

NORTHWEST TEXAS CONFERENCE OF THE UNITED METHODIST CHURCH
Instructions for Completing the 2021 Pastor Compensation Form

PLEASE NOTE:

You must complete the Pastor Compensation Form using Microsoft Excel. IF you cannot use the Excel version please contact your District Office for assistance in filling out your compensation form.

GENERAL INFORMATION

- This form is for a PASTORAL CHARGE. In the case of single church appointments, the church and the charge are one-in-the-same. However, if the appointment is for a charge consisting of multiple churches, then this form should report the TOTAL COMPENSATION for the CHARGE on page 1. Use page 3 to split the various elements of the compensation package between the churches.
 - Insert the name of the charge and the complete name of the pastor on the appropriate lines on page 1. Entering this information on page 1 will carry it to all succeeding pages.
 - Compensation is reported on a calendar year basis and the Compensation Form must reflect a full twelve (12) months of compensation.
 - Complete a Compensation Form whenever there is a change in the compensation of the pastor or a change in appointment and the Compensation Report must reflect a full twelve (12) months of compensation.
 - In completing the Compensation Form, make an entry in all light gray-shaded boxes. If the pastor is not provided with any compensation with respect to a specific line, enter zero. Any lines on the Compensation Form that are left blank will be assumed to have a zero value.
 - After completing the Compensation Form, save a copy on your computer and then send the Excel form to the district office as an e-mail attachment, or print the form and mail or fax it. Copies of the compensation report should be retained by the district superintendent, by the pastor, by the Charge Conference, by the SPRC of each church in the Charge and by the Church Treasurer(s). The District Superintendent will send a copy of this form to the Conference Benefits Officer in the Conference Office.
 - **Any changes in the compensation report, other than changes to the Deductions (lines 5a through 8 on page 1) must be approved by a church or charge conference and reported to the Conference Benefits Officer by the District Superintendent.**
 - **The Internal Revenue Service and/or HealthFlex limit changes in some compensation elements (e.g. Flexible Spending Account, Health Insurance changes) to “life events” (new job [appointment], marriage, divorce, death, birth). Lacking a life event, changes in benefits can only be made during open enrollment periods.**
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MINIMUM COMPENSATION

Please note the following compensation (Total Basis For Appointment, Page 1, Line 13) minimums that have been mandated by the Annual Conference for 2021:

\$38,215 - Full Connection (Elders, Permanent Deacons) and Provisional Members

\$35,274 – Associate Conference Members

\$31,822 – Full-Time Local Pastors

CHARGE TYPE AND APPT %

CHARGE TYPE:		MF=multiple charge full-time; pgs 1-3 MP=multiple charge part-time; pgs 1-3 S=Single charge; pgs 1&2 only	APPT % - Select from drop-down list		CONFERENCE RELATIONSHIP -Select from drop-down list	
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Charge Type must be entered in the lightly shaded box at the top left of the form below the Church/Charge information. **The only permissible entries are in the drop-down menu:**

MF = multiple (2 or more churches) served by a Full-Time clergy person

MP = multiple (2 or more churches) served by a Part-Time clergy person

S = single church charge

The Appt % must be entered in the red-shaded box in the center of the form just under the Pastor's name. **The only permissible entries are in the drop-down menu:**

25%

50%

75%

100%

The Conference Relationship must be entered in the blue-shaded box at the top right of the form just under the Effective Date. **The only permissible entries are in the drop-down menu.** When you click on the correct entry in the drop-down menu that relationship will be entered into the box.

Leaving any of these boxes blank will result in an error.

HOUSING SECTION

Housing	Error		Parsonage Provided?
	OK		Amount of housing allowance IF parsonage not provided

On the line titled, "Parsonage Provided," choose "Y" from the drop-down menu if a parsonage is provided or choose "N" from the **dropdown menu** if a parsonage is not provided.

On the line titled, "Housing Allowance," enter the total annual amount of the pastor's Housing Allowance **if no parsonage is provided**. Remember this figure is subject to IRS limitations. If you input "N" on the previous line indicating No Parsonage is provided but do not insert an amount for a HOUSING ALLOWANCE in this box, a "REVIEW" message will appear prompting you to make sure that you have completed these boxes correctly.

PAYMENT SECTION

Payment	1		Church Contribution to Pastor Compensation
	2		Equitable Compensation
	3	0.00	Cash Allowances - <i>From Worksheet 1, p2.</i>
	4	0.00	TOTAL OR GROSS CASH PAYMENT - Add Lines 1-3

- ✓ Remember, if "MF" or "MP" was entered in the CHARGE TYPE box, this section reports the TOTAL PAYMENTS from all churches included in the Charge.

Page 1, Line 1 – Church Contribution to Pastor's Compensation. This is the amount that the local church(es) contributes to the Pastor's compensation (less Equitable Compensation contributions and Cash Allowances). For multiple-point charges, the contributions of the individual churches is shown on page 3 or the form.

Page 1, Line 2 – Equitable Compensation. This is the amount that is contributed by Equitable Compensation and is contingent upon approval by the Commission on Equitable Compensation.

Page 1, Line 3 – Non-Accountable Plans (Cash Allowances). Use Worksheet 1.

- ✓ If the pastor lives in a parsonage but elects a Housing Exclusion Allowance, **a copy of the Housing Resolution Document must be included with the Compensation Form.**
- ✓ The total from Worksheet 1, Line F (page 2 of the Compensation Form) will be computed automatically and will transfer to page one of the compensation form. All Cash Allowances, other than the Housing Exclusion, will be reported as taxable compensation on Form W-2. Housing allowances and Housing Exclusions are reported in Box 14 of Form W-2.

WORKSHEET 1 - CASH ALLOWANCES

WORKSHEET 1 CASH ALLOWANCES NON ACCOUNTABLE PLAN - TAXABLE COMPENSATION			
Cash provided up front to the pastor and is not vouchered. THIS IS CONSIDERED TAXABLE COMPENSATION. The Housing Exclusion (line C.) is taxable only for Self-Employment tax.			
	A.		Cash provided for insurance premiums
	B.		Out-of-pocket business expense
	C.		Housing Exclusion - RESOLUTION DOCUMENT MUST BE INCLUDED W/COMP FORM.
	D.		Other (give description)
	E.		Other (give description)
	F.	0.00	TOTAL CASH ALLOWANCES - Total of lines A-E - Flows to LINE 3 on page 1

Worksheet 1 is provided as documentation for Cash Allowances. Cash allowances are reported as taxable income. Since unreimbursed employee business expenses can no

longer be deducted as an itemized deduction, **using cash allowances will increase your tax liability.** The exception to this rule is the Housing Exclusion on line C.

If you choose to proceed anyway, cash allowances might include the following items:

Page 2, Worksheet 1, Line A – Cash provided for insurance premiums – any cash paid directly to the pastor or to be used in payment of premiums related to health insurance should be included on this line.

IT IS NO LONGER PERMISSIBLE FOR A CHURCH TO PAY THE PREMIUMS FOR A HEALTH INSURANCE PLAN OBTAINED BY AN INDIVIDUAL. ANY SUCH PAYMENT ARRANGEMENTS CONSTITUTE TAXABLE COMPENSATION.

This line should not include any amounts that are billed to the church from the Conference Benefits Office.

Page 2, Worksheet 1, Line B – Out-of-pocket business expenses – any cash paid to the pastor in anticipation of

- travel expenses,
- mileage for business use of personal auto,
- continuing education,
- meals and lodging,
- registration fees, dues and subscriptions

for which the pastor is **not required** to provide a receipt or voucher, should be included on this line.

Page 2, Worksheet 1, Line C – Housing Exclusion Expenses – This includes such expenses as utilities, insurance, cable, internet, supplies and maintenance which are paid by the pastor and not paid by the church **if a parsonage is provided.** **A resolution is required for this exclusion and should be attached to the compensation form. This should only be used if a parsonage is provided.**

Page 2, Worksheet 1, Lines D and E –Other – any other cash payments made to the pastor in anticipation of expenses can be separately noted on these lines. They are provided as an aid and are not required.

Page 2, Worksheet 1, Line F – Total Cash Allowances. Lines A through E automatically total to line F and are carried over automatically to Line 3 on Page 1.

Page 1, Line 4 – Total or Gross Cash Compensation. This amount is the total of lines 1, 2 & 3 and is computed automatically.

DEDUCTIONS SECTION

Deductions	5a		Contribution to Health Insurance Cost Please refer to HealthFlex Annual Election.			
	5b		Contribution to Health Savings Account (HSA) Please refer to HealthFlex Annual Election.			
	6		Flexible Spending Account Please refer to HealthFlex Annual Election.			
	Error		Flexible Spending Plan through Conference? You must enter "Y" for Yes or "N" for No			
	7		UMPIP Contribution - SEE CALCULATION BELOW FOR MINIMUM 1% CONTRIBUTION AMOUNT.			
	7a		Parsonage	\$0.00	No Parsonage	\$0.00
	Error		UMPIP Contribution tax-deferred?			
	8		403(b) Contribution to Other than UMPIP			
	9	0.00	Total Payroll Deductions - Add lines 5-8			
	10	0.00	Net Compensation - Subtract Line 9 from Line 4			

Lines 5-8 on Page 1 are payroll deductions that need to be recorded but have no effect on the pastor's compensation. Resolutions may be required for these items.

Page 1, Line 5a – Contribution to Health Insurance Cost. This is an after tax deduction from the pastor's payroll. Information for this line comes from the summary of the **Annual Election** choices made during open enrollment in November. If the charge conference is held prior to making HealthFlex annual elections, the deductions section of the compensation form will need to be updated prior to submitting it to the district office and the conference benefits office.

For example, if the pastor chooses health insurance coverage (e.g. health, vision, dental) that costs more than the defined contribution amount allowed, then the pastor will have a payroll deduction equal to the difference between the annual premium cost and the annual defined benefit allowance. This amount is computed on the Annual Election (AE). This amount can be determined from the summary report received when the participant makes their annual election. Any questions should be directed to the conference benefits office.

Page 1, Line 5b – Contribution to Health Savings Account (HSA). If a pastor enrolls in an "H" plan, i.e. a high-deductible health insurance plan through the HealthFlex Exchange, they may be eligible to make personal contributions to their Health Savings Account (HSA) that accompanies these plans.

There are IRS rules limiting the amount that can be contributed as well as the use of a Medical Reimbursement Account (MRA) – see line 6 below - with an HSA. **Therefore, it is recommended that a pastor considering making a personal contribution to a HealthFlex HSA consult with their tax advisor and coordinate with the Conference benefits office.** This amount is shown on the Annual Election.

Page 1, Line 6 – Flexible Spending Account. This is a Flexible Spending (Cafeteria) Plan that the employer (church) sets up following IRS Rules. The IRS determines the maximum amount that can be contributed prior to open enrollment/annual election. It is used for eligible medical expenses (MRA) or for dependent care (FSA). This must be an IRS qualified plan and may not be an informal agreement with the church. Additionally, this may NOT be used for health insurance premiums. It is a before tax payroll deduction which is **elected annually during HealthFlex open enrollment.**

In the box below line 6 click "Y" for yes if this plan is through the Conference (on behalf of Wespeth Benefits and Investments) or "N" for no if it is not.

If you are not using the HealthFlex cafeteria plan (aka Flexible Spending Plan or Medical Reimbursement Plan), then your employer must have a written document that contains at least the following information (Proposed Treasury Reg. 1.125-1):

- (i) A specific description of each of the benefits available under the plan, including the periods during which the benefits are provided (i.e., the periods of coverage)
- (ii) The plan's eligibility rules governing participation
- (iii) The procedures governing participants' elections under the plan, including the period during which elections may be made, the extent to which elections are irrevocable, and the periods with respect to which elections are effective
- (iv) The manner in which employer contributions may be made under the plan, such as by salary reduction agreement between the participant and the employer or by non-elective employer contributions to the plan
- (v) The maximum amount of employer contributions available to any participant under the plan, and
- (vi) The plan year on which the cafeteria plan operates

If the plan does not incorporate all of these elements, then the plan is not qualified from the perspective of the IRS and your contributions will not be tax-favored.

Page 1, Line 7 – UMPIP Contribution. This is the dollar amount that the Pastor contributes to his/her United Methodist Personal Investment Plan. This line should reflect the total dollar amount for the entire year (12months).

- ✓ **CRSP-DC Plan rules require a pastor to contribute at least 1% of the “plan compensation” to UMPIP to get the matching 1% CRSP-DC contribution from the church.** The “plan compensation” is the cash compensation on line 4 PLUS 25% of line 4 if a parsonage is provided, or line 4 PLUS the housing allowance from the second box at the top of the form if a parsonage is not provided.

Page 1, Line 7a – The minimum 1% UMPIP contribution is calculated for you.

If a parsonage is provided (“Y” in Parsonage Provided in Housing Section of the form) then you can enter, *as a minimum*, the amount computed shown in the Parsonage Provided box.

If a parsonage is not provided (“N” in Parsonage Provided in Housing Section of the form and a dollar amount of Housing Allowance is entered in the Housing Allowance box) then you can enter, *as a minimum*, the amount computed shown in the No Parsonage box.

Please Note: If the church has not already done so, it must adopt the United Methodist Personal Investment Plan (UMPIP) as a plan sponsor and submit this adoption agreement (on forms available from WESPATH or the Conference) to Wespeth. If the pastor has not previously been contributing to UMPIP, he/she must submit to WESPATH a Before-Tax and After-Tax Contributions Agreement and an Enrollment Form (these forms are available from the Northwest Texas Conference).

UMPIP Contribution Tax Deferred? In the box below line 7a, please use the drop-down box to Click on “Y” if this is a tax-deferred plan or “N” if it is not a tax-deferred plan or a Roth contribution.

Page 1, Line 8 – 403(b) Contribution to Other than UMPIP. This is a contribution to another church plan/IRA held with a bank or investment firm. **There must be a voluntary compensation reduction agreement on file with the church and you may elect it to be tax deferred.**

Page 1, Line 9 – Total Payroll Deductions. The form calculates this automatically.

Page 1, Line 10 – Net Compensation. *(line 4 minus line 9).* **This is totaled automatically.**

BASIS FOR APPOINTMENT SECTION

Basis for	11	0.00	TOTAL CASH COMPENSATION - From Line 4
Appointment	12	0.00	Accountable Reimbursement - From <u>worksheet 2</u> . REIMBURSEMENT POLICY MUST BE INCLUDED W/COMP FORM.
	13	0.00	TOTAL BASIS FOR APPOINTMENT - Add Lines 11 and 12

Page 1, Line 11 – Total Cash Compensation. *Automatically entered from Line 4.*

Page 1, Line 12 – Accountable Reimbursement. Accountable reimbursement come from Worksheet 2 on Page 2. **A copy of the Accountable Reimbursement Policy must accompany the Compensation Form.**

Accountable plan reimbursements are non-taxable. Reimbursements are made only for documented (vouchered) expenses, i.e. receipts are required, and must be incurred in the normal course of your job as pastor. It reflects the maximum amount for which receipts may be submitted. A sample of the Accountable Reimbursement form may be found at: <http://www.gcfa.org/services/legal-services/gcfa-tax-packet/>

This DOES NOT include parsonage expenses such housing-related expenses such as utilities, insurance, cable, internet, supplies and maintenance which are paid by the pastor and not paid by the church. These are entered on Worksheet 1, Housing Exclusion.

WORKSHEET 2 – ACCOUNTABLE REIMBURSEMENT PLAN

WORKSHEET 2					
ACCOUNTABLE REIMBURSEMENT PLAN - NON-TAXABLE					
This is vouchered and receipts are required for reimbursement. This represents the maximum available for reimbursement					
	A.		Out-of-pocket business expense. Enter total here or use table below as an aid.		
	B.	0.00		Enter Amt	
	C.	0.00		in Boxes	
	D.	0.00		at Right	
	E.	0.00	TOTAL ACCOUNTABLE REIMBURSEMENTS - Total of lines A-D - FLOWS TO LINE 12 OF COMPENSATION FORM		

Worksheet 2 is used to assist in computing the Accountable Reimbursement amount on Line 12 of Page 1. **A copy of the Accountable Reimbursement Policy and Resolution Document must be included with the Compensation Form.**

- In general, no more than 50% of the total amount of accountable reimbursements - except for Annual Conference expense - should be paid by the end of the month of June when a pastoral change may take place. This insures the ability of a new pastor to access the fair amount of these funds should a change in appointment take place.

Page 2, Worksheet 2, Line A – Out-of-pocket business expense. Examples of reimbursable business expenses are:

- Business use of personal auto. The current IRS rate can be found at: <https://www.irs.gov/newsroom/irs-issues-standard-mileage-rates-for-2019>.
- Lodging
- Business-related meals and incidentals
- Continuing education
- Travel expenses
- Registration, dues and subscriptions

Page 2, Worksheet 2, Line B - D – Out-of-pocket business expenses. The total amount (or any part thereof) can be entered on Line A, or you can use Lines B through D as an aid. The dropdown boxes contain common categories of business expenses.

Page 2, Worksheet 2, Line E - The total from Worksheet 2, Line E will be computed automatically and entered on Line 12 of page one of the compensation form.

Page 1, Line 13 – Total Basis for Appointment. *Total of lines 11 & 12.* This amount is computed automatically.

BENEFITS SECTION*

Benefits	14	0.00	Conference Health Insurance Billed to Local Church (see line 5 for clergy contribution)			
	15a	N/A	If Charge Type = MF Indicate % of Health Insurance Billed to Church 1			OK
	15b	N/A	If Charge Type = MF Indicate % of Health Insurance Billed to Church 2			
	15c	N/A	If Charge Type = MF Indicate % of Health Insurance Billed to Church 3			
	16		Utilities - Amount of Utilities Paid if not All			
	17	0.00	Estimate of Comprehensive Protection Plan (CPP) - 100% Appointments only.			
	18		Parsonage Provided	\$0.00	No Parsonage	\$0.00
	19	0.00	Estimate of Clergy Retirement Security Plan (CRSP) - 50% or Greater Appointments.			
	20		Parsonage Provided	\$0.00	No Parsonage	\$0.00

Page 1, Line 14 – Conference Health Insurance Billed to Local Church – If the pastor is Full-Time (Charge appointment percentage equals 100%), then the Charge is billed \$1,540 per month in 2021, or \$18,480 per year. If the pastor serves less than a full-time appointment, then no health insurance is provided through the Conference.

Page 1, Lines 15a – 15c - % of Health Insurance Billed - If this Compensation Form is for a full-time pastor at a multiple-point charge (as determined by “MF” entered in the CHARGE TYPE box at the top of the form), then you will be further prompted to enter the **PERCENTAGE of the Health Insurance to be billed to each Church** (names of churches are designated on Page 3) in the shaded boxes toward the right margin on Lines 15a – 15c.

Page 1, Line 16 – Utilities – If all utilities for parsonage are not paid by the church, enter amount paid.

Page 1, Lines 17 – Estimate of Comprehensive Protection Plan (CPP) 100% Appointments only – To assist the church in budgeting, the amounts from boxes on Line 18 - Parsonage provided or No Parsonage provided will be inserted automatically by Excel based upon the entry at the top of the form – “Y” for parsonage, “N” for no parsonage.

Page 1, Line 18 – These calculations are done for you.

Page 1, Line 19 – Estimate of Clergy Retirement Security Program (CRSP) – 50% or Greater Appointments. To assist the church in budgeting, the amount from Line 20 - Parsonage provided or No Parsonage provided will be inserted automatically based upon the entry at the top of the form – “Y” for parsonage, “N” for no parsonage.

Line 20 – These calculations are done for you.

SIGNATURES and DATE

The compensation report is considered invalid unless executed by all of the individuals indicated in this section of the compensation report. Therefore, please have each individual sign and date the compensation report on the appropriate line.

CHARGE INFORMATION SHEET –

CHARGE INFORMATION SHEET - When Pastors Serve More Than One Church					
Grand Total Compensation Summary For the Charge For 2021					
Church/Charge:		0		Pastor: 0	
Name of Church 1					
Name of Church 2					
Name of Church 3					
	Church 1	Church 2	Church 3	Total Church 1, Church 2 and Church 3	
	\$ Paid	\$ Paid	\$ Paid		
1				Housing Allowance P1	- OK
2				Church Contribution to Pastor's Compensation P1, Line 1	- OK
3				Equitable Compensation	- OK

If the Compensation Form is for a multiple point charge, then the Charge Information Sheet on page 3 must be completed.

Enter the name of each church on the respective line at the top of the page.

The amounts from Page 1 of the Compensation Form carry over automatically to the Total Church 1, 2 and Church 3 Column – gray-shaded column on the far right of page 3.

If the Charge Type entered in the box on page 1 is other than “S” for Single, you must divide each item of compensation between Church 1, Church 2 and Church . If the sum of the amount entered for Churches 1, 2 and 3, if applicable, do not equal the total amount that automatically carries forward from page 1, an error message will result.

IF YOU HAVE QUESTION

Do you have questions? Contact Dave Andersen (andersen@nwtxconf.org / 806-762-0201 X12) or Janie Davis (davis@nwtxconf.org / 806-762-0201 X14) or your District Superintendent.