Sample Motions

A church board may pass each of the following motions separately or as one action covering the pastor's salary and benefit package. The following models are one acceptable pattern. Feel free to copy the blank motions for personal use. The italics portions at the top may be cut off, leaving the body of the motion intact. Just fill in the blanks, and enter into the minutes of the church’s governing board.

The following motions cover five areas of compensation:

A. Minister’s Housing Allowance Policy

B. Ministry Expense Reimbursement Motion

C. Starting A Medical Expense Reimbursement Policy

D. Pension Policy for the Pastor

E. Withholding Policy for Pastors

F. Summary of Compensation Package
A. A Minister’s Housing Allowance Motion

If the pastor rents or owns his/her own home this motion will be appropriate. For those churches with a parsonage, please see the note following. It is best to pass this motion annually prior to January 1.

A Minister's Housing Allowance Motion

On the date of _____________________, the following motion was introduced:

After considering the provisions of Internal Revenue Code §107 that provides for a minister's housing expenses to be free from Federal income tax, we considered our pastor's estimate of housing expenses for the next year. At his/her request we designate the following portion of cash salary as:

_______ Housing allowance (based on Fair Rental Value)
_______ Utility allowance (based on expected expenses)
_______ Furnishing and maintenance allowance (based on a fraction of Fair Rental Value)
_______ Total Housing Allowance
_______ Remaining taxable salary (noted for information purposes)

moved by ____________________________________________ and

name

seconded by ________________________________________

name

That the pastor's annual housing allowance of $______________________ be approved as proposed, effective (date)________________________. These funds may be considered taken from the first funds received each year or after the date passed. This allowance shall stand as long as Rev._______________________ is employed in this capacity or until this agreement is changed at a future date.

Clergy are responsible for reporting any portion that is unspent as taxable income on their tax return. If the total amount exceeds the “Fair Rental Value” as allowed by the IRS, the pastor’s taxes could be increased.

Passed on the date of ________________.

NOTE:
If the church owns its own parsonage the first line will be blank.
If the church owns the parsonage and pays the utilities directly, the first two lines will be blank.
Where there is a parsonage, the church usually pays for all repairs and maintenance.
B. A Ministry Expense Reimbursement Motion

This action brings the church into compliance with the latest IRS regulations regarding "Accountable Reimbursement Plans" as of 1992.

A Ministry Expense Reimbursement Motion

In accordance with Internal Revenue Code Section 62(a)(2)(A), expenses paid or incurred by an employee in conjunction with services performed for an employer are not income if reimbursed through an accountable expense allowance arrangement.

The church resolves to reimburse the ordinary expenses of ministry for Rev. __________________________ including car, education, travel and other professional supplies under the following conditions:

1. Receipts for all expenses will be turned in to the treasurer.
2. A daily mileage log will be kept for all ministry use of car. This log will be available for inspection by the employer and be kept for four years.
3. If the amount budgeted is not spent, the unspent funds remain with the employer.
4. If the amount budgeted is exceeded, no part of the salary may be renamed as “reimbursement”.
5. The church approves the reimbursement amount of $_________________.

Please check the option preferred:

_____ Ceiling: Expenses reimbursed only up to this amount.

_____ Adjustable Ceiling: Expenses reimbursed up to this amount. Excess expenses reimbursed at the discretion of the board.

_____ Estimate: Expenses reimbursed even if they exceed this amount.

The pastor's Annual Ministry Expense Reimbursement Account be approved as proposed effective (date)_________________. This amount shall stand as long as

Rev. ____________________________ is the pastor or until this agreement is changed at a future date.

moved by ________________________ and

name

seconded by ______________________

name

Passed on the date of ________________.
C. Starting A Medical Expense Reimbursement Policy

This action allows the church to establish a plan in compliance with the latest IRS regulations regarding Section 105. It is not a substitute for a complete plan.

Starting A Medical Expense Reimbursement Policy

The church resolves to establish a Medical Expense Reimbursement policy for Rev. ____________________________ and family under the following conditions:

1. A benefit plan will be written and reviewed by a qualified tax attorney, CPA, or other qualified professional.

2. The treasurer or other church officer will have training provided or seek assistance in IRS required record-keeping and filing requirements for such plans.

3. A few of the features of this program include:
   a. Receipts for all expenses not covered by health insurance will be turned in to the treasurer.

   b. Expenses must be for the current calendar year only.

   c. If the amount budgeted is not spent, the unspent funds remain with the employer.

   d. If the amount budgeted is exceeded, no part of the salary may be renamed as "medical reimbursement".

   e. All full-time employees must have this plan made available to them as part of their compensation package.

   f. Expenses will be reviewed yearly by a qualified professional.

Moved by ____________________________________ and

                      name

seconded by ______________________________

                      name

that the church will offer a Medical Expense Reimbursement Plan to all full-time employees. This plan will be final and be approved following development of a written plan meeting IRS regulations.

Passed on the date of ________________.
D. A Pension Policy for the Pastor

This motion commits the church to provide a regular payment into a pension plan that qualifies under IRS rules. Professional counsel should be sought when beginning such a plan.

Pension and 403(B) plans have complex limitations. Churches may fund their own plan through a “Rabbi Trust” arrangement. These are equally complicated plans only suitable for churches with substantial assets.

A Pension Policy for the Pastor

In accordance with IRS provisions, we agree to provide payments to a qualified pension plan based on either a flat amount or a percentage of salary as indicated.

___ The flat amount will be $___________ per year.

___ The percent of salary plus housing will be ________%
   (Appropriate for denominational plans)

___ The percent of cash salary will be __________%
   (This figure is necessary for 403(B) plan limitations)

Such payments will be made by the church to the pension fund
___ Monthly
___ Quarterly

It is understood that qualified pension plans and 403(B) Plans are not reported as wages. Nor are such benefits included in figuring Social Security taxes. Withdrawals are deemed housing expenses to the extent used.

The church approves the budgeted pension amount of $________________.

moved by ________________________ and
   name

seconded by _______________________
   name

Passed on the date of ________________.

That the pastor's annual pension payment be approved as proposed effective (date)_______________. This agreement shall stand as long as Rev. ____________________ is the pastor or until this agreement is changed at a future date.
E. A Withholding Policy for Pastors

In accordance with IRS Circular E, Ministers may have income taxes voluntarily withheld by the employing church if both parties agree.

A Withholding Policy for Pastors

After considering the request of Rev. ______________________ we approved withholding from each paycheck, sufficient to pay the estimated tax obligations as reported by the minister for the following taxes as marked:

_____ Federal Income Tax

_____ State Income Tax

_____ Local Income Tax

_____ Other ________

The church will forward withheld taxes to the proper agency and report the same to the minister. Employers withholding $2,500 or more each quarter must make monthly deposits through a local bank using FTD coupons available from the IRS.

A church must never include a minister’s wages for Social Security, FICA or Medicare computations. Federal withholding is reported quarterly on Form 941. Similar forms may be required for states and cities.

The treasurer may adjust payroll withholding to a different amount on the minister's request.

The church is not responsible if the minister's estimate of taxes is incorrect.

This agreement is effective immediately and will stand until amended.

moved by ________________________________ and

name

seconded by ________________________________

name

Passed on the date of ______________________.
F. Summary of Compensation Package

This motion lists the amounts for each of the “five baskets” for the purpose of annual reports and budgets. It can be used in addition to the previous motions as a summary statement.

Summary of Compensation Package for _________________

For the year of __________ we set the salary and benefits at the following annual levels:

__________ Taxable Salary

__________ Housing Allowance: Housing, Furnishings and Utilities

__________ Ministry Expenses to be reimbursed

__________ Fringe Benefits: Primarily Health Insurance

__________ Pension

__________ Total Compensation Package

moved by ________________________ and

name

seconded by _______________________

name

Passed on the date of ________________.