

ND District Salary Guidelines 2023 for Pastors

Adopted by the ND District Board of Directors August 2022



An annual review of a pastor's compensation is more than finding the new salary number on the chart. It includes a discussion of salary, benefits, reimbursement for professional expenses, personal time off as well as housing expenses. When these matters are openly discussed and understood by lay leadership and then adopted by the congregation, our *Life Together* is blessed. Consensus on these matters helps your congregation (or parish) keep its focus on Word and Sacrament ministry.

Pastors are often uncomfortable initiating or leading this discussion. He should be an active participant in the conversation, but he should not be expected to initiate or take the leading role.

NEW FOR 2023

The 2023 North Dakota District LCMS pastor salary scale reflects a 3.0% Cost of Living Adjustment (this may vary slightly due to rounding) increase over 2022. Although inflation is much higher, insurance costs are expected to be approximately 6.9% higher so this will be a substantial increase in the monetary value of benefits.

The effect of the oil patch on the cost of living in the western half of the state has softened over the past few years. However, the cost of living remains higher in western North Dakota. This is primarily attributed to higher housing costs.

OTHER SALARY CONSIDERATIONS

These guidelines are designed for use by a single congregation served by a sole pastor. In North Dakota, a sole pastor serving a single congregation has become less common. Dual, triple, multi-staff congregations/parishes and other parish/congregation configurations need to adapt the guidelines to fit their unique circumstances and workload.

One way to use these guidelines is to use a multiplier to differentiate ministry roles in your congregation. For example, to differentiate the role of a senior pastor from other pastors on staff, a congregation could choose to increase his salary as determined on the salary scale by a set percentage (a multiplier). The same method could be used in situations where a pastor serves more than one congregation. The use of a multiplier (a percentage above scale) acknowledges the extra time needed for travel, preparation and attending more official meetings/functions. For instance, a pastor serving two congregations might be expected to routinely attend two separate voter's meetings plus an occasional parish meeting. Serving more than one congregation might also mean attending two LWML meetings and two elder meetings, etc.

Some pastors are ordained after serving the church in other roles. In these cases, consideration should be given to crediting the pastor with additional years of experience. He should keep in mind, however, that should he accept another divine call in the future that the receiving congregation may not grant him those extra years.

A multiplier of 2-5% is common depending on the workload and assigned responsibilities.

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Most pastors begin their ministry with a Masters of Divinity which requires 4 years of graduate study at a seminary. Some choose to pursue an additional advanced degree (such as a Doctor of Ministry). A multiplier may be used to acknowledge this additional training and knowledge.

UNIQUE TAX STATUS OF PASTOR

A pastor is considered an ordinary or common law employee by the IRS for *income tax* purposes.

However, with respect to Social Security taxes, ministers of the Gospel are treated as self-employed. Self-employment tax (SECA) is the equivalent of both the employer and employee social security (FICA) and Medicare contributions (totaling 15.3%).

Virtually all cash paid to a worker by a congregation is subject to SECA tax.

If a congregation provides a parsonage, the fair rental value of the parsonage (even though no cash has exchanged hands between the worker and congregation) is subject to SECA tax. If a cash housing allowance is paid, the worker pays SECA tax on the housing allowance paid.

Clergy taxes are complicated. These guidelines are not a substitute for professional tax advice. The *LCMS Congregational Treasurer's Manual* provides guidance on IRS reporting requirements and payroll issues. It is updated annually. It can be found on the LCMS.org web site under the "Resources" tab then click on "Church and School Administration".

Clergy are not subject to mandatory income tax or FICA/Medicare tax withholding. They make estimated quarterly tax payments. Voluntary withholding is permissible. However, both the pastor and the treasurer need a clear understanding of how these withholdings are reported to avoid IRS scrutiny.

Income received from honorariums for funerals, weddings, etc. is subject to yet additional IRS rules. Reporting these types of income to the IRS is not the responsibility of the congregation.

Clergy income is reported to the IRS using a W-2 form. It is the responsibility of congregation leadership to ensure the W-2 is reported to the IRS in a timely manner and copies supplied to the pastor before January 31 of each year. The *LCMS Congregational Treasurer's Manual* provides examples of how to fill out a pastor's W-2. Contact the Fargo office for more information.

CONCORDIA PLAN SERVICES (CPS)

Concordia Plan Services offers three distinct benefit programs: the Concordia Health Plan (CHP), the Concordia Retirement Plan (CRP) and the Concordia Disability and Survivor Plan (CDSP).

The premiums charged for these plans are dependent upon a variety of factors. Each Plan has its own premium and appears separately on the monthly CPS bill.

These ND District guidelines do not describe every coverage option, premium charge or benefit available through CPS. Church leadership and, of course, workers covered by CPS are expected to read, understand, and follow the rules and guidelines of CPS. Customer representatives are available to answer questions by calling toll-free: 1-888-927-7526. The CPS website: concordiaplans.org offers a wealth of information and training for church leaders as well as those enrolled in CPS.

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LCMS Concordia Health Plan

Concordia Health Plan (CHP) is the ND District's preferred health insurance provider. In the North Dakota District, the majority of congregations pay 100% of the health insurance premium needed by the pastor and his family. The Concordia Health Plan bundles dental, eye, hearing aids, prescription drugs, mental health as well as health care into a single comprehensive program.

Employers choosing health insurance from another provider should carefully compare coverages. "Cheaper" health insurance premiums from "outside" insurers are appealing. However, such insurance often does not provide coverage comparable to CHP. For instance, a worker who becomes disabled and is enrolled in all three Concordia Plans will have their CHP Health insurance premiums waived after 6 months of disability until they reach retirement age. If an employer is not in all three Concordia Plans at the time a worker becomes disabled, this health insurance premium waiver is lost.

AUTOMOBILE EXPENSES

Auto use for ministry purposes should be reimbursed. Discussing the ministry's estimated mileage needs in advance will help avoid misunderstandings and budget surprises later. One of two reimbursement methods is typically used. If the congregation provides a car, there is a different set of IRS related requirements.

(1) Ministry (business) mileage is reimbursed at the IRS rate per mile driven. As of this writing (August 2022), the IRS mileage rate is 62.5¢. The 2023 mileage rate will be announced near the end of 2022. Using this method, the pastor records all ministry miles driven during the month and submits them for reimbursement. The IRS has specific rules for reporting mileage in a driving log. Mileage reimbursements using this accountable method are not subject to income or self-employment taxes. In some circumstances, confidentiality may need to be protected. It should be determined before this happens, how confidentiality will be protected and, yet mileage be reimbursed.

(2) If a flat monthly auto allowance is provided in lieu of mileage reimbursement, this method may result in income and SECA tax liability depending upon actual business miles driven annually. A flat auto allowance is reported as taxable income on the pastor's W-2. The worker must maintain adequate records to show business mileage to deduct these dollars from his income when he files his personal IRS 1040.

CONVENTIONS & CONFERENCES

Conventions and pastor conferences, including monthly circuit meetings (Winkels) are **required** by Synod. They are considered integral to a congregation's ministry. These are not "days off". Meals, lodging, registration fees and other related costs are legitimate "business" expenses and should be paid by the congregation(s).

HOUSING & UTILITIES

Every parish is expected to provide for the worker's housing needs.

Parsonage provided

When a congregation provides a home, all utilities are paid by the congregation excluding personal long distance telephone costs and other items of a personal nature/choice. Lawn care, snow removal, routine house maintenance, cable TV, etc. should be discussed to determine who provides the necessary equipment, who does the work and who pays the bill. Charges for premium or add-on services (movie channels, call waiting, etc.) should also be discussed prior to their installation. Internet service should be considered a routine housing expense.

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Lay leadership should assure that the parsonage provides the pastor and his family a modern, comfortable, well-maintained home. Trustees need to regularly inquire as to the home's condition and make necessary repairs and updates. The parsonage family's privacy should always be honored. This means no unannounced inspections or repairs.

The parsonage family should view the parsonage as a trust deserving of their care and respect. Permission should be received prior to making changes/improvements to the home or adding pets. The parsonage, when vacated, except for normal wear, should be in a condition similar to when it was first occupied.

Pastors are required to pay self-employment tax (SECA) on the fair rental value of a parsonage (see the LCMS Treasurer's Manual for a definition of *fair rental value*).

Housing equity

If the parish provides a parsonage, it should consider adding a Housing Equity Allowance to the pastor's salary. This annual amount roughly equates to equity the pastor would accrue as a homeowner. These dollars are meant to be used as a down payment on a home in the future. It should be treated as ordinary income.

Pastor buys or rents housing

If a parsonage is not provided, a Cash Housing Allowance should be added to the pastor's salary. This amount should be sufficient to cover the rent or mortgage payment, utilities, property taxes, insurance, and other necessary costs of home ownership in the community. **Review this allowance annually so that it remains adequate.** A housing allowance set in 2010 does not cover 2023 housing expenses.

Workers are required to pay self-employment tax (SECA) on all cash housing allowance dollars. For example: A \$1,000 per month cash housing allowance, after paying the SECA tax, leaves about \$860 for paying actual housing expenses. The cash housing allowance should be adjusted accordingly to provide adequate "cash in hand" dollars needed to pay actual housing expenses.

IRS Housing Allowance Resolution

A pastor's total compensation is comprised of his cash salary and cash housing allowance if he is providing his own home. The practice of dividing the pastor's compensation into a "cash salary" and a "cash housing allowance" has no meaning to the Internal Revenue Service. It is merely church practice.

Congregations **annually** must designate a portion of the pastor's total compensation in a Housing Allowance Resolution recorded in the Minutes of an official meeting so that the portion of his earnings used to provide housing may be excluded from income tax. The amount designated in the resolution as the IRS Housing Allowance will vary depending on each individual's housing arrangement.

The IRS Housing Allowance Resolution does not involve paying additional dollars to the pastor. It is simply a designation for income reporting purposes that allows the pastor to exclude a portion of his compensation/earnings which is used to provide housing from income tax. These dollars are not reported as taxable income on the worker's W-2. He must be prepared to verify to the IRS that the dollars designated by the Housing Allowance Resolution were actually used for housing costs.

The congregation must pass a Housing Allowance Resolution **before** the pastor can begin to take advantage of this tax benefit. Sample Resolutions and a more thorough explanation of this tax benefit are in the **Congregational Treasurer's Manual**.

Pastors living in a parsonage are also eligible for this "tax break". While not making house payments/rent or paying utilities, a pastor living in a parsonage might purchase furniture, pay renter's insurance, buy cleaning supplies, or incur other related housing expenses which are eligible.

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The dollar amount designated in the IRS Housing Allowance Resolution can be larger than the cash housing allowance paid to a pastor.

SECA TAX ALLOWANCE

A pastor pays both the employer and employee's share of Social Security/Medicare taxes (SECA). SECA is roughly 15.3% of the total cash salary and cash housing allowance (or fair rental value of a parsonage). The IRS does allow for some adjustments to lower income prior to calculating the tax. Congregations are encouraged to help pay the employer portion of this tax by adding a SECA allowance to the pastor's compensation. Such an allowance is a mixed blessing. This allowance is reported as taxable income and it is subject to the SECA tax.

PROFESSIONALISM - PERSONAL NEEDS

Ministry is not predictable. Many evenings, weekends and holidays are consumed by ministry activities or unexpected needs of members. Weddings (including premarital counseling), funerals (family visits, prayer and funeral services), hospital visits and other pastoral care cannot be scheduled for the convenience of the pastor. Stories of a pastor family returning early from vacation to care for a member family who has experienced a death are common. Most of the time, these functions also require additional preparation time.

A pastor needs time to *re-create*. A pastor and the elders need to discuss this important matter. Striking a balance between ministry and relaxation is ultimately the pastor's responsibility, but sometimes he needs "permission" to take this time. He should not abuse this privilege. Neither should the congregation deny him this flexibility.

Personal time off for sickness, funerals, and other emergencies should not be counted as vacation time or as the pastor's day(s) off. The congregation should have a policy in place *prior* to such a need arising. If there are no sick pay/ benevolence pay/family leave policies or guidelines in place, the congregation should be prepared to be generous on a case-by-case basis.

The spiritual health and physical wellness of church workers and their families is a newly recognized concern. Pastors need to be encouraged to pursue activities which contribute to their spiritual and physical health.

VACATION

The pastor should discuss his vacation plans well in advance with the appropriate church board so that there is adequate time to arrange for pastoral care and pulpit supply during his absence. It should also be determined who makes these arrangements – the pastor or elders. It is often difficult to find an ordained pastor to fill in during vacation time. This can lead to a pastor not taking vacation time. In these cases, an elder may need to lead worship in the pastor's absence with the pastor's guidance.

The pastor and congregation should mutually define what constitutes a vacation day. It also is good to set a policy as to whether unused vacation days may be accrued for use in the following year. Also determine who keeps the official tally of vacation days available/used.

Vacation days should be prorated for the first calendar year of service to a congregation.

Years of Experience is calculated using all years of LCMS ministry regardless of location.

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All calendar days are counted as vacation days. Legal holidays occurring within a vacation period are not counted as vacation days.

YEARS OF EXPERIENCE	CALENDAR DAYS	SUNDAYS
0-5 years	21 days	3 Sundays
6-14 years	28 days	4 Sundays
15+ years	35 days	5 Sundays

STUDENT DEBT

Student loan debt has become a major concern for the earthly health and vitality of the church. The 2016 Synod Convention overwhelmingly passed Resolution 18-03a addressing this concern.

Pastors complete 8 years of higher education to become eligible for ordination. Many pastors enter the ministry with student loan balances which are very large. Also, a pastor recognizes that he will not receive rapid salary increases to ease this burden.

The reality of a long repayment period creates stress. Lay leaders may wish to discuss this topic with their workers. The Lutheran Federal Credit Union (www.lutheranfcu.org) offers Rostered Church Worker loans. There is a loan specifically designed to restructure student debt. The District President can offer additional insights and discuss other possible resources and/or options.

QUESTIONS?

If you (either worker or lay leader) have questions or would like to visit with your circuit visitor about compensation and benefits, please contact him.

Questions may also be directed to President Arie Bertsch at 701-509-2889 or lcms.nd.dp@outlook.com or to Tami Ulland at 701-360-1469 or lcms.nd.busman@gmail.com.

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Years of experience	Year of Graduation	Baptized members	Baptized members	Baptized members
		up to 300	301-600	600+
0	2023	\$44,223	\$45,451	\$46,677
1	2022	\$44,577	\$45,815	\$47,027
2	2021	\$45,312	\$46,548	\$47,756
3	2020	\$46,037	\$47,269	\$48,496
4	2019	\$46,636	\$47,978	\$49,224
5	2018	\$48,198	\$49,418	\$50,651
6	2017	\$49,644	\$50,900	\$52,120
7	2016	\$51,084	\$52,300	\$53,632
8	2015	\$52,540	\$53,738	\$55,080
9	2014	\$53,984	\$55,189	\$56,512
10	2013	\$55,442	\$56,651	\$57,953
11	2012	\$56,911	\$58,096	\$59,401
12	2011	\$57,082	\$59,548	\$60,857
13	2010	\$57,253	\$60,978	\$62,287
14	2009	\$57,425	\$62,441	\$63,720
15	2008	\$57,597	\$63,877	\$65,153
16	2007	\$57,741	\$65,314	\$66,587
17	2006	\$57,886	\$66,033	\$68,052
18	2005	\$58,030	\$66,759	\$69,515
19	2004	\$58,175	\$67,494	\$70,974
20	2003	\$58,321	\$68,169	\$72,429
21	2002	\$58,437	\$68,850	\$73,154
22	2001	\$58,554	\$69,057	\$73,885
23	2000	\$58,671	\$69,264	\$74,624
24	1999	\$58,789	\$69,437	\$75,333
25	1998	\$58,906	\$69,611	\$76,049
26	1997	\$59,024	\$69,750	\$76,771
27	1996	\$59,142	\$69,889	\$77,462
28	1995	\$59,260	\$70,029	\$77,617
29	1994	\$59,379	\$70,169	\$77,772
30	1993	\$59,498	\$70,310	\$77,928
31	1992	\$59,587	\$70,415	\$78,084
32	1991	\$59,676	\$70,521	\$78,240
33	1990	\$59,766	\$70,627	\$78,396
34	1989	\$59,856	\$70,732	\$78,514
35	1988	\$59,945	\$70,839	\$78,632
36	1987	\$60,005	\$70,945	\$78,750
37	1986	\$60,065	\$71,051	\$78,868
38	1985	\$60,125	\$71,158	\$78,986
39	1984	\$60,185	\$71,265	\$79,105
40	1983	\$60,246	\$71,371	\$79,223