



Employer Provisions

501 Effective Salary

Benefits Plan References

Article III Dues

Original Date

01/2017

Revision Date

01/2022

Effective Salary

Effective salary refers only to compensation received from the member's employer. It does not, for example, include payments or gifts received from other employers, other organizations or groups, or individuals.

Effective salary includes all compensation subject to federal income tax and some compensation and benefits that are excluded from tax, such as housing allowances, certain deferred compensation plans, and certain pretax benefits offered by employers. Certain pretax benefits are not included in effective salary if the benefits are offered to all employees. The current taxability of particular compensation under federal and state income tax laws does not determine whether it is included in effective salary.

The effective date for any salary change, including bonuses, must be within 60 days of the current date. There will be no adjustments to salary after the date of death or the onset of disability.

Specific Types of Payments

For questions about taxes associated with a form of payment, call your tax adviser. The Board's service representatives may answer effective salary questions but are not qualified to provide tax advice (e.g., on federal income tax, FICA, or SECA).

You can also refer to the Tax Guide for Ministers on Benefits Connect.

Form of Payment	Is it included?	Explanation
Annual Cash Salary	Yes	The full amount of gross cash compensation paid to the member must be included in effective salary. The annual salary or 12-month salary must be reported. For example, if the salary is \$20,000 but the member starts July 1, report the annual salary of \$20,000, not the amount the member receives for the part of the year he or she works.
Book Allowance	No	It is not included if it is reimbursed to the member through an accountable reimbursement plan. An accountable reimbursement plan follows the Internal Revenue Service (IRS) regulations for reimbursing workers for business expenses in which reimbursement is not counted as income.
	Yes	It is included if it is a lump-sum amount paid directly to the member and not a reimbursement processed through an accountable reimbursement plan.
Bonuses	Yes	An adjusted effective salary incorporating the actual amount of the bonuses must be reported within 30 days of the award. Pension credits for the bonus are accrued during the year in which the bonus is paid.
Car Allowance	No	It is not included if it is reimbursed to the member through an accountable reimbursement plan.
	Yes	It is included if it is a lump-sum amount paid directly to the member and not a reimbursement processed through an accountable reimbursement plan.
Copay and/or Coinsurance Reimbursement	No	It is not included if paid or reimbursed by a third party as part of a supplemental wraparound plan provided by the employer (under Internal Revenue Code Sec. 105) on a group coverage basis to all employees of that employer or members of the sponsoring governing body.
	Yes	It is included if paid or reimbursed to the member by the employer on an individual basis, even if the payments are made through a flexible spending account (FSA Sec. 125 Plan).
		It is included if paid or reimbursed by a third party as part of a supplemental wraparound plan provided by the employer on an individual basis. The amount includes the dues or premiums paid by the employer for that coverage, not the benefits actually received.

Form of Payment	Is it included?	Explanation
Deductible Reimbursement	No	It is not included if paid or reimbursed as part of a Health Reimbursement Arrangement (HRA) or supplemental wraparound plan provided by the employer (under Internal Revenue Code Sec. 105) on a group coverage basis to all employees of that employer or members of the sponsoring governing body.
	Yes	It is included if paid for or reimbursed to the member by the employer on an individual basis, even if the payments are made through a flexible spending account (FSA Sec. 125 Plan). It is included if the member's deductible amounts are paid or reimbursed by a third party as part of an HRA or a supplemental wraparound plan provided by the employer on an individual basis. The amount includes the dues or premiums paid by the employer for that coverage, not the benefits actually received.
Deferred Compensation Elective Contributions and Certain Employer Contributions (See below for treatment of matching employer contributions to the Retirement Savings Plan.)	Yes	Deferred compensation plans (funded and unfunded) include employer and member contributions to 403(b) plans [including the Retirement Savings Plan of the Presbyterian Church (U.S.A.)], Rabbi trusts, and other forms of funded and unfunded deferred compensation arrangements. These arrangements are generally elective and negotiated as part of an individual member's overall compensation package. As long as the member has a legally enforceable right to the deferred sums at some time in the future, the sum set aside in a given year to reserve for that obligation is included in the member's effective salary that year. If an employer offers to match elective contributions made to the Retirement Savings Plan, the employer match portion of the contribution is not included in effective salary.
Deferred Compensation Matching Employer Contributions	No	Employer contributions made to the Retirement Savings Plan of the Presbyterian Church (U.S.A.) to match elective contributions by employees are not included in effective salary. Any match program must be available universally to all eligible employees.
Down Payment	Yes	Any down payment amount on a house/condominium given to the member or paid for the member outright (that is, without the stipulation that the member must pay it back) is considered compensation and is included in effective salary.
Dues/Benefits Plan	No	The amount paid by the employer represents that organization's share of the funds needed to provide the benefits to all members of the Benefits Plan, and is not included in effective salary.

Form of Payment	Is it included?	Explanation
Equity Allowances	Yes	Sums paid or contributed by an employer to a deferred compensation plan or other account on behalf of a member residing in a manse to compensate for equity which the member forgoes by not owning his or her own residence are included in effective salary. See Deferred Compensation for additional details.
Flexible Spending Account	Yes	See Section 125 Allowances.
Furnishings Allowance	Yes	These arrangements are generally elective and negotiated as part of an individual member's overall compensation package. If a member lives in a manse and receives an additional allowance for furnishings, the additional allowance is included in effective salary, in addition to the 30 percent manse amount.
Gifts from the Employer	Yes	Gifts of cash given to the member by the employer are included in effective salary because they are compensation in addition to annual cash salary. Adjustments to the annual effective salary because of the gift must be reported within 30 days of the gift being given. Dues and pension credit accruals will be adjusted retroactively.
Gifts from Others	No	Gifts from private donors are not included in effective salary.
Health Reimbursement Arrangement	No	An option under which expenses paid for medical or other healthcare services not reimbursed by the Medical Plan, such as vision, hearing, dental care, and cost-sharing requirements (like deductibles, copays, and coinsurance), are reimbursable by the employer on a nontaxable basis, provided that Internal Revenue Code Sec. 105 requirements are met. Also see Deductible Reimbursement.
Honoraria	No	These are gifts for services provided to an organization other than the employer and are not included.
Health Savings Account	Yes	See Section 125 Allowances.
Housing Allowance	Yes	This allowance is an elective portion of an individual member's compensation package. For this reason, it is included as part of effective salary. The housing allowance amount is designated annually by the session or employer in advance of payment. Effective salary also includes any amount designated as housing allowance and used to pay rent to the employer. Rent reported as housing allowance for the employer-provided housing is the fair market value of the housing as determined annually through appropriate means.

Form of Payment	Is it included?	Explanation
Insurance Premiums (Group Policies)	No	Premiums for group coverage, such as dental, vision eyewear, etc., provided by an employer to all employees in one or more employment classifications are not included under any circumstance. All Benefits Plan benefits that are paid for by an employer are considered group policies.
Insurance Premiums (Individual Policies)	Yes	Premiums for individual insurance policies (e.g., auto, disability, life, supplemental medical, etc.), other than dues for participation in the basic benefits provided by the Benefits Plan of the Presbyterian Church (U.S.A.), that the employer pays or reimburses the member for at his or her request are included in effective salary.
Loan Forgiveness	Yes	Loan forgiveness is reported as effective salary.
Loans – Interest-Free	Yes	Interest savings to the member because of the nature of this type of loan are included. The amount of interest included in the effective salary calculation is that amount reportable under federal income tax laws.
Loan Principal	No	The principal of the loan is not included in effective salary because it will be paid back to the lender.
Manse Value	Yes	The rental value of a manse may only be designated if provided to a minister of the Word and Sacrament or commissioned lay pastor and the rental value of the manse is included in effective salary. The amount included shall be at least 30 percent of all other compensation included in effective salary. Also see Furnishings Allowance and Utilities Allowance.
Medical Expense Reimbursement	See Copay and/or Coinsurance Reimbursement and Deductible Reimbursement.	
Mileage	No	This professional expense, if reimbursed through an accountable reimbursement plan, is not included. See Car Allowance.
Moving Expenses	No	Moving expenses for relocation for a new position reimbursed or paid for by an employer pursuant to itemized receipts are not included in effective salary.
Overtime	Yes	Overtime pay, which must be reported in January each year for the preceding year (and credited to the year for which it was paid), is included in effective salary. Dues will be billed retroactively.
Rent Allowance	See Housing Allowance.	
Section 125 Allowances	Yes	Voluntary salary reductions from a member’s cash salary for Section 125 tax-advantaged plans (e.g., healthcare FSA, dependent care FSA, or HSA) are included in effective salary.

Form of Payment	Is it included?	Explanation
Self-Employment Contributions Act (SECA) Reimbursements	Yes, in excess of 50 percent.	SECA tax is generally 15.3 percent of the minister's net income. If the employer pays for or reimburses the minister more than 50 percent (in other words 7.65 percent) of this expense, then the amount in excess of 7.65 percent is included in effective salary.
Severance Pay	Yes	<p>A severance payment is any money given by an employer to a Benefits Plan member in association with the member's termination of eligible service, regardless of the description of that payment (e.g., gift, goodwill payment, payment for unused vacation) is included in effective salary. The presence or absence of a formal written agreement is not a factor when determining if the payment is considered severance.</p> <p>Dues are payable on any and all components of effective salary that are part of the severance arrangement. This applies whether or not the severance arrangement provides that the employer continues to pay for benefits and whether the severance payment is paid as a lump sum or in installments.</p> <p>When a severance arrangement extends the terminated employee's benefits beyond the last day worked, dues continue as if the employee were still on the payroll until the date specified in the arrangement subject to plan guidelines.</p> <p>When a severance arrangement does not extend the terminated employee's benefits beyond the last day worked, dues are paid in a single payment on all components of effective salary included in the severance payment, based on the member's level of benefits participation on the last day worked.</p> <p>Severance payments must be reported in advance of or immediately upon termination. If applicable, adjustments to dues and pension credits will be made for the year in which the payment is made.</p>
Study Allowance	No	It is not included if it is reimbursed to the member through an accountable reimbursement plan, provided for studies that are related to employment, and undertaken in the current year.
	Yes	It is included if it is a lump-sum amount paid directly to the member and not a reimbursement through an accountable reimbursement plan or given to the member for studies completed before the current year.
Study Leave	Yes	Pay during study leave is generally part of an employee's annual cash salary and constitutes compensation included in effective salary, even though the member is not working.

Form of Payment	Is it included?	Explanation
Tax-Deferred or Tax-Sheltered Annuities	Yes	Voluntary salary reductions from a member's cash salary are compensation to be included in effective salary.
Utilities Allowance	No	If a member lives in a manse and the utility services are maintained in the employer's name and paid for directly by the employer, the value of those services is not included in effective salary.
	Yes	If paid directly to the employee, utility allowances are included in effective salary. If a member lives in a manse and receives an additional allowance for utility services and/or furnishings, the additional allowances are included in effective salary, in addition to the 30 percent manse amount.
Vacation	Yes	Vacation pay is generally part of an employee's annual cash salary and is included in effective salary, even though the member is not working.
Wraparound Plans	See Copay and/or Coinsurance Reimbursement and Deductible Reimbursement.	