# 2027

# Compensation Guidelines

## for Professional Church Workers

The Mid-South District
of The Lutheran Church--Missouri Synod
1675 Wynne Road
Cordova, Tennessee 38016
901-373-1343
866-373-1343
901-373-4826 (Fax)

***August 2026***

# COMPENSATION GUIDELINES

**THE MISSION OF THE MID-SOUTH DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD IS TO SERVE LCMS MINISTRIES BY PROVIDING LEADERSHIP, RESOURCES AND ENCOURAGEMENT FOR MAKING AND NURTURING DISCIPLES OF JESUS CHRIST**

## INTRODUCTION

These guidelines have been updated and are offered for use by congregational and/or school leaders as they annually review the compensation provided to the called ordained and commissioned ministers of religion and other professional workers of the congregation/school.

These guidelines are not prescriptive but encourage congregations to make a thorough annual review of the compensation provided so that:

- God will be glorified,
- The ministries of your congregation will be honored, your congregation will feel that it is doing the right thing and the congregation can celebrate their love and respect for those who serve them,
- Your workers will experience a sense of appreciation and fulfillment for their ministry among you, and,
- Gifted people will be encouraged to consider full–time church worker vocations.

It is a unique privilege for God's people to share in the important task of bringing the Good News of Jesus Christ to many. In His wisdom, God does call and lead specific individuals to serve as full–time professional church workers. Truly these pastors, educators and other church workers are special gifts from God deserving of our love, support, and care.

# TABLE OF CONTENTS


INTRODUCTION ..... 2

THE SPIRIT OF THE GUIDELINES ..... 5
Scriptural Principles ..... 5
Guiding Principles ..... 6

I. BASIC WORKER COMPENSATION ..... 7

ESTABLISHING SALARY ..... 8
Base Salary ..... 8
Circuit Adjustment Factor ..... 8
Table of Circuit Adjustments ..... 9
Education, Experience, and Level of Responsibility ..... 10
SMP Education and Experience Calculations ..... 11
Table of Education and Experience Adjustments ..... 12
Tables of Responsibility Adjustments: ..... 13
Pastors ..... 13
Deacons/DCE/DCO/Family Ministry (Special Ministries) ..... 14
School Administration ..... 15
Additional Responsibilities ..... 15
Part-Time Workers ..... 16

OTHER COMPENSATION ISSUES ..... 16
Housing ..... 16
When the Called Worker Lives in Church Owned Housing ..... 16
Housing Equity Allowance ..... 17
Housing Allowance ..... 17
Self-Employment Tax (Social Security) ..... 17

WORK SHEET FOR CALCULATING CASH SALARY ..... 18

II. SUPPLEMENTAL FRINGE BENEFITS ..... 19
Concordia Plans Services ..... 19
Flexible Spending Arrangements ..... 20
Tax-Sheltered Annuities ..... 20
Vacation ..... 20
Sick Leave ..... 21
Annual Preventive Health Exam ..... 21
Personal Time Off and Emergency Leave ..... 21
Military Leave ..... 22
Relocation Allowance ..... 22
Moving Expenses ..... 22
Professional Education Debts of New Workers ..... 23
Anniversary - Retirement ..... 23

# TABLE OF CONTENTS


III. PROFESSIONAL EXPENSES ..... 23
- Automobile/Travel Expenses ..... 23
- Conventions, Conferences, Retreats ..... 24
- Continuing Education ..... 23
- Study Leave (Sabbatical) ..... 24
- Professional Books, Periodicals, and Memberships ..... 24
- Hospitality ..... 25
- Membership in Civic Clubs and Organizations ..... 25

IV. MISCELLANEOUS ITEMS ..... 25
- Vacancy Pastor Compensation ..... 25
- Substitute Pastor Compensation ..... 25
- Intentional Interim Pastor Compensation ..... 25
- Pastor's Discretionary Fund ..... 26
- Honoraria ..... 26

V. TAX CONSIDERATIONS ..... 26
- Self-Employed Ministers of the Gospel ..... 26
- Social Security Tax Allowance ..... 27
- Opposition to Social Security ..... 27
- Taxation of Housing Reimbursement ..... 27

VI. TELEPHONE NUMBERS AND E-MAIL ADDRESSES ..... 28

APPENDIX A – VACANCY/PULPIT SUPPLY WORKSHEET ..... 29

## THE SPIRIT OF THE GUIDELINES

## SCRIPTURAL PRINCIPLES

As your congregation considers the compensation it provides, your leaders must review the Scriptural principles regarding the care of those who serve.

Teaching His disciples about their service, Jesus said: ***Stay in that house and eat and drink whatever they have, since a worker earns his pay. . .***Luke 10:7.

Paul wrote: ***Let spiritual leaders who lead well be considered worthy of double honor, especially if their work is preaching and teaching, because the Scripture says "When the ox is treading out the grain, do not muzzle him," and, "a worker deserves his pay."*** I Timothy 5:17–18.

In his Small Catechism Luther included a section called "Table of Duties." Luther sites these additional references:

***In the same way the Lord has commanded that those who preach the Gospel should receive their living from the Gospel. . .*** I Corinthians 9:14.

***Let the person who is taught the Word share all good things with his teacher. Make no mistake about this; you cannot fool God. For whatever a person sows he will also reap. . .***Galatians 6:6–7.

***We ask you fellow Christians, to appreciate those who work with you and who lead you in the Lord and who warn you. Love them and think very highly of them on account of the work they are doing. Live in peace with one another. . .*** 1 Thessalonians 5:12–13.

***Obey your leaders and submit to them for they must give an account of how they watched over your souls. Obey them so that they may be happy in their work and do not have to complain about you, for that would not be to your advantage. . .*** Hebrews 13:17.

It is the Gospel of peace with God through forgiveness in Christ [Romans 5:1] that motivates a congregation and its workers to deal faithfully and responsibly with and toward each other. God's promises are sure: ***...bring all your tithes into the storehouse so there will be food in My temple, and please test Me this way, says the Lord of armies, and see I will open the windows of heaven for you and pour out a blessing for you till there is more than enough. . .***Malachi 3:10.

In summary, your professional workers are called by God to be servants, leaders, counselors, caregivers, proclaimers, teachers, listeners, evangelists, and stewards to your congregation. Your congregation is called to respond to these benefits and blessings. This response is in part demonstrated by the way the congregation provides equitable salary, housing, supplemental benefits, vacation time, and financial assistance for spiritual and professional growth in ministry in a manner that reflects a genuinely caring attitude of love and concern for your workers and their families.

## GUIDING PRINCIPLES

Based upon these Scriptural directives, the following principles are intended to guide your congregation as you approach the task of developing equitable and fiscally sound standards for the compensation of your professional church workers.

These guidelines approach the subject of compensation in a direct and uncomplicated manner. Fair and equitable compensation is that which provides for the physical and emotional well being of the worker and his/her family thereby releasing him or her from undue financial concern. Removing undue financial concern allows the worker the freedom to give full devotion to his/her ministry in the congregation and everyone benefits.

With this basic concept as a guide, your congregation is encouraged to address compensation issues fairly and establish a compensation level appropriate to the community standards in which you live and which is equitable for the financial situation of the congregation.

Some general factors to consider:

***COMMITMENT*** – dedication of self and time to the study of the Scriptures and the teaching, preaching, and living thereof; vigilance in caring for people; openness and availability; considering his or her duties as a calling and not only a "job."

***EDUCATION*** – continued professional growth through seminars, workshops, clinics, institutes, conferences, graduate courses/classes, reading of relevant books, journals, etc.

***EXPERIENCE*** – time of service to your parish and others and time spent in other professions prior to entering full-time church work.

***RESPONSIBILITY*** – effective time management; conscientious in his or her responsibilities; continued growth in understanding of self and his or her gifts and capabilities; awareness and attention to his or her own spiritual needs; commitment to God, spouse, children, and church – in that order; compassion; preparation for preaching, teaching, meetings, etc.

***PERFORMANCE*** – serving faithfully in fulfillment of clear position expectations; administering and delegating appropriately; good use of time, setting goals and objectives for self and congregation; seeing opportunity for ministry and effectively seeking to meet the need; educating, stimulating, motivating, equipping the body of Christ for its ministry; utilizing the gifts of the people for the work of the church; seeking spiritual growth and development in God's people.

The last item, *Performance*, is difficult to include in an approach to compensation since your workers serve in areas not always easy to evaluate. Congregations that wish to engage in some form of formal assessment or evaluation are encouraged to develop clear and mutually agreed upon criteria well before the evaluation takes place. This begins with a clear job description in which the expectations are well defined and understood. Effective job descriptions should include not only a listing of the duties and responsibilities but also the expected level of performance. The worker and the congregation are best served when the yardstick used to measure performance is commonly known, understood, and mutually accepted.

Because of the difficulty of using performance as a component in setting compensation, these guidelines do not include an evaluation for the purpose of setting a merit increase. However, clear and commonly understood ministry responsibilities and goals and a regular evaluation process can be very effective for both the worker and the congregation.

# I. BASIC WORKER COMPENSATION

What is salary?

The word salary is defined as ***fixed compensation for services, paid to a person on a regular basis***. The adjective fixed is important in this definition because beyond this constant there are many variables to be considered.

Four qualifying statements should guide you in your deliberations:

1. In practical matters, the District is advisory to the local congregation, providing resources to help the congregation fulfill its responsibilities and mission.

2. This manual is a guideline, not a directive. The District believes that our congregational leaders sincerely desire to fulfill their Christian duty that ***everyone who is taught the Word share all good things with him who teaches*** [Galatians 6:6].

3. This guideline provides a target level that all congregations should strive to reach. It should not keep a congregation from considering a higher salary or benefits for its faithful workers.

4. The total cost of providing for the professional church worker is not the same as salary.

The last point is perhaps the most misunderstood. For example, adequate compensation includes not only salary but:

1. A retirement program,
2. Health insurance,
3. Professional growth opportunities/conferences,
4. Auto/travel expenses,
5. Ministry related expenses, in addition to salary and housing.

When all of these items are grouped together in the congregational budget there is a temptation simply to add them up and come to the conclusion that the worker is well–paid. From the worker's point of view, however, only one item – salary – is available to clothe and feed the family, provide housing, pay taxes, furnish utilities, provide for children's college, etc. A fair salary comparison of a worker to occupations outside the church must weigh what is a benefit, what is a necessary business expense, and what is salary.

## ESTABLISHING SALARY

Establishing the salary begins with the base amount but added to this base salary are several components. Guideline adjustments are made for location, education and experience, and level of responsibility. Depending on individual congregation and worker circumstances, such as when a worker lives in church-owned housing, additional adjustments may be appropriate. No distinction has been made in these guidelines between rostered and non-rostered workers. Congregations and schools may wish to encourage workers to move to rostered status by paying colloquy costs and/or adding a roster adjustment factor of their own determination.

Factoring in these adjustments to the base salary will help you arrive at the total suggested cash salary for the professional church worker.

## BASE SALARY

Annually, the District Board of Directors will adopt a recommended **unadjusted base salary** for the next year. Congregations of the District will receive a compensation advisory letter with the recommended **unadjusted base salary,** or they may phone the District Office for this figure. The recommended **unadjusted base salary** is not meant to be used alone but should be adjusted to reflect the cost of living for the Circuit in which the congregation is located, as well as other components included in these guidelines.

The **unadjusted base salary** is derived from the reported base salary for a public-school teacher with a ten-month contract, a bachelor's degree, and no experience in the lowest cost-of-living circuit in the District. The **Circuit Adjustment** reflects the cost-of-living in your circuit compared to the base circuit; the **Education and Experience Adjustment** gives credit for years of service and level of education achieved; and the **Responsibility Adjustment** converts the ten-month unadjusted base to its full twelve-month equivalent and adjusts for responsibilities and congregation/school size.

**UNADJUSTED BASE SALARY FOR 2027 IS:**

**$ 48,000 (includes housing if applicable)**

**IRS MILEAGE REIMBURSEMENT FIGURE FOR 2027 IS:**

**TBD by IRS**

**NOTE: The IRS Mileage Reimbursement for business will be made available to the congregation each year when the figure is released by the IRS.**

## CIRCUIT ADJUSTMENT FACTOR

Cost of living varies within the three states (Arkansas, Tennessee and Southern Kentucky) and between the major cities, suburban areas, small towns, and rural areas which comprise the Mid–South District. Therefore, the unadjusted base salary should be adjusted to reflect these variances and to arrive at an ***Adjusted*** **Base Salary** to which the Education and Experience and Responsibility adjustments will be applied.

Circuit Adjustments have been developed through a comparison of cost-of-living statistics available for the various cities and regions within the district. While true cost-of-living variances are difficult to pinpoint,

the adjustment factors in the following table are representative of cost differences across the District. ***Please note, however, that these factors are by nature general and may not accurately portray the specific cost-of-living realities unique to your locale. If the cost-of-living in the immediate area of your congregation varies significantly from your Circuit Adjustment area as a whole, you should modify the following Circuit Adjustment Factor to more accurately reflect your individual situation.***

## Table of Visitation Circuit Adjustments

| Circuit | | Adjustment |
|---|---|---|
| Chattanooga | Chattanooga Circuit | 0.000 |
| Fayetteville | Fayetteville Circuit | 0.060 |
| Fort Smith | Fort Smith Circuit | 0.000 |
| Jonesboro | Jonesboro Circuit | 0.000 |
| Knoxville | Knoxville/Oak Ridge Metro Area | 0.000 |
| Little Rock – North | Little Rock/North Little Rock Metro Area | 0.050 |
| Little Rock – South | Little Rock/South Little Rock Metro Area | 0.040 |
| Memphis | Memphis/Germantown/Collierville Metro Area | 0.000 |
| | Memphis non-metro | 0.200 |
| Middle Tennessee | Middle Tennessee Circuit | 0.040 |
| Nashville | Nashville Circuit | 0.100 |
| Paducah | Paducah Circuit | 0.030 |
| Stuttgart | Stuttgart Circuit | 0.000 |

**Example:** If your congregation is in the Little Rock North Area, the Circuit Adjustment factor is .0.075. Multiply current year unadjusted base salary by 0.050 to arrive at the **Circuit Adjustment.** The sum of the unadjusted base salary and the circuit adjustment becomes the ***Adjusted*** base salary to which the other adjustments will be applied.

Do your own calculations below:

Unadjusted Base _____
X (multiplied by)
Circuit Adjustment Factor _____

Circuit Adjustment = _____
**(Enter this figure on line 2 of the salary work sheet on page 18)**

## EDUCATION, EXPERIENCE, AND LEVEL OF RESPONSIBILITY

The next components of salary are the adjustments for education and experience and for responsibility that you will need to consider.

### EDUCATION AND EXPERIENCE

The effectiveness and proficiency of your professional church workers are expected to increase with each year of experience and with additional education related to their individual ministry programs. Therefore, congregations should consider including salary increments for experience, for college/seminary credit, and degrees earned. **However**, any adjustments based on the educational level achieved or years of service should consider the performance of the worker. Increases of this nature are not to be considered as "automatic" increases or take the place of a comprehensive review of employee performance. Use the table on page 11 to determine the appropriate adjustment. For education levels beyond the bounds of this table, the congregation should consider increasing the education factor by .050 for each additional 15 hours of education completed. **Note:** Workers who enter the pastoral or teaching ministry later in life should be given credit for their maturity and prior experience. Congregations may wish to credit the worker with one-half year for each full year of experience between age 30 and the year of entering his/her full-time ministry.

### RESPONSIBILITY

Leadership responsibility for a school, multi–staff ministry, or for a larger congregation should also be recognized as a factor in the determination of the professional church worker's salary. The additional workload required for effective leadership should be included in the consideration of salary. As the administrative and leadership responsibilities grow, so should the professional church worker's salary. Additionally, adjustments to convert the **Adjusted Base Salary** to a full-year equivalent are built in to the Responsibility Adjustment Factors. Use the applicable tables on pages 12 – 15 to determine appropriate adjustments.

**Example of Education and Experience Adjustment (See Table on Page 12)**

**Example:** If the worker has 10 years of experience and a bachelor's degree, you would multiply the current year adjusted base salary by .20 to arrive at the **Education and Experience Adjustment**.

Do your own calculations below:

Adjusted Base _____
X (multiplied by)
Education and Experience
Factor (page 12) _____

Education and Experience Adjustment = _____
**(Enter this figure on line 4 of the salary work sheet on page 18)**

## SPECIFIC MINISTRY PASTOR (SMP) EDUCATION AND EXPERIENCE CALCULATIONS

1) SMP vicars, working full or part time for a congregation will have their compensation calculated at the same rate as Lay Worker Licensed/Commissioned.

2) SMP's workers who have completed their first two years of academic requirements and are eligible for ordination and have been duly ordained and installed, shall be considered the same as Bachelor Degree workers (fourth column).

3) SMP Pastors who successfully complete all four years of their academic requirements for the SMP program, shall be included in the Bachelor + 15 hours category.

4) SMP Pastors who continue to receive their Master of Divinity, shall be moved to the column for that category.

5) Calculating the number of hours for part time workers under any of these circumstances will be based on a percentage of days the SMP works at the congregation, compared to a six (6) day work week for MDiv, fully ordained pastors.

## TABLE OF EDUCATION AND EXPERIENCE ADJUSTMENTS

| Years of Experience | Lay Worker No Degree | Lay Worker Licensed/ Certified (No Degree) | Bachelor's Degree | Bachelor's Degree +15 hours | Master's Degree | Master's Degree +15 hours | Master's Degree +30 hours | Master of Divinity | STM, D.Min. Th. D. Degree |
|---|---|---|---|---|---|---|---|---|---|
| 0 | (0.200) | (0.100) | 0.000 | 0.050 | 0.150 | 0.200 | 0.250 | 0.400 | 0.550 |
| 1 | (0.180) | (0.080) | 0.020 | 0.070 | 0.170 | 0.220 | 0.270 | 0.420 | 0.570 |
| 2 | (0.160) | (0.060) | 0.040 | 0.090 | 0.190 | 0.240 | 0.290 | 0.440 | 0.590 |
| 3 | (0.140) | (0.040) | 0.060 | 0.110 | 0.210 | 0.260 | 0.310 | 0.460 | 0.610 |
| 4 | (0.120) | (0.020) | 0.080 | 0.130 | 0.230 | 0.280 | 0.330 | 0.480 | 0.630 |
| 5 | (0.100) | 0.000 | 0.100 | 0.150 | 0.250 | 0.300 | 0.350 | 0.500 | 0.650 |
| 6 | (0.080) | 0.020 | 0.120 | 0.170 | 0.270 | 0.320 | 0.370 | 0.520 | 0.670 |
| 7 | (0.060) | 0.040 | 0.140 | 0.190 | 0.290 | 0.340 | 0.390 | 0.540 | 0.690 |
| 8 | (0.040) | 0.060 | 0.160 | 0.210 | 0.310 | 0.360 | 0.410 | 0.560 | 0.710 |
| 9 | (0.020) | 0.080 | 0.180 | 0.230 | 0.330 | 0.380 | 0.430 | 0.580 | 0.730 |
| 10 | 0.000 | 0.100 | 0.200 | 0.250 | 0.350 | 0.400 | 0.450 | 0.600 | 0.750 |
| 11 | 0.015 | 0.115 | 0.215 | 0.265 | 0.365 | 0.415 | 0.465 | 0.615 | 0.765 |
| 12 | 0.030 | 0.130 | 0.230 | 0.280 | 0.380 | 0.430 | 0.480 | 0.630 | 0.780 |
| 13 | 0.045 | 0.145 | 0.245 | 0.295 | 0.395 | 0.445 | 0.495 | 0.645 | 0.795 |
| 14 | 0.060 | 0.160 | 0.260 | 0.310 | 0.410 | 0.460 | 0.510 | 0.660 | 0.810 |
| 15 | 0.075 | 0.175 | 0.275 | 0.325 | 0.425 | 0.475 | 0.525 | 0.675 | 0.825 |
| 16 | 0.090 | 0.190 | 0.290 | 0.340 | 0.440 | 0.490 | 0.540 | 0.690 | 0.840 |
| 17 | 0.105 | 0.205 | 0.305 | 0.355 | 0.455 | 0.505 | 0.555 | 0.705 | 0.855 |
| 18 | 0.120 | 0.220 | 0.320 | 0.370 | 0.470 | 0.520 | 0.570 | 0.720 | 0.870 |
| 19 | 0.135 | 0.235 | 0.335 | 0.385 | 0.485 | 0.535 | 0.585 | 0.735 | 0.885 |
| 20 | 0.150 | 0.250 | 0.350 | 0.400 | 0.500 | 0.550 | 0.600 | 0.750 | 0.900 |
| 21 | 0.160 | 0.260 | 0.360 | 0.410 | 0.510 | 0.560 | 0.610 | 0.760 | 0.910 |
| 22 | 0.170 | 0.270 | 0.370 | 0.420 | 0.520 | 0.570 | 0.620 | 0.770 | 0.920 |
| 23 | 0.180 | 0.280 | 0.380 | 0.430 | 0.530 | 0.580 | 0.630 | 0.780 | 0.930 |
| 24 | 0.190 | 0.290 | 0.390 | 0.440 | 0.540 | 0.590 | 0.640 | 0.790 | 0.940 |
| 25 | 0.200 | 0.300 | 0.400 | 0.450 | 0.550 | 0.600 | 0.650 | 0.800 | 0.950 |
| 26 | 0.210 | 0.310 | 0.410 | 0.460 | 0.560 | 0.610 | 0.660 | 0.810 | 0.960 |
| 27 | 0.220 | 0.320 | 0.420 | 0.470 | 0.570 | 0.620 | 0.670 | 0.820 | 0.970 |
| 28 | 0.230 | 0.330 | 0.430 | 0.480 | 0.580 | 0.630 | 0.680 | 0.830 | 0.980 |
| 29 | 0.240 | 0.340 | 0.440 | 0.490 | 0.590 | 0.640 | 0.690 | 0.840 | 0.990 |
| 30 | 0.250 | 0.350 | 0.450 | 0.500 | 0.600 | 0.650 | 0.700 | 0.850 | 1.000 |
| 31 | 0.260 | 0.360 | 0.460 | 0.510 | 0.610 | 0.660 | 0.710 | 0.860 | 1.010 |
| 32 | 0.270 | 0.370 | 0.470 | 0.520 | 0.620 | 0.670 | 0.720 | 0.870 | 1.020 |
| 33 | 0.280 | 0.380 | 0.480 | 0.530 | 0.630 | 0.680 | 0.730 | 0.880 | 1.030 |
| 34 | 0.290 | 0.390 | 0.490 | 0.540 | 0.640 | 0.690 | 0.740 | 0.890 | 1.040 |
| 35 | 0.300 | 0.400 | 0.500 | 0.550 | 0.650 | 0.700 | 0.750 | 0.900 | 1.050 |
| 36 | 0.310 | 0.410 | 0.510 | 0.560 | 0.660 | 0.710 | 0.760 | 0.910 | 1.060 |
| 37 | 0.320 | 0.420 | 0.520 | 0.570 | 0.670 | 0.720 | 0.770 | 0.920 | 1.070 |
| 38 | 0.330 | 0.430 | 0.530 | 0.580 | 0.680 | 0.730 | 0.780 | 0.930 | 1.080 |
| 39 | 0.340 | 0.440 | 0.540 | 0.590 | 0.690 | 0.740 | 0.790 | 0.940 | 1.090 |
| 40 | 0.350 | 0.450 | 0.550 | 0.600 | 0.700 | 0.750 | 0.800 | 0.950 | 1.100 |

**Note - ( ) Indicates a reduction from *Unadjusted Base Salary*.**

## TABLES OF RESPONSIBILITY ADJUSTMENTS

### PASTORS

The Pastor's **Adjusted Base Salary** should be adjusted to reflect the size of the worshiping congregation and the presence of other professional staff and/or a school/early childhood program by applying the factors from the tables below. Note, if both factors apply, the adjustments are cumulative, not simply the larger of the two.

**Congregation Size and Multi-Staff Adjustments:**

| Average Weekly Worship Attendance | Pastor is an Associate/ Assistant Pastor | Pastor is a Sole Pastor | Pastor is a Senior Pastor (Multi-Staff) |
|---|---|---|---|
| 0 - 125 | 0.200 | 0.225 | 0.250 |
| 126 - 250 | 0.225 | 0.275 | 0.325 |
| 251 - 350 | 0.250 | 0.350 | 0.400 |
| 351 - 450 | 0.275 | 0.425 | 0.475 |
| 451 + | 0.300 | 0.500 | 0.550 |

**School/Early Childhood Program:**

| School/ Preschool/ Childcare Enrollment | Pastor is an Associate/ Assistant Pastor | Pastor is a Sole Pastor | Pastor is a Senior Pastor (Multi-Staff) |
|---|---|---|---|
| 0 - 100 | 0.025 | 0.075 | 0.075 |
| 101 - 200 | 0.050 | 0.100 | 0.100 |
| 201 - 300 | 0.075 | 0.125 | 0.125 |
| 301 + | 0.100 | 0.150 | 0.150 |

**Example:** If you have a Senior Pastor (multi-staff) with average worship attendance of 275 and a school with an enrollment of 125, you would multiply the current year adjusted base salary by .500, which is a combination of the **Congregation Size/Multi-Staff Adjustment** of .400 (worship attendance of 275) and the **School Adjustment** of .100 (enrollment of 125), to arrive at the **Responsibility Adjustment.**

Do your own calculations below:

Adjusted Base _____
X (multiplied by)
Responsibility Adjustment Factor _____

Responsibility Adjustment = _____
**(Enter this figure on line 5 of the salary work sheet on page 18)**

## DCE / DCO / FAMILY MINISTRY / DEACONS (SPECIAL MINISTRIES)

Congregations served by a Director of Christian Education, Director of Christian Outreach, Deaconess, Certified Lay Minister, Deacon or other Special Minister should modify the **Adjusted Base Salary** by applying the factors from the table below. **Note:** Some of these workers may serve on less than a full-time basis. See *Part-Time Workers* on page 15 for guidance on how to calculate salaries for part-time workers. For additional guidance regarding compensation for Deacons, see the District's "Policies and Guidelines for the Deacon Program" which can be found on the District website.

| Average Weekly Worship Attendance | Adjustment |
|---|---|
| 0 - 125 | 0.200 |
| 126 - 250 | 0.250 |
| 251 - 350 | 0.300 |
| 351 - 450 | 0.350 |
| 451 + | 0.400 |

**Example:** For a DCE in a congregation with average worship attendance of 200, you would multiply the current year adjusted base salary by .250 to arrive at the **Responsibility Adjustment.**

Do your own calculations below:

Adjusted Base _____
X (multiplied by)
Responsibility Adjustment Factor _____

Responsibility Adjustment = _____
**(Enter this figure on line 5 of the salary work sheet on page 18)**

## SCHOOL ADMINISTRATION

School and Early Childhood leadership responsibility varies with the size of the programs and **Adjusted Base Salary** should be modified by applying the factors from the table below. The factors assume that both the Principal and the Early Childhood Director are employed on a twelve-month basis. The Early Childhood Director adjustment factor should be based on Early Childhood enrollment and the Principal adjustment factor should be based on the combined enrollment of the School and Early Childhood programs.

| School/ Preschool/ Childcare Enrollment | Early Childhood Director | Principal |
|---|---|---|
| 0 - 50 | 0.200 | 0.300 |
| 51 - 100 | 0.220 | 0.340 |
| 101 - 150 | 0.240 | 0.380 |
| 151 - 200 | 0.260 | 0.420 |
| 201 - 250 | 0.280 | 0.460 |
| 251 - 300 | 0.300 | 0.500 |
| 301 - 350 | 0.320 | 0.540 |
| 351 + | 0.340 | 0.580 |

**Example:** If you have a school with an enrollment of 110 and an early childcare program with an enrollment of 75, you would multiply the current year adjusted base salary by .220 (75 enrolled in ECP) to arrive at the **Responsibility Adjustment** for the Early Childhood Director and by .420 (185 total enrolled) to arrive at the **Responsibility Adjustment** for the Principal**.**

Do your own calculations below:

Adjusted Base _____
X (multiplied by)
Responsibility Adjustment Factor _____

Responsibility Adjustment = _____
**(Enter this figure on line 5 of the salary work sheet on page 18)**

## ADDITIONAL RESPONSIBILITIES

The guidelines assume teachers are called or contracted to serve on a ten-month basis even though they may choose to receive their compensation over a twelve-month period. If a teacher is actually employed for the full year, the **Adjusted Base Salary** should be increased by a factor of 20% to convert the ten-month base to a full year equivalent. Also, though not specifically covered in this document, you may have

workers who assume additional responsibilities, such as Director of Athletics, Music Minister, and other duties that require significant additional time and effort. You are encouraged to compensate these workers for these additional responsibilities using a multiplier with the base salary that reflects an increasing level of responsibility and time expended.

## PART-TIME WORKERS

Some workers may serve on less than a full-time basis. For part-time workers, you should follow the above guidelines to calculate the full-time equivalent salary and then pro rate based on the fraction of the year worked. (For example – for a worker who works three days a week year round, you would pay 3/5ths of the full time salary.) For hourly workers, you should divide the full-time equivalent salary by 2,080 (number of full-time hours in a year) to calculate an hourly rate of pay.

**FINALLY, IF THERE IS A LARGE GAP between the current and the recommended salary, you should consider a method of closing that gap over a longer period of time. If your congregation has a gap between what it would like to pay its worker and what it can afford, tell your worker honestly and frankly that the congregation wants to pay the suggested salary but the amount is beyond the means of the congregation at this time. The congregation should then develop a plan to close that gap over 2–4 years – reducing the gap by 50%, 33%, or 25% each year until it is closed. This approach sets a goal for the congregation and lets your worker know that there is a plan to bring compensation up to the recommended level. The congregation can feel good about its action and the worker will feel good about the congregation's effort to increase compensation.**

# OTHER COMPENSATION ISSUES

## HOUSING

Called ordained and commissioned ministers of religion are eligible under Section 107 of the Internal Revenue Code to exclude from their gross income that portion which is used to rent or provide housing. Details on how a congregation should handle compensation to allow their professional workers to take advantage of this IRS ruling may be found in the congregational **Treasurer's Manual (Chapter 2)** or by calling the Mid–South District Office.

**Caution: Your called worker may exclude from gross income the portion used to provide housing for income tax purposes but NOT for self–employment tax purposes (Social Security).** The congregation must by formal resolution designate the amount of the total cash compensation that is being designated **housing allowance** every year. The congregational **Treasurer's Manual (Section 2.900)** has sample resolutions that may be used by your congregation. Make sure you consult with your professional worker before making this designation.

## WHEN THE CALLED WORKER LIVES IN CHURCH OWNED HOUSING

The recommended salary guidelines above are based on the assumption that your congregation does NOT provide a residence but includes a housing allowance as part of the salary. If your congregation provides a residence, this salary must be adjusted by the value of that church owned housing.

Reduce the total salary by **25%** if the worker lives in church owned housing and the congregation pays for the utilities. This is the formula used by Concordia Plans Services of our Synod when reporting compensation.

Congregations are reminded that called workers living in church owned housing must report the fair market value of such housing to the IRS as part of the total compensation when figuring the Self–Employment Tax (Social Security) but not for income tax. If you are unsure of the fair rental value of the residence provided, consult with local realtors to arrive at a fair and equitable figure. This should be adjusted every 2–3 years to reflect the changing value of the housing provided.

## HOUSING EQUITY ALLOWANCE

If your congregation provides housing to your called worker, he or she is not developing any equity in a home. At the time of retirement or if the worker should die in office, he/she would not be able to provide his or her family with housing. Congregations should assist in developing equity by annually setting aside funds (deferred income) in the name of the called worker.

Several methods can be used to accomplish this purpose. Some congregations have set aside funds based on the increase in property value as determined by the annual change in the consumer price index and others have set aside funds based on the amount which would have been paid in property tax. Perhaps the most equitable method is to set aside between 1–2% of the fair market value of the church owned house. Any funds so set aside should be deposited into a tax-deferred investment in the name of the called worker. The fair market value of the house can easily be obtained from a realtor and should be adjusted every 2-3 years to reflect changing market conditions.

In the event of the called worker's death the accumulated amount will be transferred to his survivors or estate. Upon buying or building his own home, retiring, or moving to another parish, the accumulated amount is also to be conveyed or transferred to the called worker.

## HOUSING ALLOWANCE

Called workers living in church owned housing are still entitled to designate a portion of their income as housing allowance. IRS regulations allow for such an allowance covering the cost of such items as drapes, cleaning supplies, furnishings, etc. **Consult the Treasurer's Manual (Chapter 2) or District or Synod for specific information before designating a housing allowance.**

## SELF–EMPLOYMENT TAX (Social Security)

All called ministers of religion are considered self–employed for purposes of Social Security. Unlike other church employees, the congregation does not pay half of the FICA tax. The called worker pays the entire tax (currently 15.3% of his cash salary, housing, and honoraria).

Because of this difference and because of the burden this often places upon called workers, many congregations have given the worker the amount they would have had to pay if he/she were considered an employee. This would be 7.65% of the cash salary and housing (either the allowance or fair rental value of church owned housing).

**Caution: This is considered taxable income for the called worker but it is a way of helping him or her off–set the high tax for self–employment. Your Treasurer's Manual will help in explaining this and provides assistance for those congregations who wish to provide this allowance.**

## WORKSHEET FOR CALCULATING CASH SALARY

### WORKERS RECEIVING A HOUSING ALLOWANCE

1. Unadjusted Base Salary _____
2. Circuit Adjustment + _____
3. **Adjusted Base Salary** = _____
4. Education and Experience Factor + _____
5. Responsibility Factor + _____
6. Other _____ + _____
   _____ + _____
   _____ + _____
7. FINAL CASH SALARY = _____
8. Social Security Re-Imbursement + _____

**TOTAL CASH COMPENSATION** = _____

**Amount designated housing allowance for current year -- _____

**TSA's or other salary reductions -- _____

****CASH SALARY REPORTABLE TO IRS** = _____

** Total of these three must equal Total Cash Compensation. Whatever is not designated either as housing allowance or for a TSA must be reported as cash salary to IRS.

### WORKERS LIVING IN CHURCH OWNED HOUSING

1. Unadjusted Base Salary _____
2. Circuit Adjustment + _____
3. **Adjusted Base Salary** = _____
4. Education and Experience Factor + _____
5. Responsibility Factor + _____
6. Other _____ + _____
   _____ + _____
   _____ + _____

   Sub-Total = _____
7. Less 25% for Housing Provided -- _____
8. FINAL CASH SALARY = _____
9. Social Security Reimbursement + _____

**TOTAL CASH COMPENSATION** = _____

**Amount designated housing allowance for current year -- _____

**Housing Equity Allowance + _____

**TSA's or other salary reductions -- _____

****CASH SALARY REPORTABLE TO IRS** -- _____

** Net total of these four must equal Total Cash Compensation. Whatever is not designated either as housing allowance or for a TSA must be reported as cash salary to IRS

# II. SUPPLEMENTAL FRINGE BENEFITS

The spiritual, mental, emotional and physical well–being of the worker is also part of the congregation's responsibility. The congregation is encouraged to establish a holiday schedule, regular days off, and a vacation policy. The congregation should encourage the worker to use the full-allotted vacation time for the enrichment of his/her ministry, his/her personal health, and the welfare of his/her family. It is to no one's benefit for a worker to avoid taking regular time off or vacations.

## CONCORDIA PLANS SERVICES

Congregations are encouraged to enroll and support their professional church workers in Concordia Plans Services of our Synod. While these plans are a significant expense to the congregation, they do provide the utmost protection of the worker and his/her family for health care, disability, and retirement. These plans are portable and allow a worker to accept a position in your congregation without a lapse of benefit coverage or penalty.

There are five programs of benefits within the Concordia Plans Services family:

1. The Concordia Health Plan (health insurance/major medical)
2. The Concordia Retirement Plan (supplement to Social Security)
3. The Concordia Pension Plan for Pastors and Teachers
4. The Concordia Disability and Survivor Plan (benefits to family in case of a worker's death or severe disability)
5. The Concordia All Cause Accidental Insurance Plan (optional)

Details on these plans are available from Concordia Plans Services, P.O. Box 229007, 1333 S. Kirkwood Road, St. Louis, MO, 63122–9007 or 1–888-927-7526 or at www.concordiaplans.org.

Concordia Plans Services requires the employer to pay the full cost of the Concordia Retirement Plan and Concordia Disability and Survivor Plan. The employer is also required to pay at least fifty percent (50%) of the cost for worker-only coverage in the Concordia Health Plan. The employer may pay for more than fifty percent (50%) of the cost of the worker-only coverage or pay for all or a portion of the cost for dependent coverage, but the employer must make such payments on a uniform and nondiscriminatory basis for all eligible workers.

Please contact Michelle Wadley at Concordia Plans Services for the health plans available. Her telephone number is 314-885-6721 or by email at michelle.wadley@concordiaplans.org.

Each congregation should strive to cover its workers under Healthy Me Copay A or Healthy Me Copay B. If your congregation chooses to cover your workers under another option and/or chooses not to pay for spouse and dependent coverage, you should consider the additional financial burden this puts on your worker and adjust his/her income so that the worker can afford appropriate medical care for his/her family. However, many congregations pay also for the worker's spouse and dependents.

All employers, regardless of size, participate in **Employer Choice** which means that the congregation and/or school may choose only **one** coverage option for workers. However, eligible employers may participate in **Worker Choice.** With this option, the congregation and/or school may offer workers **two or three** options from a list of pre-defined valid option combinations available. To quality for Worker Choice, employers must have a minimum of 15 workers enrolled in the Concordia Retirement Plan, at least 75% of eligible workers enrolled in the CHP (no fewer than 10 workers) and no dual health plan coverage with another carrier that is offered to workers. Whichever method of health premium coverage is selected by the employer, this method **must** be applied consistently to **all employees**. The employer cannot provide "full family" premiums for some workers and require others to pick up a portion of their premium. If an employer has chosen "worker only" health coverage and some employees are purchasing dependent coverage themselves, **significant tax savings** can be achieved by adopting the **"Flexible Spending**

**Agreement"** developed by Synod. This agreement between the employer and the worker allows the employee to pay health premiums with pre-tax dollars rather than after-tax dollars. The employer incurs minimal additional cost and the employee saves taxes. For details call Concordia Plans Services at 1-888-927-7526.

Remember that those participating in the "Offset/Regular" basis of the Concordia Retirement Plan, those enrolled after January 1, 1982, are to receive the difference between the full and offset contribution. This special payment assures that all workers deemed "self-employed" for Social Security purposes are treated equitably, whether they are participating in the CRP on a "Full Basis" or on the "Regular Basis". If the employer is already helping the worker pay part or all of the self-employment tax, the special payment described in this paragraph need not be considered an obligation by the congregation. Consult the **Treasurer's Manual (Chapters 1 and 4)**, Concordia Plans Services, or the District Office for specific directions regarding the offset plan.

If you are considering insurance coverage options other than Concordia Plan Services, please reach out to the CPS Representative for your ministry to insure an apples to apples comparison of benefits.

## FLEXIBLE SPENDING ARRANGEMENTS

Information regarding Flexible Spending Arrangements or Cafeteria Plans is available from the District office. These plans should be developed with the assistance of a tax accountant or attorney. Basically, the plans allow workers to set aside a portion of their salary for health care costs or childcare. There is no additional cost to the congregation once the plan is in place. Annual filing with the IRS on Form 5500 is required.

## TAX-SHELTERED ANNUITIES

Congregations are encouraged to provide tax-sheltered annuities to workers who desire them. As employees of qualifying tax-exempt organizations, they have a valuable opportunity to accumulate funds for their retirement. Contributions to a 403(b) tax-sheltered plan (named after the applicable sections of the Internal Revenue Code) can be made by the employee and/or employer. The money contributed and earned in the plan is not subject to federal income taxes until withdrawn. There is no cost to the congregation, but it can be a significant benefit to the worker. Currently, Fidelity Investments is the only 403(b) plan service provider utilized by Concordia Plans Services.

## VACATION

Your professional church worker needs time for renewal through regular days off and a planned vacation; this is essential to their ministry. As a congregation you should insist that the professional church worker use all of his/her allotted vacation time.

### VACATION SCHEDULE

#### 10 - Month School Workers

Receive paid vacation during Christmas, spring break, and other school vacations.

#### 12 - Month Workers

| Years of Service | Vacation Days |
|---|---|
| 1 - 4 | 3 weeks (3 Sundays for Pastors) |
| 5 - 19 | 4 weeks (4 Sundays for Pastors) |
| 20 + | 5 weeks (5 Sundays for Pastors) |

Years of service include total years the worker has been in ministry. When a worker has entered full-time church work later in life, you may wish to add one half year for every year of experience between the age of 30 and the age when the worker entered into his/her full-time ministry.

If the worker is in ministry at a school, each congregation needs to decide if any days off surrounding Christmas and Easter will count toward a twelve-month worker's vacation time. This decision should be communicated in advance to each affected individual.

Unused vacation time should not be carried over to the following year. However, if a worker has unused vacation days accrued at retirement or at the time he/she moves to a new location, he/she should be paid for that unused vacation time prior to leaving the congregation.

Every worker and his/her family need time off and the congregation is encouraged to provide and respect at least one full day off each week for the worker. In addition some congregations have allowed their pastor a weekend off on those months when there are five Sundays. This is considered compensatory time for the extra duties normally required during holiday seasons. Because pastors and their families are not free to observe the holidays, some congregations have provided several days and the Sunday following Christmas and Easter off in addition to the regular day off and vacation time allotted.

**NOTE:** Days off to attend required District, Circuit and Synod meetings and conferences and attendance at professional seminars and workshops are **NOT** vacation time and congregations should not consider these required meetings and professional growth conferences as days off or part of the allotted vacation time.

## SICK LEAVE

It is recommended that sick leave be granted in accordance with the Concordia Disability and Survivor Plan, that is, fourteen (14) calendar days per year. For schools this would be equivalent to ten (10) working days with the option that two (2) of those days may be used as personal time. Sick leave may be carried over, up to a maximum of 30 days, with no monetary reimbursement for unused days. The use of accumulated sick leave should be coordinated with the Concordia Plans.

A professional church worker, who becomes ill at the beginning of his/her ministry without having accumulated sick leave, may be advanced sick leave in anticipation that advanced days will be earned later in the year.

## ANNUAL PREVENTIVE HEALTH EXAM

The Concordia Health Plan encourages preventive health care and provides an allowance for an annual physical examination. Your congregation is encouraged to insist that your professional church workers avail themselves of this benefit and may, if necessary, supplement the allowance to insure on-going preventative health care for your professional church workers.

## PERSONAL TIME OFF AND EMERGENCY LEAVE

Personal business may occasionally require the worker to be away from the congregation. Many congregations provide two days per year for personal leave. Personal leave should not be counted as part of vacation, sick leave or regular days off.

To cover special cases of emergency leave, such as death in the immediate family, a congregation may grant special leave at the discretion of the governing Board. It is recommended that workers be allowed leave with pay at the time of a death in their immediate family or household. Immediate family, for the purpose of these guidelines, includes father, mother, brother, sister, husband, wife, child, grandchild, grandparents, father-in-law, mother-in-law, or any related person residing in the home of the worker. Leave for a death in the family should be granted for a period of three (3) working days at full pay.

Extensions may be granted by the congregation's governing Board. Emergency leave should not be counted as a regular day off or as part of vacation, sick leave, or personal leave time. If your pastor is granted emergency leave and the emergency requires him to be gone over a weekend, the pastor should make arrangements for a substitute to conduct worship services and to cover pastoral care and/or parish emergencies. Compensation for such substitutes should be arranged at the discretion of the governing Board.

## MILITARY LEAVE

If your worker is attached to an Armed Forces Reserve Unit, he/she will need special leave during the time required to serve on active duty. This is usually a two-week period during the summer months. The worker should receive full salary during this training period.

If your pastor is an Armed Forces Reserve chaplain, he should arrange for a substitute when the reserve training requires him to be away from the worship services. Unless it is an unusual situation, the pastor should pay for one Sunday and the congregation for the other. A pastor should be contacted to cover for pastoral care to the sick and in emergencies. Weekend duty is also required once per month. Usually this does not interfere with the pastor's Sunday obligations. Unless an unusual situation exists, there is no need for special compensation arrangements for weekend duty.

**Caution:** Whatever your congregation does with regard to sick or personal or military leave, you must use the same approach for all other full–time staff. Federal regulations require that all be treated the same. A staff person may not under federal law waive this requirement.

## RELOCATION ALLOWANCE

To help reduce the financial strain for workers new to their staffs, congregations are encouraged to provide a relocation allowance. The amount of the allowance should take into consideration such expenses as deposit for an apartment, utilities, telephone, etc. This type of allowance can help make the move and transition to a new location easier for the worker.

## MOVING EXPENSES

When a congregation calls a worker, it should pay all necessary and reasonable moving expenses, including adequate insurance for the possessions of the worker and his/her family. The use of a professional moving firm indicates to the professional church worker that you are concerned about their welfare and the protection of their personal belongings.

The Lutheran Church – Missouri Synod spends $2-3 million annually with van line companies relocating personnel throughout the synodical system. To provide more effective and efficient support of our relocation needs, we are recommending you utilize one of the following four (4) major van lines:

1. **BEKINS**……..Bekins Van Lines
   ..... Contact: ..... Shellie Law
   ..... Telephone:..... 1(800) 248-7960, ext. 338

3. **STEVENS** ..... Stevens Worldwide Van Lines
   ..... Contact: ..... Vicki Bierlein
   ..... Telephone:..... 1(800) 248-8313

4. **WHEATON** ..... Wheaton World Wide Moving
   ..... Contact: ..... Melissa Ujhelyi
   ..... Telephone:..... 1(617) 517-9876

We have contracted with these van lines to provide considerable benefits not previously available. HOWEVER, THESE VAN LINES MUST BE CONTACTED AT THE NUMBERS INDICATED ABOVE TO RECEIVE THE BENEFITS OUTLINED.

**Note: Per the LCMS Treasurer's Manual, (Section 6.140), moving expenses reimbursed or paid to a third party directly are taxable compensation and must be added to the employee's wages.**

## PROFESSIONAL EDUCATION DEBTS OF NEW WORKERS

Many workers enter the ministry with significant educational debts. They have undertaken these debts to serve you; so the congregation may well wish to consider assisting the worker in the repayment of these debts. Such assistance, however, is considered regular income for the worker and subject to all IRS taxes.

In addition, ***MinistryFocus*** is an RSO of the LCMS that offers grants for loan repayment assistance to professional church workers of the LCMS. There is a special fund for Mid-South District professional church workers with significant educational debt that was established by the MDS Board of Directors. For more information or an application, please click here.

## ANNIVERSARY - RETIREMENT

Anniversary and retirement celebrations are for the purpose of demonstrating appreciation to those workers with a certain number of years of service to the church. These guidelines are to help promote consistency for the proper recognition of the faithful services of our professional church workers by virtue of their dedicated service to the LCMS and the congregations they serve. A "Recognition Committee" should be appointed or elected to administer these responsibilities.

1. Anniversaries and Retirement:
   a. At a minimum, recognize 10, 25, 40 and 50-year anniversaries in full-time church work
   b. Recognize retirement from full-time church work
   c. Hold a reception/celebration event to be arranged by the committee
   d. Provide a gift of at least 1/2 month's salary upon 25 years of service
   e. Provide a gift of at least one month's salary at retirement

2. Annual recognition - the committee should provide appropriate recognition to be scheduled on a selected Sunday each year.

3. Additional items to consider:
   a. Invite: Family, colleagues in the area
   b. Notify: Former Congregations, District President

Any gifts to church workers where the donor receives a statement recognizing it as "tax deductible" should be reported as taxable income by the church worker. Please consult the Treasurer's Manual for more information.

# III. PROFESSIONAL EXPENSES

There are some expenses that your professional church workers have that are related to their assigned duties. Since these costs relate directly to service provided to the congregation, they are the responsibility of the congregation and reimbursement should be made to the professional church worker for these professional expenses.

## AUTOMOBILE-TRAVEL EXPENSES

Auto and travel expenses of your professional church workers in the performance of their duties are a business expense of the congregation and should not be considered personal expenses to be paid by the

worker. A program of reimbursement for auto and travel can take several forms. Congregations may lease or purchase a car for the worker to use or reimburse for actual miles driven or provide a flat allowance. Most tax consultants consider reimbursement for miles driven the best option given the IRS record-keeping requirements. The congregation should use a rate for travel reimbursement that does not exceed the current *IRS Mileage Reimbursement Rate* (see page 8 for current rate).

Whatever method is chosen, the workers should be reminded of their responsibility to maintain complete and accurate records to support tax claims, should that become necessary. Any part of that allowance or reimbursement which cannot be justified must be declared personal income.

## CONVENTIONS, CONFERENCES, RETREATS

Attendance by professional church workers at Synodical, District, and Circuit conferences, conventions, retreats, and workshops is required per LCMS Handbook 2023, Section 4.8.2(d)(1) and congregations should encourage their professional church workers to attend. It is the responsibility of the congregation to cover the cost of such attendance. This should include travel, lodging, meals, and registration expenses. The time given to these conferences and conventions should not be counted against days off or allocated vacation time. If the worker cannot attend for a legitimate reason, the congregation is still expected to pay the conference registration fee.

## CONTINUING EDUCATION

To address the changing conditions of our world and remain current with scholarship and professional concerns, professional church workers should be encouraged to participate in an approved program of continuing education. Since the congregation is the primary beneficiary of such program, the congregation should budget an annual amount for continuing education.

The 1994 Mid-South District Convention adopted Resolution 94-02-06 which states that each congregation is urged to set a minimum goal of $500 annually for each professional worker for continuing education. This is not added to the professional church worker's compensation but held in a reserve account and allowed to accumulate until needed. Each worker should submit an annual plan for continuing education. Reasonable travel and related expenses as well as tuition and room and board should be covered. The worker should not be expected to use vacation time for continuing education.

## STUDY LEAVE

Congregations are encouraged to provide, on a periodic basis and at congregation cost, a study leave for professional church workers that allows them sufficient time to undertake a dedicated study program. To lessen the financial burden at the time of implementation, the congregation may wish to provide annual funding in an escrow account. Guidelines for such a program of study leave are:

1. After 10 years of service in the congregation a professional church worker should be eligible for a 2 to 3-month paid study leave (renewable after each additional 10 years of service in the congregation).
2. Workers applying for such leave shall submit a written plan for the use of this time for professional growth and service and the congregation may expect a report following the conclusion of this leave.
3. The written request should be submitted and approved at least six months prior to the actual study leave so that adequate arrangements can be made to cover the duties of the worker on leave.
4. The District Office should be made aware of such study leave.

## PROFESSIONAL BOOKS, PERIODICALS, AND MEMBERSHIPS

The cost of books, journals, and other professional resources (memberships, software, etc.) often prohibits a professional church worker from taking advantage of these resources. To facilitate the professional growth of a professional church worker through books, journals, and other professional resources, the congregation should provide financial assistance to the worker. Funds provided for professional books, periodicals, and other resources should not be considered salary. It is suggested that a minimum of $750 be budgeted annually for your pastor. Additional amounts should also be budgeted if you have a school or other professional staff.

## HOSPITALITY

In today's busy world, your professional church worker may find it advantageous in his/her ministry to meet with prospective members, church members, congregation leaders, or boards at mealtime. The cost of such hospitality is part of the business of the congregation and should not be borne by the worker. The congregation should establish a clear policy regarding "hospitality" expenses and reimburse the worker for appropriate hospitality expenses incurred in the performance of his/her duties.

## MEMBERSHIP IN CIVIC CLUBS AND ORGANIZATIONS

Many communities have civic clubs and organizations (Rotary, Optimist, Civitan, Lions, etc.) that regularly gather together important community leaders. Having the pastor and/or another worker participate in such organizations may increase the congregation's outreach and support its ministry. Congregations may consider assisting their workers in the annual dues of such organizations.

# IV. MISCELLANEOUS ITEMS

## VACANCY PASTOR COMPENSATION

A vacant congregation is one without a full–time called pastor and a vacancy pastor is one who serves in the interim between full–time called pastors. Typical duties of a vacancy pastor include conducting confirmation classes, calling on the sick and shut–in, attending church council and voters meetings, and conducting adult instruction classes, weddings and funerals, and arranging for the regular worship services of the congregation. With the help of your Circuit Visitor, you should clearly specify the duties of the vacancy pastor and establish a fair compensation for his service. (See the worksheet, *Appendix A,* on page 28).

## SUBSTITUTE PASTOR COMPENSATION

It is suggested that the congregation establish an honorarium for guest or substitute pastors of $150-$250 ($150 - one service; $200 - two services $250 – two services and bible study) plus expenses (travel, telephone, meals, and/or lodging). When determining the amount of an honorarium, consider the substitute pastor's preparation time as well as the time conducting services, teaching Bible class, etc.
District congregations are encouraged to invite ordained District staff to preach upon occasion. If the preaching is related to that staff person's District responsibilities, the honorarium is not expected. If the District staff person is preaching because the pastor is absent or on vacation, the staff should receive the customary honorarium plus expenses.

## INTENTIONAL INTERIM PASTOR COMPENSATION

The District is seeing more congregations engaging the services of an Intentional Interim Pastor to serve during pastoral vacancies or in other special situations. As the Intentional Interim Pastor is called to serve

the congregation just as a permanent pastor would serve, but for a mutually agreed upon time of service, the congregation should follow the guidelines herein to determine appropriate compensation for the Interim Pastor. At the end of his intentional interim service, congregations are encouraged to provide an additional month of salary to the Interim Pastor in recognition that he might not move immediately into another parish and might be without salary for a period of time. It is suggested that pay increases for Intentional Interim Pastors be given at the same time as the rest of the staff; however, that increase may be pro-rated in accordance with the amount of time the Interim has served when the increase is given. For example, an Intentional Interim Pastor begins service on September 1 and increases of 6% are granted effective January 1. Since the Interim has served one-third of the year (4 months) at that date, his increase would be 2% (one-third of 6%).

## PASTOR'S DISCRETIONARY FUND

In the course of his ministry your pastor will be asked to provide minor financial assistance to people in need. These people come to the pastor as your representative and the funds for such assistance should not come from the personal funds of the pastor. Many congregations provide limited discretionary funds for such a purpose. When the pastor administers this fund for the congregation, he is expected to retain complete records regarding the use of these funds and to report back to the congregation on a regular basis on the disposition of such funds.

## HONORARIA

An honorarium is a personal gift to the pastor in special appreciation for his ministry (such as for weddings, funerals, etc). An individual or a family providing an honorarium is making a personal gift to the pastor. The pastor does not charge for his ministry and receives equitable compensation from the congregation. Gifts or honoraria should not be considered as part of the pastor's total compensation. Pastors are reminded, however, that the IRS considers any honorarium of $25 or more to be compensation and reportable for income tax and Social Security purposes.

# V. TAX CONSIDERATIONS

Congregations may find this section helpful in understanding the tax regulations governing their professional church workers. Some information from the previous sections has been repeated and/or referenced in this section.

## SELF-EMPLOYED MINISTERS OF THE GOSPEL

Ministers of the Gospel as Professional Church Workers are self-employed for income tax withholding and are subject to self-employment tax, not Social Security/Medicare tax. Therefore, ministers of the Gospel must compute and pay quarterly estimated tax payments. As an alternative, ministers of the Gospel may request their congregations to voluntarily withhold and deposit federal and state taxes. The request for voluntary withholding does **not** change the self-employment status. Social Security and Medicare tax **must not** be withheld; however, the self-employment tax should be withheld. A request for voluntary withholding should be in an amount to be withheld per paycheck, with any self-employment tax included with federal income tax withholding. Congregations should deposit voluntary withholding as if it were normal payroll tax withholding, using the same deposit requirements and reporting on quarterly and annual payroll tax returns.

In a private letter ruling issued to the LCMS dated February 20, 1992, female commissioned ministers-teachers, DCE's and deaconesses **listed on Synod's roster and actively engaged in ministry** are considered as ministers of the Gospel under the IRS code.

The following individuals listed on Synod's roster are considered ministers of the Gospel under the IRS Code:

Ordained Ministers of Religion
Male and female Commissioned ministers of Religion (Teachers)
Directors of Christian Education, Directors of Christian Outreach, Deaconesses, and Certified Lay Ministers
Directors of Family Life Ministry
Certified Lay Ministers
Directors of Parish Music, Parish Assistants

## SOCIAL SECURITY TAX ALLOWANCE

All called ministers of religion are considered self-employed for purposes of Social Security. Unlike other church employees, the congregation does **NOT** pay half of the FICA tax. The worker pays the entire tax. Because of this difference and because of the burden this often places upon called workers, many congregations have given their called workers the amount they would have had to pay if they were considered an employee.

**Caution:** This is considered taxable income for the worker but is a way of helping the called worker offset the high tax for self-employment. Your **Treasurer's Manual** will help in explaining this and will provide assistance for those congregations who wish to provide this allowance.

## OPPOSITION TO SOCIAL SECURITY

The Synod encourages participation in Social Security. An ordained or commissioned minister who claims a conscientious opposition on religious grounds to the acceptance of Social Security benefits may be called upon by the IRS or Social Security Administration to justify his/her opposition. It may be necessary for him/her to provide explanation to them. The worker should be aware that in view of Synod's position, its officials **cannot** act to aid any ministers claiming exemption from Social Security.

## TAXATION OF HOUSING REIMBURSEMENT

Ministers of the Gospel as outlined under "Social Security Taxes" have been granted favorable tax treatment by the IRS for designated housing allowances received pursuant to official actions (resolution) evidenced in the minutes of the governing body of the employer (voters' assembly, board of directors, etc.) This designation and official action **cannot** be made retroactively.

Called ministers of religion are eligible under Section 107 of the Internal Revenue Code to exclude from their gross income that portion which is used to rent or provide housing. Details on how a congregation should handle compensation to allow their professional workers to take advantage of the IRS ruling may be found in the congregational **Treasurer's Manual** or by calling the Mid-South District Office.

The housing allowance is **excluded** from taxable compensation to the extent that these funds are actually used to provide a home (rent, mortgage payments, utilities, furnishings, real estate taxes, repairs, etc.). The excluded housing allowance is not to exceed fair rental value for the type of residence occupied plus utilities and furnishings. The **worker** is responsible for supporting actual use of the funds for housing. If the actual expense is less than the housing allowance provided, the worker should report the excess as other income on page one of their personal income tax return.

Congregations should not include the housing allowance in Box 1 of the Form W-2 as compensation but should, instead, list it in Box 14 of the Form W-2 with the explanation "Minister of the Gospel Housing Allowance." For an example, see the **Treasurer's Manual (Section 7.350)**. Although excludable from income taxes, the housing allowance is fully taxable for self-employment tax purposes.

**Caution:** Your professional church worker may exclude from gross income the portion used to provide housing for income tax purposes but NOT for self-employment tax purposes (Social Security). The amount of Housing Allowance for each worker is to be determined by each congregation in consultation with its workers. The congregation should have a recorded voters' resolution that authorizes a specific sum or percent in advance of any payment. The congregational **Treasurer's Manual** has sample resolutions for use by your congregation.

**Note: Declaring a housing allowance exemption by a called church worker is a determination between the worker and the IRS. Taking or declining a housing allowance has no effect on the congregation nor extends liability to it. However, the congregation must acknowledge receipt of the notification of the housing allowance declared in it's official records.**

## VI. TELEPHONE NUMBERS AND E-MAIL ADDRESSES

Mid-South District Office – 1-866-373-1343 www.mid-southlcms.com
Concordia Plans Services – 1-888-927-7526 www.concordiaplans.org
Mrs. Angela Fowler, Mid-South District Executive for Business and Finance – 1-866-373-1343, ext. 3105 afowler@mid-southlcms.com.

**NOTE:** These Compensation Guidelines, the Worksheet for Calculating Salary, and the District Treasurer's manual are available to download from the Mid-South District Website, https://mid-southlcms.org.

**APPENDIX A**

**VACANCY/PULPIT SUPPLY - PASTORAL SERVICES**

**For month of:** _____

**Church name:** _____

**City, State:** _____

Pay to: Rev. John Doe
123 Main Street
Memphis, Tennessee

| | | | | |
|---|---|---|---|---|
| Salary: | _____ Sundays/services | @ | $150.00 single service | _____ |
| | | @ | $200.00 two services | _____ |
| | _____ Full days | @ | $250.00 per day | _____ |
| | _____ Hours | @ | $ 30.00 per hour | _____ |
| | | | Sub-Total | _____ |
| | | | (Keep track of for use on Form 1099, IRS) | |
| Travel Reimbursement _____ miles | | @ (current figure per mile) | | _____ |
| Lodging and Meal Reimbursement | | | | _____ |
| Additional Reimbursement for Preparation Time | | | | _____ |
| | | | **TOTAL** | _____ |

Approved By: _____
Chairman, Board of Elders