

\_\_\_\_\_ (name of church) **United Methodist Church**  
**Resolutions and Policies 2017**  
**Supporting the Annual Compensation of the Pastor as Documented on the**  
**Pastor Compensation Form 2017**

**ANNUAL CASH SALARY**  
(Line 4 of Pastor Compensation Form)

The annual cash salary for Rev. \_\_\_\_\_, pastor, for January 1, 2017 through December 31, 2017 is established at \$ \_\_\_\_\_ by the Annual Charge/Church Conference of \_\_\_\_\_ United Methodist Church in \_\_\_\_\_, Texas. It is understood that the pastor is responsible for his/her own self-employment taxes.

**INTRODUCTION TO RESOLUTIONS AND POLICIES**

The following resolutions and policies support the Pastor Compensation Form for 2017 and document allowable deductions to the pastor's cash salary or additional compensation in the form of a housing allowance and/or an accountable reimbursement policy established by the Annual Charge/Church Conference. All of the resolutions and policies are for the period January 1, 2017 through December 31, 2017.

**HOUSING ALLOWANCE EXCLUSION RESOLUTION**  
(If parsonage at top of Pastor Compensation Form indicates "N"  
and an amount is entered in housing allowance box)

In addition to the annual cash salary of the pastor, \_\_\_\_\_ United Methodist Church will also provide a housing allowance of \$ \_\_\_\_\_ (\$ \_\_\_\_\_ per month) for a home at \_\_\_\_\_, \_\_\_\_\_, Texas \_\_\_\_\_.

Whereas Section 107 of the Internal Revenue Code of 1986 provided that a minister of the Gospel may exclude from gross income the rental value of a home and any allowance to provide a home;

Therefore be it is resolved that this housing allowance, to the extent that it is used to provide a home, shall be considered to be a Clergy Housing Allowance Exclusion and excluded from the reportable compensation under Section 107 of the Internal Revenue Code of 1986. However, the housing allowance will be reported in Box 14 of Form W-2.

**HOUSING EXCLUSION RESOLUTION**  
(Worksheet 1, Line E and Line 3 of Pastor Compensation Form)

The \_\_\_\_\_ United Methodist Church approves the amount of \$ \_\_\_\_\_ of the pastor's annual cash salary to be used as a housing exclusion, an amount which is included in the pastor's annual cash salary and claimed by the pastor to be used for church-owned housing expenses. The pastor is responsible for documentation of funds spent.

The funds spent in the maintenance of the church-owned parsonage (utilities, insurance, yard supplies, furnishings, household items, cleaning supplies, etc.) may be considered as tax-exempt income. If the amount spent exceeds the amount specified above, it would be considered out-of-pocket expense. If the amount spent is less than the amount specified above, the pastor is responsible for filing the remaining amount as additional taxable income. The amount paid for the housing exclusion will be reported in Box 14 of Form W-2.

Therefore be it resolved that this housing exclusion, to the extent that the funds are used in the maintenance of a church-owned parsonage, shall be considered to be a Clergy Housing Exclusion and excluded from the reportable compensation under Section 107 of the Internal Revenue Code of 1986.

**PASTOR'S CONTRIBUTION TO HEALTH INSURANCE COST**  
**(Line 5a of Pastor Compensation Form)**

If the cost of any health insurance plan purchased through the HealthFlex Exchange exceeds the Defined Contribution (DC) established by the Northwest Texas Conference UMC, the pastor agrees that the excess cost over the DC amount will be subtracted from his compensation.

**PASTOR'S CONTRIBUTION TO HEALTH SAVINGS ACCOUNT (HSA)**  
**(Line 5b of Pastor Compensation Form)**

If the pastor is enrolled in a High Deductible Health Plan (HDHP) through the HealthFlex Exchange, the pastor can elect to make personal contributions up to the IRS limit to the Health Saving Account (HSA). Therefore, it is resolved that a salary deduction of \$ \_\_\_\_\_, (\$ \_\_\_\_\_ per month) is established in accordance with HealthFlex plan rules and in conjunction with provisions of the Affordable Care Act and the Internal Revenue Code. THIS DEDUCTION SHOULD ONLY BE MADE AFTER CONSULTING A TAX ADVISOR AND COORDINATING THIS CONTRIBUTION THROUGH THE CONFERENCE BENEFITS OFFICE.

**FLEXIBLE SPENDING ACCOUNT RESOLUTION**  
**(Line 6 of Pastor Compensation Form)**

Pursuant to the pastor's annual cash salary, therefore be it resolved that a salary deduction of \$ \_\_\_\_\_ (\$ \_\_\_\_\_ per month) is established in accordance with Section 125 of the Internal Revenue Code (IRC), 1986, to be used as a flexible spending/Medical Reimbursement Account (MRA) through HealthFlex, or other qualified plan: \_\_\_\_\_ (name of plan).

A copy or the receipt of the eligible expenses is required to be submitted as documentation if the qualified plan is administered by the church. Should the entire amount not be used, the pastor shall not be paid the remaining by a bonus or any other means.

**UMPIP CONTRIBUTION RESOLUTION**  
(Line 7 of Pastor Compensation Form)

Pursuant to the pastor's annual cash salary, therefore be it resolved that the pastor has elected to have a total annual amount of \$\_\_\_\_\_ deducted from his/her salary for personal investment with Wespath Benefits and Investments (Wespath) in his/her United Methodist Personal Investment Plan (UMPIP) account, an Internal Revenue Code section 403(b) retirement savings plan for clergy and lay employees of The United Methodist Church and affiliated organizations. The amount of \$\_\_\_\_\_ will be remitted each month to Wespath upon receipt of the statement from Wespath.

Please check applicable line:

- \_\_\_\_\_ This is a tax-deferred deduction.  
\_\_\_\_\_ This is an after-tax deduction.  
\_\_\_\_\_ This is a ROTH contribution

By passing this resolution, the church acknowledges that the church has adopted and submitted to Wespath a UMPIP adoption agreement as a plan sponsor and, further, the pastor has submitted, at one time, a Before-Tax and After-Tax Contributions Agreement and an Enrollment Form to Wespath for participation in UMPIP.

**403(b) CONTRIBUTION (other than UMPIP) RESOLUTION**  
(Line 8 of Pastor Compensation Form)

Pursuant to the pastor's annual cash salary, therefore be it resolved that the pastor has elected to have a total annual amount of \$\_\_\_\_\_ deducted from his/her salary for personal investment in a 403(b) Plan administered by \_\_\_\_\_, pursuant to the 403(b) application submitted, as an Internal Revenue Code section 403(b) retirement savings plan. The amount of \$\_\_\_\_\_ will be remitted each month to \_\_\_\_\_ upon receipt of a statement from the administrator,

\_\_\_\_\_  
Please check applicable line:

- \_\_\_\_\_ This is a tax-deferred deduction.  
\_\_\_\_\_ This is an after-tax deduction.

**ACCOUNTABLE REIMBURSEMENT POLICY**  
(Worksheet 2 and Line 12 of Pastor Compensation Form)

\_\_\_\_\_ United Methodist Church recognizes that certain expenses of ministry paid by the pastor are part of the ordinary and necessary cost of ministry in this church. Accordingly, the charge/church conference of \_\_\_\_\_ United Methodist Church hereby establishes an accountable reimbursement policy to defray them directly. The Reimbursement Account shall be an annual line item in the church budget broken down by category. It shall be in addition to the pastor's annual cash salary of \$ \_\_\_\_\_ and housing allowance.

This accountable reimbursement policy is established pursuant to IRS regulations and upon the following terms and conditions for the period from January 1, 2017 through December 31, 2017. The following requirements for the policy are binding upon the church and upon Rev. \_\_\_\_\_, the pastor.

1. The pastor shall be reimbursed from the reimbursement account for his/her ordinary, necessary and reasonable business expensed incurred in the conduct of the ministry for and on behalf of the church. The following expense lines are budgeted in this accountable reimbursement policy and a voucher and supporting receipts must be submitted to substantiate reimbursable expenses of the pastor:

Business and/or Travel Expense	\$ _____
Continuing Education Expense	\$ _____
Annual Conference Expense	\$ _____
_____	\$ _____

2. The Chairperson of the Staff/Pastor Parish Relations Committee (S/PPRC), Financial Secretary, or Treasurer (as designated by the Church Council) must be given an adequate accounting of each expense. This will include, but not be limited to a statement of expense, account book, diary, or other similar record showing the amount, date, place, business purpose and business relationship involved. Such documentation shall include receipts for all items over \$25.00 (except where this is impractical, i.e. taxi fare, tips to bellhops, etc.). Appropriate documents, copies of cash receipts, copies of credit card sales slips, and contemporaneous records for those not-receipt expenses less than \$25.00 must be attached to each reimbursement request/expense report. The detail receipt must be submitted; the summary statement of credit card charges is not acceptable. Copies of all motel/hotel bills are required. A log of total mileage per month and enumeration of their general purpose shall suffice to substantiate automobile mileage, but under no circumstances will commuting mileage between the pastor's home and the church office be reimbursed. Copies of the documentary evidence and expense report shall be retained by both the pastor and the church. Where documentation for expenditures might violate confidentiality of HIPAA rules, discretion must be used. Any questions arising in these areas will be resolved by the S/PPRC, subject to the review of the Committee on Finance and approval by the Church Council,
3. It is the intention of this policy that reimbursements will be paid after the expense has been incurred by the pastor. However, should circumstances require payment of an advance for any particular anticipated expense, the pastor must account for the expense

and return any excess reimbursement within 30 days of the issuance of the advance. Any excess advances must be returned to the church before any additional advances are provided to the pastor.

4. Budget amounts not spent must not be paid as salary bonus or other personal compensation. If such payments are made, the entire amount of the reimbursement policy will become taxable income to the pastor and the church will be required by law, to report that amount as part of the pastor's compensation. The disposition of any unspent balances remains within the discretion of the Committee on Finance and the Church Council in building the budget for the next Church year.
5. It is understood by the various parties that all elements of this resolution must be carefully followed to prevent the Church from being required by regulation to list total payments for the following items on Form W-2 "as includable compensation." The primary responsibility of expense reporting is the pastor to the designated church officer.

#### **Detail of Accountable/Reimbursable Expenses**

Business/Travel Expenses: (automobile) mileage rate at the current IRS mileage reimbursement rate. This figure may be accessed by going to the IRS website, IRS.gov, and doing a keyword search for "mileage rate". Parking, tolls, rent car & air travel (when required). Meals while away on church business, business meals, tips, hotel/motel, professional dues, subscriptions, religious materials, vestments (including cleaning), business gifts, entertainment required for church business, cellular phone, computer supplies (business related), etc. \$\_\_\_\_\_.

Continuing Education Expense including: seminar fees, books, tuition and other directly related expense to attend continuing education events. \$\_\_\_\_\_.

Annual Conference: \$\_\_\_\_\_.

\_\_\_\_\_: \$\_\_\_\_\_.

#### **CASH ALLOWANCE POLICY (Worksheet 1, Lines A – D, F, G and Line 3 of Pastor Compensation Form)**

\_\_\_\_\_ United Methodist Church recognizes that certain expenses of ministry paid by the pastor are part of the ordinary and necessary cost of ministry in this church. Accordingly, we hereby establish a cash allowance policy in order that the pastor might utilize a portion of his/her salary to defray the costs of his/her business expenses. The cash allowance of \$\_\_\_\_\_ is part of the taxable income associated with the pastor's annual cash salary. Said cash allowance may be utilized by the pastor for business expenses as outlined in Worksheet 1 of the Pastor Compensation Form.

The pastor may utilize this cash allowance for any necessary and reasonable business expenses incurred in the conduct of the ministry for and on behalf of the church. The following expenses from Worksheet 1 are included in this cash allowance policy:

Business and/or Travel Expense \$ \_\_\_\_\_  
Continuing Education Expense \$ \_\_\_\_\_  
Annual Conference Expense \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

As to this cash allowance, the pastor is responsible for keeping documentation of funds spent, including receipts, business mileage, etc., as to the business expenses incurred and is responsible for reporting any and all expenses on the appropriate forms and schedules as the pastor files his/her Federal Income Taxes each year.

**ADOPTION OF RESOLUTIONS AND POLICIES**

**The resolutions and policies, previously described and resolved in this document, are adopted on this \_\_\_ day of \_\_\_\_\_, 2016, by the Charge/Church Conference of \_\_\_\_\_ United Methodist Church in \_\_\_\_\_, Texas.**

\_\_\_\_\_  
**Chairperson, Church Council**

\_\_\_\_\_  
**Chairperson, Staff/Pastor Parish Relations Committee**

\_\_\_\_\_  
**Secretary**

\_\_\_\_\_  
**Treasurer**

\_\_\_\_\_  
**Pastor**