Financial Information for Churches and Pastors

A Starting Point for Clergy and Church Finances

Susquehanna Conference of the United Methodist Church

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Clergy Personal Finances

Disclaimer: This document is for general information only. This should not be considered professional or legal advice.

CLERGY TAXES

All UM clergy serving churches – Local Pastors, Associate Members, Elders and Deacons in a church appointment setting – enter a whole new world when it comes to Federal Taxes.

A Certified Lay Minister is NOT clergy and is treated as any other lay employee.

1. For federal INCOME tax, state and local taxes UM Clergy are considered employees.

2. Church may withhold federal INCOME TAX.
    a. If the church is withholding federal income tax you should fill out a W-4
    b. You may request additional withholding to be paid into the IRS which can help to cover/eliminate quarterly tax payments (see 5 below).

3. Church may withhold state taxes and must withhold local income taxes.
    a. Churches will issue a W-2.
    b. Churches will not treat clergy as "sub-contractor" and will not issue a 1099.

4. For SOCIAL SECURITY purposes, UM Clergy are considered self-employed.
    a. Church will not withhold and submit FICA ("employee" contribution to SS because clergy are self-employed for SS) and will not submit "employer's" contribution to SS (since clergy are self-employed for SS, the church is not the employer).
    b. In the Susquehanna Conference, a Social Security offset is added to the pastor's salary to help compensate for the "employer's" contribution. The offset and salary are added together as taxable income and reported as a total on W2 form.
    c. If a pastor is not participating in Social Security (if s/he properly opted out) or is serving in retirement, s/he is not entitled to the SS offset.
    d. Clergy must file Schedule SE – Self-employed Social Security.
        i. Any clergy residing in a church-owned parsonage must include the fair rental value of the home and utilities for the number of months the clergy resided there in addition to the salary.
            1. Check newspaper ads for similar housing or contact a real estate agent for fair rental values.
            2. If the rental value is set artificially lower than similar housing in the area to help save the pastor money, the

pastor would be liable for the full rental value, plus fines and interest when audited.

3. The amount the church paid in utilities should be added to the fair rental value.

ii. A Housing Allowance received by a pastor not residing in a parsonage may be excluded from Federal Income Tax to the extent that it is used to provide a home (with appropriate documentation). That allowance is counted as income in addition to the salary on form SE.

5. Pastor is responsible for quarterly tax payments.
   a. Self-employed wage earners must pay 100% of the tax amount paid in the previous year or 90% of the anticipated tax to be filed in quarterly amounts for federal taxes.
      i. State taxes, if not withheld, are also required to be paid quarterly. Local taxes must be withheld.
      ii. Check with the proper state officials for further information.
   b. See IRS documents for further details and ways to pay. It is the taxpayer's responsibility to determine the amount to be paid and/or withheld if the church is voluntarily withholding Federal taxes www.irs.gov.

6. Honoraria – the gift that isn't a gift
   a. Honoraria is compensation and is taxable per IRS code
   b. Not reporting income is fraud
   c. Even if you sign the check and drop it in the offering plate – it came through you and is taxable
   d. Cash, grocery cards, etc. from the church or church members to the pastor are taxable
   e. If you receive honoraria for an event (wedding, funeral, etc.) you cannot claim mileage or other expenses

7. Moving Expenses change in tax code
   a. Beginning with moves made in 2018, conference paid moves are taxable regardless of the mileage of the move. A 1099 will be issued and the pastor will include it as income.
   b. Paying tax on the move is still less than paying for the move.

8. Attend a Clergy tax seminar or download the clergy tax packet available at http://www.gcfa.org/tax-packet. Also look for other resources that are available for further understanding of clergy taxes.
   a. Use a tax professional familiar with clergy tax laws if you are uncertain of how to properly file your taxes.
   b. Note that many tax preparation services (H&R Block, Jackson Hewlett, etc.) use seasonal help who do not necessarily understand clergy taxes.

Get a recommendation from clergy friends. Some tax preparation software is user friendly for clergy, some is not.

9. Clergy Housing
    a. Full time Susquehanna Conference clergy reside in church-owned parsonages (with rare exceptions). Some part-time clergy also reside in parsonages.
        i. Church pays all utilities – water, electric, sewer, garbage, fuel, telephone (service and equipment on at least each floor of the house) service.
        ii. Church pays the installation costs for cable/satellite.
        iii. Church may pay for basic cable/satellite but it is not required.
        iv. Church will provide high speed internet for the pastor. If this is provided in the church, the pastor will pay for internet in the home (may be negotiated).
        v. The church shall furnish appropriate lawn mower and appropriate snow removal equipment. If equipment is not furnished, church must provide lawn care and snow removal.
        vi. Parsonage building and church owned contents (appliances, curtains, etc.) are covered by Conference property and casualty insurance. Conference insurance provides limited coverage for pastor's personal items stored in the church.
        vii. Pastor should purchase a renter's policy to cover furniture and personal property in the parsonage. Additional coverage may be desired for personal property stored at the church. Neither the Annual Conference or the Charge are responsible for personal losses. Seek professional advice.
    b. Clergy with housing allowance – the allowance MUST be designated in advance and approved by the charge or church conference.
        i. It is excludable from gross income for IRS tax – must be able to verify use of the full amount to provide a home.
        ii. Must be included as income on SE.

10. Parsonage Exclusion for Furnishings (on Susquehanna Conference's Clergy Compensation Form 6) (also called Housing Exclusion Allowance in some tax resources)
    a. Available to those residing in a parsonage.
    b. Amount must be set in advance and approved by a charge or church conference vote. It must be clearly noted on Form 6. It may be voted on separately.
    c. Cannot exceed 25% of cash salary (base plus SS offset) or the fair rental value of the parsonage, whichever is lower.
    d. This is an exclusion, which means this amount is not included in salary reported to IRS (it is reported to state and local). It costs the church nothing.

i. Pastor must be able to account for all expenses used to provide furnishings and other items for living in and keeping up the parsonage (gas for the lawn mower, a new chair, light bulbs).
ii. Only the amount that the pastor can document may be excluded. The difference is reportable as income.
iii. Example 1: Pastor J. earns $40,000. The Charge sets a PEF in the amount of $5,000 at Pastor J's request. Pastor J. tracks expenses through the year and spends $3,500 on qualifying parsonage furnishings. Only $3,500 may be excluded from salary total to IRS. W2 shows $36,500 as income for federal, $40,000 for state and local.
iv. Example 2: Pastor J. earns $40,000. The Charge sets a PEF in the amount of $5,000 at Pastor J's request. Pastor J. tracks expenses through the year and spends $8,500 on qualifying parsonage furnishings. Only $5,000 may be excluded from salary total to IRS. W2 shows $35,000 as income for federal, $40,000 for state and local.
v. The PEF must be set in advance by the charge conference and cannot be changed retroactively.
vi. Document and keep receipts – it is the pastor's responsibility to maintain records.
vii. Get advice from a clergy tax professional.

11. Salary Reductions
    a. Salary Reduction for certain things can exclude that amount from current taxation.
    b. Salary Reduction for pension contributions (optional – it is permissible to contribute "tax-paid" funds to your pension).
        i. Pastors are STRONGLY encouraged to contribute at least 4% of their salary in addition to the retirement paid by the church. A matching contribution of up to 4% will occur on personal contributions.
        ii. A Salary Reduction agreement must be in place for this amount to be "pre-tax" (it remains valid for the duration of the appointment unless changed). When moving to a new appointment, a new salary reduction agreement must be made.
        iii. As "pre-tax" contributions these would be taxed upon receiving the proceeds from the pension account, however,
        iv. Susquehanna Conference annually passes a motion allowing 100% of the pension proceeds for retirees be designated for Housing Allowance (which would not be taxable for federal purposes).
        v. This portion of the tax code has been challenged in the court system and could change.
    c. Salary Reduction for health Flexible Spending Account (FSA)

i. During the annual election of benefits on our current health care plan, there is the option of creating a Flexible Spending Account for out-of-pocket health care.
ii. The amount chosen is deducted by the church and paid along with the retirement and health insurance bills.
1. The full amount is available beginning January 1
2. A Wageworks Mastercard is issued.
3. May be used for health care co-pays, vision, dental, OTC, prescriptions, etc.
4. Excluded from income – non-taxed dollars.
5. Up to $600 may be carried over into the next year. Any unused funds above $600 will be lost if not used. (Make end of year dental appointments, buy prescription sunglasses, etc.) Check your benefits on the Wespath Website or with the Conference benefits administrator (http://susumc.org/index.php/about-us/finance-administration)

d. Salary Reduction for Health Care Contributions
i. Full time pastors currently pay a percentage of their salary towards the cost of health care, based on their choice of plan.
ii. This is a salary reduction (non-taxed) and is billed to the church along with retirement. The church withholds the amount from the gross salary.

12. Accountable Reimbursement Plan (ARP)
a. The church/charge shall adopt a policy to establish an Accountable Reimbursement Plan. See http://www.gcfa.org/tax-packet for sample policies.
b. Once the policy is adopted, it is funded annually in the church budget. The amount of the ARP is included in the clergy compensation report (Form 6).
c. Some churches include mileage reimbursement in the ARP.
d. The amount chosen is the maximum and once it is used, there are no more reimbursements. If there are sufficient funds in the budget, the church/charge may increase the amount.
e. ARP is for business related expenses incurred as part of the clergy person's service to the church. See http://www.gcfa.org/forms-and-resources for additional helps under "local church".
f. KEY POINTS
i. ACCOUNTABLE – receipts and description of the expense must be submitted in a timely fashion. No receipt, no check! "Timely" fashion is generally considered to be 30 days. You may choose quarterly or other time frame with approval of SPRC.
ii. REIMBURSEMENT – Generally, the purchase is made out-of-pocket and then reimbursed.

1. With approval for the expense, a church credit card can be used to make the purchase or a check can be sent for a purchase or registration.
2. SPRC chair or Finance Chair should review the expenses for approval.

g. BUSINESS expenses
   i. Expenses not covered in other budget line items.
   ii. Purchases made under ARP **belong to the church.**
      1. Books, computers, subscriptions, office furnishings – any tangible items belong to the church.
      2. Clergy robes, stoles, etc. belong to the church.
   iii. Continuing education opportunities beyond the CE budget: learning should relate to the church/appointment and should be approved in advance.
   iv. Housing, meals, travel while visiting parishioner in distant hospital.
   v. Gifts for children or volunteers of the church, items for children's message.
   vi. Other items or services that meet IRS definition of business related and enhance the ministry of the pastor.
   vii. Unused portions of the amount budgeted do not roll over.

13. Travel
   a. May be part of the ARP – limited to the amount of the ARP, excess travel is not reimbursed. Travel reimbursement is not income.
   b. If included as a separate line item with notation that the figure is an estimate, not a cap, additional travel expenses may be reimbursed.
   c. Most churches choose the option to pay the IRS rate. Any amount that may be reimbursed above the established IRS rate is taxable income. Current rates can be checked on-line.
   d. Travel includes mileage reimbursement, parking & tolls with receipts.
   e. Mileage needs to be documented with distance traveled (using GPS or actual odometer readings), destination, client, purpose. Pastor must keep these details. SPRC chair or treasurer are expected to keep information confidential. If there is an issue of privacy, the request turned in to the church may say "church member in XYZ hospital" or similar notation. However, in case of audit, pastor must have complete records with names.
   f. If miles traveled exceed the approved reimbursement amount, unreimbursed business miles can be claimed on income tax.
   g. Commuting miles are not reimbursable.
   h. Miles for an event for which you receive honoraria are not reimbursable

i. Visit http://www.gcfa.org/tax-packet for General Council on Finance and Administration Clergy Tax Packet or www.irs.gov for further information

14. Worker's Compensation
    a. Clergy and church employees in the Susquehanna Conference are covered under the Conference's worker's compensation plan, EXCEPT Emory UMC, Hancock NY. Emory participates in NY state worker's compensation.
    b. Injuries of employees or pastor on church or other property while doing church business or should be reported to the Conference Benefits Administrator, Christine Sims (csims@susumc.org) and your District Superintendent.
        i. An injury that occurs while the Pastor is sledding down parsonage front lawn is NOT worker's compensation. (Unless it is a church sponsored sledding party…then it might be.)
        ii. An injury that occurs in the pastor's garage while loading Christmas baskets for the shut-ins probably is worker's compensation.
        iii. An employee who falls on the ice in the parking lot arriving or leaving work is worker's compensation.
        iv. An employee who happens to park in the church parking lot to go Christmas shopping and falls on the ice – probably not.
        v. If in doubt, check with the Conference Benefits Administrator.

15. Employment and Unemployment
    a. Pastors and church employees are not covered by Unemployment Insurance; thus, if an employee or pastor is let go, they will not receive unemployment benefits.
    b. Local Pastors are licensed while under appointment. There are no guarantees of an appointment; an appointment can be ended at any time by the Bishop.
        i. The District Committee on Ministry must approve local pastors annually for licensing. If a pastor is not approved, s/he is not eligible for an appointment.
        ii. The Bishop (in consultation with the Cabinet) fixes appointments. If an appointment is not available or not desired by the bishop and cabinet, a local pastor may not receive an appointment.
        iii. Like most states, PA is an at-will state regarding employment. This means that employment can be terminated with or without cause, at the will of the employer. The only exception to this in PA is the Public Policy exception (can't fire a whistle-blower). A reason for dismissal is not required.
    c. Provisional Elders, Associate Members and Elders

i. The Book of Discipline ¶337.1 grants security of appointment to all elders. Provisional Elders, ¶326 and Associate Members have the same security of appointment, ¶321
ii. Provisional Elders, Associate Members and Elders offer themselves to full itineracy. Those who wish to limit their itineracy forfeit their security of appointment. S/he will be asked to sign a limited itineracy document.
iii. Less than full time appointments are made by the Bishop for missional reasons.

d. Provisional Deacons, Deacons
i. As the calling of the Deacon is in service to the world and in connecting church to world, Deacons and Provisional Deacons seek their own employment/ministry setting.
ii. Once that is secure, the Deacon or Provisional Deacon seeks the consent of the Bishop to affirm and set the appointment.
iii. This may be a paid or non-paid appointment.
iv. There is no security of appointment for Deacons or Provisional Deacons.
v. Deacons whose full-time appointment is to a church setting will receive salary compensation not less than the minimum established by the equitable compensation policy of the annual conference for elders. Deacons may also participate in the conference benefits plan. See ¶331.10 (b) and (c).

Local Church Finances and the Pastor

All clergy serving local churches have responsibility and oversight of the church financial structure. Paragraph 340 of the *2016 Book of Discipline* states the *Responsibilities and Duties of Elders and licensed Pastors.* Specifically, ¶340.2.c).(2)(c),(d),(e) and (f) talk about the pastor's duties around church finances.

The pastor oversees the administration of the temporal affairs of the church, including:

1. To provide leadership for funding ministry - ¶ 340.2.c).2.(c)
    a. The pastor provides leadership through example, preaching and teaching
    b. The pastor and financial secretary shall have access to and responsibility for professional stewardship of congregational giving records
        i. These records are confidential! Detailed Information is not to be shared or misused
        ii. Some pastors choose not to access these records so as not to be swayed by "large" givers or to treat anyone based on their giving to the church.
        iii. Some pastors (and most church growth advocates) encourage pastors to know the giving patterns of the church members, particularly of the leadership.
        iv. This knowledge can be helpful in seeking large gifts for specific causes
        v. Pastors must show the highest level of integrity by treating all church members/attenders alike and by maintaining confidentiality
        vi. This can be a very touchy subject with some churches.

2. To model and promote faithful financial stewardship - ¶ 340.2.c).2.(d)
    a. Model tithing, teach and preach tithing
    b. Model financial stewardship as a spiritual discipline
        i. Help create a culture of extravagant generosity
        ii. Spiritual discipline of giving is far more lasting than "paying the bills" giving
    c. Using accountable leadership style, encourage church leaders to model good financial stewardship (this will not happen rapidly, particularly in churches that are declining). Do not go to a meeting and demand that all leaders tithe or resign – that will result in calls to the DS and will likely involve packing!
3. To lead the congregation in fulfillment of its mission through full and faithful payment of apportioned funds (Shares of Ministry) - ¶ 340.2.c).2.(e)

a. Educate yourself and your congregation on Shares of Ministry, how they are calculated and where that money goes. This is part of being a connectional church and is part of our responsibility.
b. Create a culture of support and trust
c. Resources to understand and promote our connectional ministry can be found of the Susquehanna Conference website under Finances and Administration. Click on this link, http://susumc.org/index.php/about-us/finance-administration, then on Local Church Finances to find resources or contact the finance office for assistance.

4. To care for church records and certify the accuracy of financial, membership and other reports submitted to the annual conference - ¶ 340.2.c).2.(f)
    a. The pastor's responsibility is to ensure the accuracy of reports and the submission of reports on time.
    b. The pastor works with church leaders to accomplish this.
    c. Particular attention needs to be given to the statistical reports that are due January 31.
        i. On the financial tables, be sure to follow instructions and only report the information requested
            a. One common mistake is to report the pastor's salary on the appropriate line and then include it in the line for all other salaries.
            b. Be clear between "program" expenses and "mission" giving/expenses
                i. Churches are increasing the number of community outreach programs
                ii. Carefully consider if an event is a "program" of the church to be included in program expenses or a genuine mission that goes under the "mission expense" umbrella
                iii. VBS is a program expense.
                iv. An afternoon snack and tutoring program for inner city kids is mission expense
        ii. Shares of Ministry are calculated on Pastoral Support, Church Operating expenses (including all other staff compensation) and Church program expenses
        iii. Mission expenses/giving does not affect Shares of Ministry.
        iv. Income does not affect Shares of Ministry
        v. Membership figures and/or Average Worship attendance do not affect Shares of Ministry
        vi. Capital Improvements do not affect Shares of Ministry

Best Practices for Clergy
when relating to church finances

The *Book of Discipline* gives guidance and direction for the Pastor, the finance committee, trustees and others who care for the church's funds. Sometimes, it's hard to find that information so here are some basics.

1. Handling God's Money in the Church – Finance Committee
    a. Get the Guidelines – Cokesbury has a series of Guidelines for each committee that a church may have. Get the one for Finance!
    b. Traditionally structured churches have a Finance Committee.
    c. Churches using the Simplified Accountable Structure has a leadership team that cares for all the finance Committee's responsibilities.
    d. See ¶ 258.4 *Book of Discipline 2016* for the full list of Finance Committee responsibilities
        i. The treasurer and the financial secretary should NOT be the same person. These positions may not be filled by two person who are immediate family members.
        ii. NO IMMEDIATE FAMILY MEMBER of any appointed clergy may serve as treasurer, finance chair, financial secretary, counter or any paid/unpaid position under the responsibilities of the finance committee of the church or charge to which the clergy is appointed. Thus, a spouse could be hired as the treasurer for a neighboring church.
        iii. Finance Committee shall have a written policy of internal procedures for handling all church funds.
            1. At least two people not of the same immediate family residing in the same household shall count the offering. A record shall be made and the funds deposited promptly according to procedures
            2. The treasurer(s) shall disburse all monies according to the approved procedures and at the direction of the appropriate administrative committee (trustees, Council, leadership team, etc.)
            3. Designated funds may only be used for the purpose for which they are designated. To use them otherwise (even "borrowing" from them) is illegal.
                a. The individuals, heirs or group that made the designation may approve other use of the funds or the money may be returned.
                b. Example: Mary gave $500 to purchase a modern advent wreath. After discussion, the trustees and

council determined that their current advent wreath was preferred and did not want to purchase a modern one. Mary's money was returned to her. Yes, that is permissible.

c. Example: Jim Brown left $1000 to the church to maintain the outhouse in good condition. The church has installed indoor plumbing. Jim Brown's wife and children can be asked if there is a different way the money could be used. They decide the church may use the funds towards a new sound system. Yes, that is permissible.
d. Example 3: The trustees/council set aside $100,000 in an investment account with the parameters to use only the interest to fund youth ministry. Later, the trustees/council want to take a leap of faith and use the principal to hire a full-time youth director. They set the parameters and they may change the parameters. Yes, that is permissible.
e. Example 4: The church has $250,000 in a swimming pool fund. The boiler blows and the church needs $50,000 to replace the boiler. It is suggested at a council meeting to borrow the needed money from the swimming pool fund. It seems logical – the pool is scheduled to be built in 5 years. They can borrow from themselves at no interest/low interest rather than from a bank. They can pay it back before the five years pass. NO! It is not permissible. Designated funds may NOT be used for any other purpose. Churches open themselves to legal action if they improperly use designated funds, especially if somehow the "borrowed" funds don't get paid back.

iv. Finance committee shall arrange for an annual audit.
    1. Auditors may not be related to the treasurer(s), financial secretary, counters, business manager, etc.; those serving on an audit committee do not have to be church members; a CPA or an accounting firm can be hired to do the audit.
    2. The Audit shall include ALL church accounts (Youth, SS, UMW, etc.) and investments.
    3. See http://www.gcfa.org/forms-and-resources for additional helps under "local church".
    4. A thorough audit protects the church and those who care for the financial business of the church.

5. Bonding for treasurers is provided through the Susquehanna Conference's Property and Casualty insurance.

2. Pastor's Role in Handling God's Money in the Church
    a. The pastor DOESN'T handle the money.
        i. Pastor doesn't count the money.
        ii. Pastor doesn't deposit the money.
        iii. Pastor doesn't write or sign checks.
        iv. Pastor doesn't withdraw money from the bank.
        v. Pastor doesn't audit the books.
    b. The only exception to this MIGHT be a pastor's discretionary fund.
        i. Best practice – The discretionary fund is handled through the church treasurer – a small stock of grocery gift cards can be kept in the office; pastor submits receipts for reimbursement or makes check requests as needed; treasurer maintains confidentiality
        ii. If church practice has been a separate account and/or a cash fund handled by the pastor:
            1. Keep a register of all income/expenses including names, purpose and amount given. If all details, including names are not kept, IRS may assume that this is a personal account and taxable.
            2. Keep receipts
            3. Have a second person who can sign checks
            4. Submit records for audit
            5. <u>Encourage the church to follow best practice and handle the fund through the church treasurer</u>
    c. Pastor avoids any possible scenario that might be seen as a conflict of interest in raising or requesting funds
    d. Pastor's requests for reimbursement for Mileage, Continuing Education and/or Accountable Reimbursement Plan are legitimate and reasonable
        i. High level integrity
        ii. All expenses are for appropriate church business
            1. Applicable to local church
            2. Applicable to district and conference events, committees, workshops, etc.
            3. If there is uncertainty as to the applicability of an expense, check with SPRC before purchase/registration/etc.
                a. Example 1 – Pastor wants to take Basket Weaving 101 as a continuing education course because pastor enjoys crafts and will sell the baskets for mission projects. Not appropriate.

b. Example 2 – Pastor wants to take Photography 101 prior to the startup of a new neighbor ministry that will connect inner city kids with church folks around a common interest in photography. Appropriate.

4. Pastor guides finance committee as needed in ensuring that proper procedures are written and followed.
5. Pastor understands and works with the finance committee on the church budget.
6. Pastor ensures that policies regarding trusts, endowments, investments and designated funds are written and accessible.
7. Pastor ensures that regular and accurate financial reports are available to leadership and any interested person.
8. Pastor is diligent in ensuring that correct figures are reported on the year-end statistical reports.

3. Best Practices when a Family Member is employed by the church
   a. Having family members as employees of the church can be very problematic. Churches can become overly-dependent on the pastor and family so that when there is a change of appointment, the church struggles to function. It can also cause conflict and hurt feelings, even divisions in the church. Consider such possibilities carefully and prayerfully before hiring a family member.
   b. A spouse, teen or adult child of the Pastor may sometimes be hired by the church
      i. Directly hired positions could be Custodian, Choir Director, secretary, lawn care/snow removal, etc. SPRC has direct oversight.
      ii. Indirectly hired positions such as day care, food pantry manager, etc. where a ministry of the church, with its own Board and by-laws hires and supervises the employee
      iii. Staff positions (paid or unpaid) under the Simplified Accountable Structure, where the staff reports to the pastor such as Children's Ministry Coordinator or Discipleship Coordinator
   c. Avoid the even the PERCEPTION of favoritism, conflict of interest, coercion or manipulation
      i. Pastor cannot be part of any decision-making process when SPRC is interviewing/hiring candidates for a position if a family member is a candidate
      ii. Pastor cannot persuade, put in a good word, or in any way try to influence the SPRC to choose the family member over any other candidate
      iii. Pastor cannot be part of any job review/evaluation or discussion on salary unless the SPRC has specific factual questions to be asked of the pastor – (such as "what time did the employee leave

on Tuesday?" or "Did the employee put the trash out?") Pastor shall provide truthful information for the SPRC to use in their discussion

iv. Pastor cannot be part of handling any complaints brought by the employee. There shall be a clear process for bringing complaints to SPRC without involving the pastor, except to answer specific factual questions
v. Pastor cannot be the supervisor of a family member employee. Someone else from SPRC must be designated.
vi. All the above would apply to an Indirect hire if the pastor is part of the Board that hires and supervises the employees.
vii. In the Simplified Accountable Structure, staff – paid or unpaid – report to the pastor. This presents a challenge. The family staff member does report to the pastor so the pastor knows what is happening in that ministry area. However, someone from the leadership team is appointed to supervise/oversee that person in regard to job performance, evaluation, continuation in the position, etc.

d. Be gracious and maintain boundaries
   i. If a family member is interviewed and not hired, be gracious
   ii. If a family member is let go from a position, be gracious
   iii. If a family member is having problems in the job, stay out of it and be gracious
   iv. If SPRC asks for your opinion regarding job performance of a family member, stay out of it and be gracious
   v. Give SPRC or the Board permission and trust to deal honestly, fairly and kindly with the family member employee
e. Avoid manipulation and retaliation
   i. Do not threaten – "If you don't hire…I will…"
   ii. Do not manipulate – "We are in a tough financial spot and need the income"
   iii. Do not retaliate – removing persons from leadership, speaking ill of the SPRC or individuals
   iv. Avoid the temptation to be passive aggressive
   v. Be gracious

4. Pastoral authority and position of power
   a. The position of pastor always carries with it an amount of power and influence.
   b. The pastor must remember that s/he is always in the position of power. This can extend to members of the pastor's family. This power may have unintentional or undue influence on church members.
      i. Sales – pastor or family may have a side business selling essential oils or vitamins or whatever. This needs to be clearly separated from pastoral visits or church functions unless it is a

vendor style event and the pastor or family member pays the same fee as everyone else.

ii. Persons must be given genuine permission to say no. This goes for school kids selling candy and girl scout cookies.

c. Pastor should not seek to be or accept the designation of Executor for a church member's will. Pastor should not be fiscal guardian for church members.
   i. Speak with family member who is responsible and caring for the best interest of the person OR
   ii. Refer to social agencies
   iii. Refer to legal counsel