

## Special Meeting of Yellowstone Presbytery

A special meeting of Yellowstone Presbytery has been called by Moderator Jack Bell for **Thursday, February 15, 2018.**

The meeting will be held by conference call and will **convene at 2:00 p.m.**

**The call-in number is 888-387-8686.**

**The room number is 406-586-7706 followed by the # sign.**

The purpose of the meeting is to examine the Rev. Diane White to serve as Interim Pastor of the First Presbyterian Church in Lewistown, Montana and membership in Yellowstone Presbytery. Terms of contract will also be considered. No other Presbytery business shall be transacted at this meeting.

For those who participate in the conference call on February 15, 2018, please send an email indicating your participation to [deb4cats@aol.com](mailto:deb4cats@aol.com) after the call has ended.

Debbie Blackburn  
Stated Clerk  
Presbytery of Yellowstone

## The Rev. Diane White's Statement of Faith

I'm overwhelmed that the one and only true God, who in the beginning set the stars in the sky and out of nothingness created everything, cares, protects, guides, gently disciplines, deeply loves, and waits with open arms to welcome and embrace us. In Scripture we learn of the mystery of the Trinity, three persons who together are one God, one in their goodness and actions on our behalf. As a result of the first sin, we experience separation from God; cease to care for each other at all times; allow others to live homeless; have a heartlessness, coldness and indifference towards others; and overlook injustices, all the while rationalizing our actions.

Through Jesus' life, where he denied his own rights, modeled justice, and cared for the outcasts, we learn how God desires us to live. We have assurance of eternal life because Jesus gave to God the obedience we actually owe, both in his living as the second Adam and in his dying in our place. In the death of Jesus, we see ultimate sacrifice, the giving of everything to God including one's life. I can only imagine the joy of one-day standing in the presence of God, made possible only through Jesus' death on the cross and his suffering the punishment we deserve. Through Jesus' resurrection, death's grip was broken. God, knowing humans need encouragement and discernment, sent the Holy Spirit to provide comfort, interpret Scripture, convict, and assist us in using our God-given gifts. Also, the Holy Spirit intercedes when we have no words.

Baptism by water is a way of publically declaring God's calling and the adoption of people of any age. At the Lord's Table, with Jesus in our midst, we celebrate and partake of the bread and wine with fellow worshippers. In taking communion together, we: experience the fellowship of Christ, made real by the people gathered with us; are reminded our sins are completely forgiven only by the love and grace of God through the blood of Jesus; and we anticipate Jesus' return. I look forward to the day Jesus returns and I, with all the saints of heaven and earth, will stand and worship before God and Jesus for all eternity. Until then, we are called to care for the outcast, seek justice, and love God's creations. Thus, out of obedience and gratitude, the church, through the power of the Holy Spirit, must continue to proclaim the Good News of the deliverance from bondage that comes only through Christ.

All of these things I believe and confess on the authority of scripture and I have taken hold of them by faith. I cannot comprehend the entire depth of God's love and grace, nor can I completely understand God's will. However, by faith I have the assurance, and I can rest in the knowledge, that because God is in control, everything in my life fits into God's plan for my salvation.

Church Name

City

Minister

At a congregational meeting held on 2/4/18 Session, the congregation approved the following terms of call for the church's pastor(s) for the year 2018.

YELLOWSTONE PRESBYTERY
YEAR 2018 ANNUAL MINISTER'S REPORT FORM - Part 2 (CRE salary is 75% of Full Time Pastor, pro-rated for Part Time)

COMPENSATION (subject to Board of Pensions Dues)

- 1. ANNUAL CASH SALARY \$40,000
2. FAIR RENTAL VALUE OF THE MANSE (Manse provided by church)ii \$
3. HOUSING ALLOWANCE (see notes following)iii \$ 10,000
4. UTILITIES ALLOWANCEiv (optional) \$
5. DEFERRED INCOMEv (optional) \$
6. MEDICAL DEDUCTIBLE, COINSURANCE PAYMENTS, DENTAL, INDIVIDUAL INSURANCE PREMIUMSvi (optional) \$
7. BONUSES, LUMP SUM ALLOWANCES, GIFTS, ETC.vii (optional) \$
8. OTHER (optional) \$
SUBTOTAL #2 (total of lines 1-8) [used only for calculation of Social Security Offset to be entered on Line 16 option] \$ 50,000
9. EXCESS SOCIAL SECURITY OFFSET B [ONLY SS OFFSET IN EXCESS OF 8.24% OF SUBTOTAL #2 IS PENSIONABLE.]11 \$
10. TOTAL EFFECTIVE SALARY (LINES 1-9).viii \$
11. BOARD OF PENSIONS DUES \$ 18,500 [please see note changes in 2018]

ACCOUNTABLE REIMBURSEMENT PLANix (then not subject to BoP dues, IRS taxes or Social Security)

- 12. CONTINUING EDUCATION (cumulative to 6 weeks, including 2 Sundays) \$ 600 [\$600 minimum]
13. PROFESSIONAL EXPENSES \$
14. AUTOMOBILE ALLOWANCE \$ 500 [Minimum terms: actual mileage or costs]
15. OTHER \$ 1600 Moving Expense

OPTIONAL

- 16. SOCIAL SECURITY OFFSET\* [Up to 8.24% of Subtotal #2 can be excluded from Effective Salary, anything greater must be included] \$ 3632
17. TOTAL COST OF MINISTRY TO CHURCH BUDGET (LINES 10-16) \$ 74,832

OTHER REQUIRED BENEFITS

- 18. VACATION 4 WEEKS (INCLUDING 4 SUNDAYS) 4
19. CONTINUING EDUCATION LEAVE TWO WEEKS (CUMULATIVE TO SIX WEEKS, INCLUDING 2 SUNDAYS)
20. FAMILY LEAVE - EACH CHURCH SHOULD DEVELOP A FAMILY POLICY

PASTOR Carol A. Brown CLERK OF SESSION February 4, 2018 DATE

REFER TO EXPLANATORY FOOTNOTES TO THIS REPORT FORM AND TO BOARD OF PENSIONS PUBLICATIONS.
\*\*Please return this page to the Presbytery office after it has been signed by the Minister and Clerk of Session (or other session appointee): Presbytery of Yellowstone, PO Box 1254, Bozeman, MT 59771

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## **FOOTNOTES TO CLERGY COMPENSATION REPORT FORM**

### **COMPENSATION**

<sup>i</sup> **ANNUAL CASH SALARY** - [as reported on Board of Pensions Forms] Annual Cash Salary refers to compensation paid to a minister on a regular basis (Monthly, Semi-Monthly or Weekly). Employed minister=s salary is to be reported on Form W-2, Box 1. Ministers are not to use IRS Schedule C (Form 1040) for reporting salary.

<sup>ii</sup> **FAIR RENTAL VALUE OF THE MANSE (Manse provided by church)** - [as reported on Board of Pensions Forms] If the congregation provides a manse, there is no direct payment to the minister related to housing. Nevertheless, the congregation is required to pay pension dues on a figure equivalent to the economic value of the free use of the manse (that is, the amount of rent that would be charged in the open market for similar accommodations). For the minister, the value of the manse is automatically free of income-tax liability - however, the value of the allowance still subjects the minister to Self-employment Taxes (that is, Social Security) on that figure.

Most congregations, which provide a manse, find it difficult to calculate the fair market value for the use of the manse. Therefore, the Board of Pensions (BoP) has set up a rule of thumb. The amount designated as the fair market value of the manse shall be at least 30% of the total of Lines 1 plus Lines 4 through 8.

In addition for tax purposes only, the minister has other expenses which can be designated as HOUSING ALLOWANCE (Line 3) in addition to the figure arrived at for FAIR RENTAL VALUE OF THE MANSE as determined by a third party evaluation (Line 2). Ministers need to estimate how much they expect to spend out-of-pocket in all of the other categories of home expenses (i.e., furnishings, maintenance and utilities if paid by the minister) and have that amount of their cash salary designated as HOUSING ALLOWANCE (Line 3) in addition to the FAIR RENTAL VALUE OF THE MANSE amount, as determined by a third party evaluation, (Line 2) already calculated.

It is important to understand that the ministers living in a church-owned manse have “two pieces” to their allowances housing:

- a. The value of the housing provided and
- b. A designated portion of their cash salary for out-of-pocket additional home expenses.

<sup>iii</sup> **HOUSING ALLOWANCE (House owned or rented by Minister)** - [as reported on Board of Pensions Forms] The amount designated as Housing Allowance is to be reported at actual expenses. The allowance normally includes utilities' costs.

- a. **MINISTERS WHO OWN HOME** - If you own your home and you receive as part of your pay a house or rental allowance, you may ***exclude*** from taxable gross income the smallest of the following amounts:
  1. The amount actually used to provide a house,
  2. The amount officially designated as a rental allowance,

***or***

  3. The fair rental value of the house, including furnishings, utilities, garage, etc.

You must ***include*** in taxable gross income any rental allowance that is more than the lowest of your reasonable compensation, the fair rental value of the house plus utilities, or the amount actually used to provide a house. Ministers who own their home will want to designate a housing amount to cover the total cost of owning, costs of their furnishings, cost of decorating, utilities, etc.

- b. **MINISTERS WHO RENT THEIR HOME** - If you rent your house you will want to designate an amount to cover the actual rent paid, cost of your furnishings, cost of decorating, insurance, utilities, etc.

<sup>iv</sup> **UTILITIES ALLOWANCE** - [as included on Board of Pensions Forms] The estimated figure for a minister's costs for utilities is usually included under the HOUSING ALLOWANCE (Line 3). However, if a separate payment for utilities is made to the minister it should be reported here. The UTILITIES ALLOWANCE may be in addition to the VALUE OF THE MANSE figure (Line 2). The following notations should be considered in the handling of Utility Allowance:

- c. These allowances, if paid directly to the minister, are to be included in Effective Salary for dues computation.
- d. If the utility service is registered in the name of the employing organization and the utilities are paid directly by said organization, the value of these services are not included in Effective Salary.
- e. If the minister lives in the manse and receives an additional allowance for utilities and/or furnishings, the allowances are to be included in Effective Salary, in addition to the 30% manse amount.

<sup>v</sup> **DEFERRED INCOME** - [as reported on Board of Pensions Forms] Deferred income includes retirement benefits offered by some congregations to their ministers. Deferred income includes tax-sheltered annuities, IRS 403(b) Plans, Retirement Savings and Money Plans, Housing Equity Allowance, and other forms of funded or unfunded arrangements. **All** amounts set aside for deferred compensation contracts are considered as **EFFECTIVE SALARY** for Board of Pensions dues calculation.

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vi MEDICAL DEDUCTIBLES, COINSURANCE PAYMENTS, DENTAL INSURANCE PAYMENTS, AND INDIVIDUAL INSURANCE PREMIUMS - [as reported on Board of Pensions Forms] Additional allowances paid or reimbursed by the congregation to the minister (other than dues for participation in the basic benefits provided by the Benefits Plan of the PCUSA), are **included** in EFFECTIVE SALARY: payments for medical deductibles, coinsurance payments, employer funded Flex accounts, dental insurance costs and individual insurance policies.

vii BONUSES, LUMP SUM ALLOWANCES, GIFTS, ETC. - [as reported on Board of Pensions Forms]

Year-end and other bonuses, lump sum allowances which are not part of an ACCOUNTABLE REIMBURSEMENT PLAN (as defined by the IRS), gifts from the church or employing organization (not gifts from private donors), down payment grants, and savings from interest-free loans (not loan principal) are compensation to be included in EFFECTIVE SALARY.

viii TOTAL EFFECTIVE SALARY - Total Effective Salary is the sum of Lines 1-9 of the Clergy Compensation Report Form. Total Effective Salary is the amount subject to Board of Pensions Dues, and it consists of compensation received in a Plan year by a Plan member from an employing organization.

ix An ACCOUNTABLE REIMBURSEMENT PLAN for ministry related expenses has several advantages for the minister and congregation. It is a way to more accurately estimate the minister's true income for the purposes of calculating tax and pension dues. The underlying principle of such a plan is that a minister is not liable for taxes on income received as reimbursements (receipted expenses) to cover ministry-related expenses. Neither is the congregation liable for BoP dues on these expenses. An ACCOUNTABLE REIMBURSEMENT PLAN allows the minister to pay taxes only on true income and allows the congregation to pay pension and medical dues on actual salary.

For the congregation's dues calculation, continuing education, professional and auto expenses are not included in EFFECTIVE SALARY for dues computation **IF** they are reimbursed to the minister through an **ACCOUNTABLE REIMBURSEMENT PLAN**:

- f. Continuing education expenses include such items as tuition, room, board, travel to study events, and should be reimbursed as spent by the minister. These expenses should not be paid on a regular monthly or lump sum basis before actually incurred or accounted for because that is considered income for the pastor.
- g. Professional expenses include such items as books, subscriptions to magazines, office supplies, meals related to the practice of ministry, vestments, etc., and should be reimbursed as spent by the minister.
- h. Automobile expenses are not part of income; they are part of the congregation's cost of doing ministry. Accurate records of mileage or auto expenses should be kept by the minister.

According to the IRS rules to qualify as an ACCOUNTABLE REIMBURSEMENT PLAN, ministers must "adequately account" to their employers for their ministry related expenses. They must give their employers documentary evidence of all of their expenses -- maintaining the same type records and supporting information they would have to furnish the IRS to substantiate a deduction. To qualify, an ACCOUNTABLE REIMBURSEMENT PLAN must meet the following three requirements:

- a. all expenses reimbursed under the plan must be ministry related
- b. there must be adequate accounting
- c. there must be provision for a return of any excess reimbursement.

(An example of an Accountable Reimbursement Plan for adoption by Sessions follows these notes.)

**Important to note** - If the church does not have an ACCOUNTABLE REIMBURSEMENT PLAN, the allowances and reimbursements to employees are considered EFFECTIVE SALARY subject to 35% Dues payable to the BoP.

\* A 50% SOCIAL SECURITY OFFSET for 2018 is computed on the basis of 8.24% of SUBTOTAL #2 (the sum of Lines 1-8 of the Clergy Compensation Report Form). The actual IRS rate for employer's Social Security is indeed 7.65%. The discrepancy arises because the IRS and BoP have different formulae for calculating income. The IRS includes the SOCIAL SECURITY OFFSET as income, the BoP does not ("up to 50% of the minister's liability").

Since the IRS formula for taxation is slightly different from the BoP calculation for EFFECTIVE SALARY, then the correct figure for "50% of the total Social Security Tax owed by the minister" is 7.65% of 1.0765 times EFFECTIVE SALARY, that is, it is equal to 8.24% of SUBTOTAL #2.  $[0.0765 \times 1.0765 = 0.0824]$

The General Assembly encourages all ministers to participate in the Social Security system, and all churches are urged to consider the 50% of the total Self-employment Tax owed by the ministers as part of their compensation package. (A church cannot legally pay the Social Security Tax for the minister, but they may provide the minister an extra payment to "offset" that tax liability.)

When a church agrees to provide an extra payment to a minister for the purpose of paying all or a part of her or his Social Security Tax, the extra payment must be reported on the minister's Form W-2, Box 1 as taxable salary according to IRS Ruling 69-507. If the church provides a payment in excess of 50% of the minister's Social Security

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Tax (that is, in excess of 8.24% of SUBTOTAL #2), then the amount in excess of 8.24% of SUBTOTAL #2 must be included on Line 9.

EXAMPLE - ACCOUNTABLE REIMBURSEMENT PLAN

Business & Professional Expense Reimbursement Policy

1. Any employee of the church shall be reimbursed for ordinary and necessary business and professional expenses incurred on behalf of the church if -
  - a. The expenses are reasonable in amount and have a business connection.
  - b. The employee adequately accounts to his/her employer the amount, time and place, business purposes of each expense and the business relationship of any person for whom expenditures were incurred, in a manner sufficient to satisfy IRS regulation 1.62-2(d)(1) of the Internal Revenue Code.
  - c. The employee provides documentation and accounts to the church Treasurer or Business Manager for each month's expenses including receipts, canceled checks and bills, not more than 5 working days after the end of each month.
  - d. Auto expenses will be reimbursed on the basis of the IRS maximum allowable rate, plus receipted actual tolls and parking fees or actual receipted auto expenses.
  - e. Any advance or reimbursement of expenses that exceeds the amount of the expenses substantiated in accordance with this Policy shall be returned to the church not less than 120 days after it is received by the employee.
2. Under an Accountable Reimbursement Plan excess reimbursements must be returned to the employer; otherwise, the excess reimbursement is reported as wages on Box 1 of Form W-2.
3. The church will not reimburse expenses that are not substantiated in accordance with this policy.
4. All documentation submitted in accordance with this Policy to the Treasurer or Business Manager will be copied by the church and should be retained by the employee for at least 4 years.
5. Refer to IRS Publication 463 for additional detail on "Accountable Reimbursement Plans."