending Plan Forms are completed and meet IRS guidelines; Housing Allowance Exclusion Forms are signed; and that proper documentation has been given by the Pastor before receiving reimbursements.)

Example A: Pastor A's salary of \$29,500 is supplemented \$3,511 by Equitable Compensation Funds. Pastor A has \$2,400 for voucher travel and professional expenses. Pastor A is paid a cash housing allowance of \$10,500 – amount is transferred to Line 15. Pastor A's annual UMPIP contribution is 3% of his \$43,511 Pension Plan Compensation (Line 4 + Line 11) or \$1,305. This goes on Line 16 and becomes a reduction to taxable income. Pastor C is covered by his spouse's medical insurance. Taxable income: \$31,706.

Example B: Pastor B's salary of \$22,300 is supplemented \$3,600 by Equitable Compensation Funds. Because of minimum salary levels, Pastor B has only \$800 for voucher travel expenses. Pastor B is provided a parsonage and Line 10 must be calculated (25% of Line 4). Pastor B fails to take advantage of a parsonage furnishing allowance - Line 15. Pastor B's annual UMPIP contribution is 5% (of Line 12) or \$1,619. Additionally, Pastor B has a properly sign Premium Reduction Form allowing the church to withhold \$2,280 (single health insurance premium - Line 17) pretax. Church will remit to the Conference Insurance Office along with church share (35%). This \$2,280 reduces Box 1 of the W-2 (Line 18). Taxable income: \$21,707.

Example C: Pastor C base salary of \$35,006 is supplemented by a \$4,000 utilities allowance. She has \$5,050 for voucher travel and professional expenses. Pastor C is provided a parsonage but fails to take advantage of parsonage furnishing allowance expenses (Line 15). Pastor C's annual UMPIP contribution is 3% of Line 12 or \$1,463. Additionally, Pastor C has the church withhold \$1,500 annually for participation in a medical reimbursement plan (IRC 125) which reduces taxable income but fails to have a premium reduction agreement to allow his single insurance premiums (\$2,280) to be pretax and also reduce his Box 1 W-2 amount. Taxable income: \$36,043.

Example D: Pastor D is paid a salary of \$39,500 and has \$3,850 in the church budget for vouchered travel and professional expenses. Pastor D is paid a cash housing allowance of \$12,000 per year and has a properly signed housing resolution declaring \$17,300 housing expenses as an exclusion to taxable income on Line 15. Pastor D's annual UMPIP contribution is 8% (of Line 12) or \$4,120 – a deduction from taxable income – and the amount is transferred to Line 16. Additionally, Pastor D elects to have his ALFAC medical spending account of \$1,500 deducted from his salary pretax with a properly completed salary reduction agreement – Line 17. Taxable income: \$28,580.

Example E: Pastor E's salary of \$50,000 is supplemented by the church (thru payroll) with an additional \$6,144 for her personal share of the medical insurance premium (40%). This is a taxable fringe benefit. Pastor E also has \$4,625 for vouchered travel and professional expenses. Pastor E is paid a cash housing allowance of \$16,000 parsonage and has a housing resolution declaring \$21,000 housing as an exclusion to taxable income. Her annual UMPIP contribution is \$3,607. She elects to have her medical insurance premiums (\$6,144) withheld as pretax and has a properly signed agreement. Additionally, Pastor E has the church withhold \$1,200 annually for participation in AFLAC, a medical reimbursement plan (IRC 125). Total amounts are shown on line 17 which reduces taxable income to \$40,193.

Example F: Pastor F is paid a salary of \$65,000 per year plus the following taxable fringe benefits: \$6,144 for his 40% personal share of medical insurance premiums; utilities allowance \$4,380; amount to coverage social security liability - \$4,973; and a Christmas Bonus of \$250. Pastor F also has \$10,250 for vouchered travel and professional expenses. He is provided a parsonage but completes a housing resolution form declaring \$5,000 as furnishings expense. Pastor F's annual UMPIP contribution is (10%) or \$10,093. Pastor F elects to have his \$6,144 medical insurance premiums deducted pretax from his salary and additionally, Pastor F has the church withhold \$2,000 annually for participation in a medical reimbursement plan – Line 17. Taking advantage of IRS code reduces Box 1 W-2 income to \$57,510.

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