

Guidance for Churches Preparing Terms of Call - 2023

A Presbyterian Pastor in PCUSA who is called to a Presbyterian Church in the Presbytery of South Louisiana and installed in that church is a “Called” pastor. The compensation terms for a “Call” are defined in a “Terms of Call” document. The Committee on Ministry of the Presbytery of South Louisiana has established a form to help churches define the Terms of Call for their pastor. The following is intended as a guide for churches using this form.

The Presbytery of South Louisiana is not a tax advisor. This guidance is not tax advice.

Presbytery Minimums

The Presbytery of South Louisiana has established the following Terms of Call minimums.

- **Minimum** Total Effective Salary: \$35,000/year (set October 13, 2012)
 - This is for full-time of at least 35 hours per week
 - Part-time minimum is based on percentage of the full-time rate:
If a position is part-time, divide the number of hours per week by 35 then multiply this by \$35,000 to get the part-time **minimum**
- **Minimum** Leave: Four (4) weeks of vacation, and two (2) weeks study leave.
 - A week includes Sunday
 - Study leave is cumulative up to 3 years. That is, the church must allow their pastor at least 6 weeks of study leave over 3 years.
 - Leave for a part-time pastor is no different from a full-time pastor.
- **Minimum** Continuing Education Reimbursement: \$500/year
 - This is for either a full-time or part-time pastor

Income

Line 1 – Enter the Annual Cash Salary the church is paying the pastor.

Line 2 – Enter the amount the church is providing for housing costs.

- This amount may be used for any costs associated with housing: mortgage, rent, utilities, yard maintenance, furnishing, etc.
- If a Manse is provided:
 - This line includes the value of the Manse (minimum 30% of line 1)
 - It also includes any allowance for other housing costs such as utilities, yard maintenance, furnishings, etc.

Line 3 – Enter the sum of lines 1 and 2.

- What is SECA? See the “SECA Tax Allowance Explanation” section, below.

Lines 4 and 5– Enter the cost of any forms of income that the church is providing to the pastor that is not subject to SECA.

- Deferred Compensation is explained, below. This option must be offered to every pastor.
- SECA Tax Allowance above 50% is explained, below. This is not common.
- Line 6 – Enter the sum of lines 3, 4, and 5.

Medical and Pension (Pastor’s Participation Dues)

The amount the church pays to the Board of Pensions (BOP) is based on the Total Effective Salary, unrelated to tax considerations. Rather than calculating these amounts, the BOP has an online dues calculator that provides the figures to enter into this section. Use this guide for full-time and part-time pastors.

<https://www.pensions.org/what-we-offer/employer-guidance/calculators>

Installed Pastors, whether full-time or part-time are required to be enrolled in the BOP's "Pastor's Participation" plan.

Line 7 – Use the link provided above, select "Pastor's Participation Dues Calculator" (Go to calculator), enter the year and the total from line 7. Enter into line 8 the Total Annual Employer Dues the calculator provides.

- Note that Medical, Pension, Death and Disability, and Temporary Disability are all covered. There is no need to break them out separately.

Line 8 – Enter the total for any optional benefits the pastor would like.

- The most common Optional Benefit is Dental coverage. That is based on the State where the pastor lives. Go to the link above and use the Dental Benefit Rate Checker (Go to rate checker) to determine the value for this benefit.
- Less common is the Supplemental Death Benefit Rate Calculator. This calculation is also available at the above link.
- For the eyewear benefit, contact the board of pensions. (See exceptions, below)

Line 9 – Enter the sum of lines 7 and 8.

Exceptions to Using the BOP Online Calculators

While the vast majority of the benefit situations documented in the Terms of Call can be determined using the BOP on-line calculators, there are exceptions that must be handled differently. This is primarily for any special program worked out with the BOP, such as for a pastor right out of seminary. If your church has any unusual situation that cannot be handled by the calculators:

Call the Board of Pensions at 800-773-7752 (800 PRESPLAN) for help.

Allowances

Allowances are forms of income or benefits that are not subject to BOP dues calculations or SECA Tax Allowance Calculations.

Pastors are considered to be self-employed in terms of Social Security and Medicare. Since employing agencies contribute 50% of a regular employee's FICA taxes, churches commonly contribute 50% of a pastor's SECA tax. (See SECA Tax Allowance Explanation, below) This contribution is an example of an Allowance that is very nearly always paid by a church.

Line 10 – Multiply line 3 by .0765 and enter the result.

Line 11 – Enter the amount of any additional income or benefits not subject to BOP dues or SECA taxes.

- The most common form of additional income is when a church chooses to contribute to the pastor's 403(b) retirement plan through a "match" to the amount the pastor is contributing. See Deferred Compensation, below.

Line 12 – Enter the sum of lines 10 and 11.

Reimbursable Expenses

Reimbursable expenses are items that a church will reimburse to a pastor. Receipts or other proof of payment are generally required to be submitted to the church for repayment. Reimbursable expenses are not subject to BOP dues calculations or SECA tax calculations.

If items included as Reimbursable Expenses are submitted by the pastor and reimbursed by the church, the reimbursements are not taxable. If expenses are paid to a pastor "up front" and not

accounted for, then the allowances are treated as taxable as salary. It is very important to handle expense allowances by vouchered reimbursements.

The amounts entered into this section are budgeted amounts for church accounting purposes. This money may or may not be spent, depending on if the pastor uses the benefit and submits the needed documentation.

Line 13 – Enter the amount the church has budgeted for the pastor’s use of their automobile for church business.

- The automobile allowance may be reimbursed at the IRS approved rate for mileage, or by the actual operating costs for professional use of the pastor’s automobile.
- Many churches put a maximum amount that they will cover (add “up to” to line 14)

Line 14 – Enter the amount the church has budgeted for the pastor’s continuing education expenses. (Minimum \$500 for either a full-time or part-time pastor)

- This includes the costs of tuition, travel, seminars, etc.

Line 15 – Enter the amount the church has budgeted for the pastor’s professional expenses.

- This includes books, subscriptions, cost of meals with church members or prospective members, etc.

Line 16 – Enter the amount the church has budgeted for anything else it plans to reimburse to the pastor.

- A common example are the moving expenses for a new pastor. (Note that moving expenses are taxable to the pastor.)

Line 17 – Enter the sum of lines 13, 14, 15, and 16.

Total Cost to the Church

Line 18 – Enter the sum of lines 6, 9, 12, and 17.

Other Benefits

In the spaces provided, enter the number of weeks of leave allotted to the pastor. Note that there are minimums set by the Presbytery of South Louisiana. (See Presbytery Minimums, above)

Approval Process

A Terms of Call form must be agreed upon by the pastor (or PNC’s candidate for a new call), the congregation, and the Presbytery of South Louisiana through its Committee on Ministry.

The following is the typical approval process (in this order):

1. The congregation (through the Session) proposes Terms of Call to the pastor and negotiates until agreement is reached. (PNC is the representative for the congregation for a new call)
2. The Terms of Call sheet is submitted to the COM Liaison, and COM acts to approve, deny, or modify the document.
3. The pastor and congregation (in a Congregational Meeting) agree to the Terms of Call.
4. Once the pastor, congregation, and COM have agreed, an ink-signed copy is mailed to the Presbytery office at:

PSL Committee on Ministry, 12909 Old Hammond Hwy., Baton Rouge, LA 70816.

The terms of a call must be renewed yearly, and any changes to the total effective salary approved by the congregation in a Congregational Meeting.

If a pastor is called to serve in multiple churches, Terms of Call should be completed for each congregation, indicating what benefits that congregation will provide.

Salary Continuation and Severance

The Presbytery of South Louisiana has established severance pay expectations when a pastor leaves a church. Churches should read this section of the Terms of Call. It is part of the contract that is being established by this Terms of Call document.

SECA Tax Allowance Explanation

SECA stands for the Self-Employed Contribution Act. It is just like the FICA combined tax for Social Security and Medicare that employers and employees pay. Pastors are considered self-employed in regard to Social Security and Medicare, so instead of paying FICA through an employer, they pay SECA taxes independently.

Pastors are responsible for all of the SECA tax, but usually churches pay for 50% of the tax, just like they pay 50% of the FICA tax for regular employees. This 50% is what is captured on line 10 of the Terms of Call form. This is common and expected.

Some churches wish to help their pastors out further by paying for some or all of the employee's 50% of the SECA tax (This would be on Line 5 of the TOC form). This is not common. The first 50% is not included in the BOP benefit calculation, however, if a church pays anything greater than 50%, the excess is considered income and is included in the BOP dues calculation

The SECA tax is a self-employed person's contribution to Social Security and Medicare. The Social Security rate is 12.4% and the Medicare tax rate is 2.9%, hence the 15.3% rate, 50% of which is 7.65%! That's why the calculation on line 10 is the total SECA income from line 3 multiplied by .0765.

Now, to get complicated: If the church and pastor are fortunate enough to be able to provide a total SECA income greater than the limit for taxation defined by the government, the rate is no longer 15.3%. Each year the US government sets a cap on income for the Social Security tax rate, beyond which no additional Social Security tax is paid. This is not the case for the Medicare tax rate. If the church can pay a total SECA income greater than \$125,000, the church and pastor need to look up the latest cap and make sure they are covering the tax appropriately.

Deferred Compensation Discussion

Deferred compensation includes any monies contributed to a tax-sheltered savings plan, housing equity allowance, or employee contributions to the 403(b) Retirement Savings plan of the BOP. Since the use of the BOP's 403(b) retirement plan is more common than other deferred compensation methods, and is encouraged, is addressed here.

Handling the Board of Pensions 403(b) Plan on the PSL Terms of Call Form

A 403(b) plan a retirement savings plan for non-profit employees. It is just like 401(k) retirement plans for regular employees.

A pastor may decide to have some amount of their cash salary put into the BOP's 403(b) plan. When this is done, that amount is usually not taxed until it is withdrawn from the program at some later time. The taxation is then usually deferred until the withdrawal. This amount is documented on line 4 on the Terms of Call form. The BOP dues are calculated including this deferred income.

In addition, the church may choose to put additional moneys into the pastor's 403(b) plan by matching the pastor's contribution. The church's match is documented on line 11. It is not included in the BOP dues calculation.

Any amount a church puts in over a match to the pastor's contribution is considered income and captured on line 5.