

DEFINITIONS

COMPENSATION INCLUDED IN EFFECTIVE SALARY

Annual Cash Salary is the compensation paid directly to the teaching Elder on an annual basis.

Utility and Furnishing and Appurtenances Allowances paid to teaching Elder should be included on this line if the manse utilities are in the name of the church and paid directly by the church they are not included in a teaching elders effective salary.

Deferred Compensation includes tax-sheltered annuities, 403(b) plans, Keogh and Retirement savings plans, housing equity allowances, and other forms of funded or unfunded deferred compensation arrangements.

Bonuses, Un-vouchered Allowances, Gifts, etc. are the year and other bonuses, un-vouchered allowances, such as expenses that are not paid through and accountable reimbursement plan, down payment grants for the purchase of a home, savings from interest-free or interest reduced loans (not loan principal), and gifts paid by the employing organization. (Gifts from private donors or honorary are NOT included).

Other Allowances includes all other forms of compensation not otherwise covered in lines 1 – 4, including medical deductible and expense reimbursement allowances not paid through a group benefits plan, insurance premiums for additional insurance coverage provided for individual employees (premiums for group plan coverage are not included), salary reduction contributions to flexible health spending accounts and cafeteria plans, etc. If an allowance is provided to reimburse for Self-Employment Contribution Act (SECA) tax obligations, any amount in excess of 50% of the teaching elders SBC a tax obligation should be included on this line (see line nine below).

Housing is the amount paid to the Teaching Elder for housing expense, or the value of the manse. Manse allowance must be at least 30% of the Total effective Salary for members who qualify for the IRS housing allowance exclusion.

Effective Salary is the total of cash salary, housing allowance or equivalent, deferred compensation, utility and furnishing allowances, SECA allowance over 50% estimated obligation, medical deductibles, bonuses, un-vouchered allowances, and gifts from the employer.

Benefits Plan Dues are figured at 37% of the Effective Salary. Note: If the member's full-time equivalent salary is below the minimum medical salary participation basis, your employing organization will be billed on the minimum. Please check with the Board of Pensions for current rates.

Vouchered Business Expenses

a. Continuing Education Allowance is the amount of the church or employing

organization agrees to reimburse for money actually spent, or to be spent for job-related continuing education purposes. Payment must be vouchered under an Accountable Reimbursement Plan, or paid under a Section 127 plan. This allowance must be at least \$1000 for full-time employees. Part time employees will be prorated as a percentage of full-time.

b. Automobile Expenses must either be reimbursed at the current IRS rate per mile, or be a car provided with full expenses paid by the church. All payments must be vouchered.

c. Business and Professional Expenses include such items as books, subscriptions to magazines, supplies, business meals etc., and should be reimbursed as spent and vouchered by the Teaching Elder.

Self-employment Contribution Act (SECA) Tax Allowance may be paid to offset the SECA tax obligation of clergy. If the allowance exceeds 50% of the teaching elders projected SECA tax obligation, the allowance in excess of 50% is subject to Benefits Plan dues and must be reported as other allowances.

Group Medical Deductibles, Coinsurance, Dental Premiums refers to a supplemental medical plan offered by the church or employing organization to cover its employee's additional medical expenses. If offered as a group plan, qualifying expenses can be paid by the employer and excluded from the employee's gross wages for federal income and Social Security tax purposes. IRS regulations govern these plans. If these expenses are reimbursed by the employing organization through means other than a third-party, the expenses constitute an allowance that would be subject to income and Social Security taxes and would be included in the effective salary.