



Administrative Rule 501: Effective Salary

Benefits Plan Reference: Section 3 - Dues

Original Date: 01/2017

Revision Date: 01/2025

Overview

Effective Salary refers exclusively to compensation from the employer. It does not include payments or gifts from external organizations, groups, or individuals.

Compensation included in Effective Salary comprises amounts subject to federal income tax and certain tax-exempt compensation and benefits, such as housing allowances and deferred compensation plans. The taxability of compensation under federal or state laws alone does not determine its inclusion in Effective Salary.

Employers must report changes in Effective Salary, including bonuses, within 30 days of the effective date. The Board will not adjust Effective Salary after the date of a member's death or the onset of a member's disability.

Key considerations

- For questions about taxes, consult a tax adviser.
- Employers must report adjustments related to gifts, bonuses, or severance within 30 days to the Board.

Form of payment	Is it included?	Explanation
Allowances book/car/study	No	Excluded if reimbursed via an accountable plan under the IRS rules.
Annual cash salary	Yes	Gross annual compensation must be reported. For partial-year employment, report the full annual salary.
Bonuses/gifts to an employee	Yes	Must be reported within 30 days of award; pension credits for the bonus accrue in the payment year.
Copay, coinsurance and/or deductible 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 employees of the sponsoring governing body.

Form of payment	Is it included?	Explanation
Deferred compensation	Yes	Includes employer and employee contributions to the Retirement Savings Plan of the Presbyterian Church (U.S.A.), 403(b) plans, or similar arrangements. If an employer offers to match elective contributions made to the Retirement Savings Plan, the employer match portion of the contribution is not included. Employers must make any match program available to all eligible employees.
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 employees under the Benefits Plan and is not included in Effective Salary.
Housing allowance	Yes	Includes designated amounts for housing, even if used to pay rent to the employer.
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.
Manse value	Yes	Included if a manse is provided to clergy, in an amount equal to at least 30% of all other compensation included in Effective Salary.
Self-Employment Contributions Act (SECA) reimbursements	Yes, in excess of 50%	SECA tax is generally 15.3% of the minister's net income. If the employer pays for or reimburses the minister more than 50% (in other words 7.65%) of this expense, then the amount in excess of 7.65% is included in Effective Salary.
Severance pay	Yes	Includes all payments related to termination, whether made as a lump sum or in installments. Dues apply to all salary components of the severance arrangement.
Spending accounts (125 allowances)	Yes	Includes voluntary salary reductions for tax-advantaged plans [e.g., flexible spending accounts (FSAs) or health savings accounts (HSAs)].
Tax-deferred/sheltered annuities	Yes	Includes voluntary salary reductions for tax-advantaged plans.
Utilities allowance	No	Excluded if utilities are maintained in the employer's name and paid for directly by the employer.
Vacation pay	Yes	Included, even though the employee is not actively working.