



Types of Staff

REV. RACHEL BIRKHAHN-ROMMELFANGER
CHAIR NIC UMC PERSONNEL COMMITTEE

Types of Roles the Church Might Employ

Hourly
employees

Salaried
employees

Contractors

The distinction between an **employee** and an **independent contractor** is primarily determined by the level of control and independence in the working relationship. Both federal and state laws apply, but the most widely used guidance comes from the **Internal Revenue Service (IRS)** and the **Fair Labor Standards Act (FLSA)**.

Fair Labor Standards Act (FLSA), which is overseen and enforced by the U.S. Department of Labor (DOL), sets the specific criteria for exemption (hourly vs salary).

Types of Employees

Who is Hourly vs Salaried?

Hourly employees must be paid for every hour worked and are eligible for overtime if they work more than 40 hours a week. **Keeping accurate timesheets for these employees is not optional—it is a legal requirement.**

Salaried employees, on the other hand, are paid a fixed amount and generally not eligible for overtime.

Non-Exempt Employees (Hourly)

Definition: Non-exempt employees are entitled to minimum wage and overtime pay for hours worked over 40 in a workweek.

Key Characteristics:

- Paid hourly or salaried but with earnings below the FLSA threshold.
- Eligible for overtime pay (1.5 times their regular rate) for overtime hours.
- **Employers must track and record all hours worked.**

Common Roles: Administrative assistants

Fair Labor Standards Act (FLSA), which is overseen and enforced by the **U.S. Department of Labor (DOL)**. The specific criteria for exemption are outlined in **29 CFR Part 541** (Code of Federal Regulations).

Exempt Employees (Salaried)

Definition: Exempt employees are not entitled to overtime pay, regardless of how many hours they work in a week.

Common Roles: Pastor

Key Characteristics determined by FLSA and 3 tests:

1. Salary Basis Test: Must be paid on a salary basis rather than hourly wages.

2. Minimum Salary Test: As of 2025, exempt employees must earn **at least \$684 per week (\$35,568 annually)**. That would be \$15 an hour for over 45.6 hours in a week.

3. Job Duties Test: Job duties must primarily involve **executive, administrative, or professional (EAP)** responsibilities

(Salary amount is subject to periodic adjustments by the Department of Labor.)

Exempt Employees (Salaried)- Duties Test:

Job duties must primarily **involve executive, administrative, or professional (EAP)** responsibilities, or fall into certain specialized categories like outside sales or highly compensated roles.

Examples include:

- **Executive:** Managing the business or a department and supervising at least two employees.
- **Administrative:** Performing office or non-manual work related to management or general operations and exercising discretion on significant matters.
- **Professional:** Jobs requiring advanced knowledge, usually with specialized education (e.g., doctors, teachers, clergy, or engineers).

Reporting Requirements Employees – I-9s, W-2s and other items

When you hire a new employee, completing the I-9 Employment Eligibility Verification form is mandatory.

This ensures that your employee is legally authorized to work in the U.S. You'll need to check identification documents like a passport or a combination of a driver's license and Social Security card.

You must file a W-2 with:

- Employees: Keep a copy for their own tax records.
- Social Security Administration (SSA): Use Form W-3 (Transmittal of Wage and Tax Statements) as a summary.
- State and Local Tax Agencies: If required by state or local law.

The church also must pay employment taxes for staff (exceptions for Clergy).

Recordkeeping: Employers must retain copies of W-2 forms and supporting payroll records for at least 4 years. You also must keep timesheets, I-9 and other items too.

Worker Classification - When is someone an employee vs a contractor?



The IRS uses a **three-category test** to determine whether someone is an employee or an independent contractor:



1) Behavioral – no detailed instruction or oversight



2) Financial Control – worker has invest in tools and skills to do the job, controls their income, and is paid per project or task.



3) Relationship of the Parties – typically project based, short-term or temporary; no benefits offered; can be governed by a contract

Key Questions to Ask-

To classify a worker correctly

1

Who controls the work? If the church dictates how and when tasks are performed, the worker is likely an employee.

2

Who provides the tools and resources? If the church provides the tools, equipment, or supplies, the worker is likely an employee.

3

Is there a long-term relationship? If the worker is performing ongoing duties essential to the church's operations, they are likely an employee.

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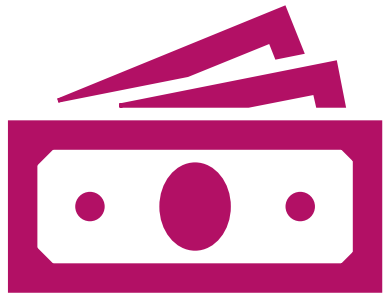
When in doubt, consult legal counsel or the IRS Form SS-8 to determine the correct classification.

Contractor

Misclassifying workers as contractors when they should be employees can result in significant legal and financial consequences. Such as:

- Back pay for overtime and minimum wage violations.
- Penalties for unpaid employment taxes.
- Fines and interest from the IRS and Department of Labor.

Reporting Requirements



Employees receive a **W-2** at tax time.



Independent contractors receive a **1099** and are not entitled to benefits like health insurance or paid time off.

NEW Chicago HR Laws in 2024

Chicago Paid Leave and Paid Sick and Safe Leave Ordinance – July 1, 2024

- ▶ Set new minimum requirements for time off.
- ▶ Apply to any employer who employs 1 person who works within Chicago city limits. Employee must work 80 hrs in a 120 day period.
- ▶ This includes remote employees and part-time employees.
- ▶ Paid Time Off: 1 Hour of Paid Leave for every 35 hours worked (up to 40 hours (5 days) in a 12-month period)
- ▶ Sick Leave: 1 Hour of Paid Sick Leave for every 35 hours worked (up to 40 hours (5 days) in a 12-month period)
- ▶ Carry Over : Sick Leave 80 hrs, Paid Leave 16 hrs (if not front loaded)

NEW IL HR Laws in 2025

- ▶ The minimum wage in Illinois has risen to \$15 per hour for non-tipped employees.
- ▶ Youth Workers: Employees under 18 working fewer than 650 hours per calendar year now have a minimum wage of \$13 per hour.

Minimum Wage Increase Statewide

Standing Rules and Clergy Compliance

- ▶ Time off for Clergy is covered by the UMC NIC Standing Rules and Book of Discipline.
 - ▶ All clergy get 30 vacation days (and other benefits like study leave, etc.)
 - ▶ All clergy should use sick days when they are sick – these not accrued and do not run out.

Personnel Policies and Resources



WE ENCOURAGE EVERY LOCAL CHURCH TO DEVELOP A PERSONNEL POLICY FOR LAY AND CLERGY STAFF. THIS PROVIDES CLARITY AND CONSISTENCY FOR ALL EMPLOYMENT MATTERS.



WE'LL PROVIDE A COMPREHENSIVE TEMPLATE FOR PERSONNEL POLICIES BY THE **END OF 2025**. IN THE MEANTIME, YOU CAN ACCESS A STARTER TEMPLATE ON THE GCFA (GENERAL COUNCIL ON FINANCE AND ADMINISTRATION) WEBSITE.