

## Sample Letter of Call

Issuing a Letter of Call is the final aspect of the candidating process. The Board of Trustees must consider a number of factors in determining what and how to compensate their new minister. The Sample Letter of Call and associated worksheets will assist the church and the candidating minister in negotiating a contract that is beneficial to both parties and meets Internal Revenue Service requirements.

### Letter of Call Worksheet

The worksheet covers all areas to be considered in the contract. You may use the sample as a fill-in-the-blank form or type the Letter of Call on church letterhead.

#### 1. Remuneration

This section specifies the total compensation and the housing allowance. It also indicates how ministerial expenses will be covered.

##### A. Housing Allowance

This allowance is allowable per Internal Revenue Code Section 107. Setting a minister's housing allowance has no further effect upon the organization or its budget. The church has no legal risk in designating this allowance provided the total compensation paid is reasonable.

The housing allowance includes much more than just the house payment. Some acceptable costs include:

Rent or house payment	Gas
Down payment, legal & loan fees	Electricity
Property taxes	Water
Insurance	Sewage
Furnishings	Garbage
Repairs & maintenance	Cleaning supplies
Landscaping	Yard care

A specific amount out of the total compensation paid to the minister must be formally designated as housing allowance. This must be done in advance of earning the compensation and making the expenditure. It may be done by any officially recognized board of the church and recorded in the minutes of that meeting. A form similar to the one included here can easily be presented to the Board for action and attached to the Letter of Call.

Each December, a new housing allowance should be "officially designated" using the minister's estimated housing expenses for the upcoming year.

- B. A reimbursement policy is important because the expenses that are covered are the churches and the church is the benefactor, not the minister. A Professional Expense Allowance should be established in the budget to cover the professional expenses a minister incurs in carrying out his/her ministry. A partial list of such expenses includes:

Book	Computer Supplies
Magazines	Entertainment
Periodicals	Seminars
Tape	Conferences
Office Supplies	Professional Dues

A reimbursement policy is better than a "Non-Accountable Expense Allowance." As far as the IRS is concerned, an expense allowance is simply additional income. The church is not required to report to the IRS any reimbursements or expenses it pays directly for its employees and ministers so long as those expenses are directly related to their work. Neither would the minister report the reimbursement as income or take a deduction for the expense on his/her tax return.

There are two primary methods of reimbursing business expenses. It is a good idea to include the exact method in the contract approval process and the minutes of the Board meeting to ensure that adequate substantiation and review is being established. Alter the sample Letter of Call in Section 1 by including either of the following solutions.

1. Solution 1: Direct Expense Reimbursement

- a. A direct reimbursement policy can be established by having the church take on the responsibility for reimbursing **all** business expenses.
- b. Or a direct reimbursement policy can be established by creating an "expense account" from which expenses would be paid or reimbursed. By having an account in the annual budget, a cap is placed on the amount to be reimbursed, thereby limiting the church's potential liability. To the extent the account is not used for expense payment or reimbursement, those amounts are lost to the minister or employee.

This agreement might read: "In compliance with Internal Revenue Code Section 62(a)(2)(A), \_\_\_\_\_ is being given an expense account of \$\_\_\_\_\_ per year. We agree to reimburse up to the specified amount, any auto, travel, entertainment and other professional business expenses substantiated with receipts and/or other documentation. It is further understood that a person other than the minister will examine the records prior to reimbursement and that such records will be maintained for at least four years."

## 2. Solution 2: Expense Allowance with substantiation and repayment requirements.

- a. If the church elects to pay reimbursements in the form of an allowance it must require that the amount be used and substantiated within 60 days of payment. Any amount not actually used within the 60 day period, must be repaid to the church within 120 days (60 days beyond the 60 use period). For example, if the church paid a \$300 allowance on March 1, the minister would have until April 29 to use it for business purposes. If he failed to do so, he would have to repay the church by June 28.
- b. Failure to **require and/or obtain** the repayment nullifies the reimbursement policy and requires that the church include the **entire amount as compensation**. If the repayment were overlooked for a single instance, the policy is not harmed. Repeated failure to require and collect excess payments would invalidate it. The amount not repaid for a single instance would be added to salary on the W-2.

This agreement might read: "In compliance with Internal Revenue Code Section 62(a)(2)(A), \_\_\_\_\_ is being given an expense allowance of \$\_\_\_\_\_ per year. This allowance will be paid at the rate of \$\_\_\_\_\_ per month. \_\_\_\_\_ agrees to substantiate the use of this allowance for any auto, travel, entertainment and other professional business expenses within 60 days of payment, **and** to repay any amounts not used for such purposes. It is further understood that a person other than the minister will examine the records and that such records will be maintained for at least four years.

## 2. Retirement

If you want to designate any other pension program than the UCSL Clergy Retirement Plan, you must first check your church's signed affiliation agreement to determine whether you are permitted to do so. Agreements based on recent UCSL Models will make UCSL CRS participation mandatory. The standard contribution is 15% of the total compensation with a minimum monthly payment of \$90.00.

## 3. Insurance

Stipulate any medical/dental and life insurance packages that are provided for the minister. Medical insurance premiums paid directly by the church are non-taxable for the minister. The church is allowed to provide up to \$50,000 in term life insurance for the minister.

## 4. Relocation

Moving to another location to take a pulpit is a significant commitment on the part of the new minister. Monetary assistance for relocation is frequently an element in the first Letter of Call.

## **5. Conferences and Convention**

Participation in United Centers for Spiritual Living on the national level contributes to the minister's professional growth and gives him/her a sense of connection to the larger whole. As a delegate to the Annual Convention, the minister represents the church and votes on policy which affects it. Attendance at conferences such as the minister's convocations or the summer conferences on the east and west coasts supports the minister spiritually as well as professionally. Costs for this reimbursement plan can be estimated by contacting the Conference Office at UCSL Home Office for registration fees for the events, and contacting a travel agent for transportation expenses.

## **6. Teaching**

A typical percentage breakdown for certificated class work is 40% for the church and 60% for the minister. Suggested percentages for minister created seminars and workshops are 20% church and 80% minister.

## **7. Vacation**

The usual vacation benefit for UCSL ministers is four weeks. The contract often specifies that this includes only four Sundays. Churches that offer fewer weeks off sometimes give the minister the "fifth Sundays" off during the year; that is, whenever a month has five Sundays in it, the minister gets the fifth Sunday as a vacation day.

## **8. Continuing Education**

It is essential for the minister to maintain his/her professional skills. Check at colleges and/or universities in your city to determine the actual costs of tuition, fees and books for one class each semester or quarter. Use this information to determine the amount you will offer for continuing education.

## **Addendum to the Letter of Call**

The compensation agreement should be beneficial to both the minister and the church. This sample addendum to the Letter of Call suggests a method for working out an equitable compensation which is of particular value to churches that pay minimum salary to a minister. It is a way to progressively raise the minister's compensation as the church grows.

## Letter of Call

The \_\_\_\_\_ hereby extends a call to the Reverend \_\_\_\_\_, effective \_\_\_\_\_.

It is understood that this minister will serve this church as its Ecclesiastical Head, devoting the entire time and attention to the discharge of duties and responsibilities.

The specific terms of this call are as follows:

### 1. Remuneration

The church agrees to pay to Reverend \_\_\_\_\_ remuneration in the amount of \$\_\_\_\_\_. From this total compensation of \$\_\_\_\_\_, the following designation is made, subject to periodic adjustments in consultation with the above minister.

Annual Housing Allowance: \$\_\_\_\_\_

Annual auto allowance, annual professional expense allowance, and annual entertainment expense allowance, are to be covered in the church budget as reimbursement expenses to the minister, rather than as salary matters.

The salary and benefits provided to the Minister of this Member Church will be reviewed at least annually by the Board of Trustees for determining a merit increase and also a cost of living increase.

The Minister's remuneration will not, in any way, be reduced or adversely changed without the Minister's prior knowledge and consent.

### 2. Retirement

This church, a Member Church of the United Centers for Spiritual Living, Los Angeles, California, agrees that it shall each month promptly make the standard contribution as required for participation of the Minister in the Retirement Plan for the Clergy of the United Centers for Spiritual Living, based on the total compensation paid to him/her by the church during the period, including salary, bonus, housing allowance, non-accountable expense allowance, class fees and any other included in the total compensation.

**3. Insurance**

The member church further agrees to establish a mutually beneficial fringe benefit package for the minister as follows:

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**4. Relocation Expenses**

The church agrees to pay the Minister's relocation expense in the following manner:

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**5. Conferences & Convention**

The Church further agrees to pay the Minister's expense to the official and ecclesiastical gatherings of the Church; namely the Annual Convention and the Minister's Annual Convocation after Easter and the Mini-Convocation the weekend before Convention. That reimbursement will be for transportation, lodging, meals, fees and other pertinent expenses. In addition, the church will pay the transportation, lodging meals and fees for the Minister to attend the Summer Conference in the local area each year.

**6. Teaching**

The Minister shall conduct certificated class work. The minister shall be paid \_\_\_\_\_% of all certificated class tuition after cost.

All special seminars and workshops created and presented by the Minister distributed \_\_\_\_\_% for the church and \_\_\_\_\_% for the Minister after cost.

**7. Vacation**

It is agreed that the Minister shall be entitled to an annual vacation with pay, for a period of \_\_\_\_\_ and that this church will be responsible for compensation paid to guest speakers during that period.

## 8. Continuing Education

It is agreed that the Minister will be reimbursed for books, tuition and fees for college-level courses directly applicable to professional development as approved by the Board of Trustees up to a limit of \$\_\_\_\_\_ per year.

We have reviewed this Letter of Call with the Minister and the Board of Trustees this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, and agree to its terms on behalf of the Board of Trustees.

\_\_\_\_\_  
President of the Board Signature

\_\_\_\_\_  
President of the Board (name printed)

\_\_\_\_\_  
Secretary of the Board Signature

\_\_\_\_\_  
Secretary of the Board (name printed)

Name of Church \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

I have reviewed this Letter of Call and accept its terms.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Minister Signature

\_\_\_\_\_  
Minister (name printed)

**FILING:** Three signed copies are required:

Original - Minister  
Copy: - Church Office  
Copy: - GEMS

## Addendum to Letter of Call

As of this date, \_\_\_\_\_, the normal annual operating expenses for our church are (a) \$\_\_\_\_\_. This amount plus an estimated annual cushion for unexpected minor expenses of (b) \$\_\_\_\_\_, equals (c) \$\_\_\_\_\_.

All income above this total amount of (c) \$\_\_\_\_\_ is to be considered in determining an increase in remuneration for the minister of our church.

The normal operating expenses, as noted above, means the regular annual expenditures of the church and does not and should not include major repairs, renovations or other large expenditures. The

word income includes all receipts, **excepting:**

large singular grants or endowments over \$\_\_\_\_\_,

estate settlements over \$\_\_\_\_\_,

sale of properties, and

monies received specifically for building funds or other designated purposes.

The minister, in signing below, agrees to accept as a salary increase at the next review period, in 3, 6, 9, 12 months (circle one), \_\_\_\_\_%(percent) of the income over (c) \$\_\_\_\_\_.

It is further agreed that this arrangement is to continue for subsequent review, as agreed upon, until a monthly base salary of \$\_\_\_\_\_ is obtained. From that time salary increases are to be determined by mutual agreement of the Board and the Minister.

\_\_\_\_\_  
President, Board of Trustees

\_\_\_\_\_  
Minister

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## Church Name

### Designation of Housing Allowance

Rev. \_\_\_\_\_ has submitted a statement showing that he/she estimates he/she will spend \_\_\_\_\_ in \_\_\_\_\_ for housing expenses. A motion was duly made and seconded at a meeting of the Board of Trustees on \_\_\_\_\_, that in order to permit Rev. \_\_\_\_\_ to benefit from the provisions of Section 107 of the Internal Revenue Code of 1986, the Board is hereby designating \$\_\_\_\_\_ as ministerial housing allowance. Since such approval by the Board would permit \_\_\_\_\_ to deduct that amount from his taxable income and has no further effect upon our organization or budget, it was unanimously Resolved, that the total compensation of \$\_\_\_\_\_ paid to Rev. \_\_\_\_\_ include a housing allowance expense of \$\_\_\_\_\_.

\_\_\_\_\_  
President, Board of Trustees

\_\_\_\_\_  
Date