

**PASTORAL BENEFITS COMMITTEE REPORT**  
**GUIDELINES FOR PASTORAL SALARY AND BENEFITS**  
**Adopted 1994 (updated November 2004)**

These guidelines are intended for the use of the Missionary Churches of the Michigan District, in the evaluation of their pastoral compensation and in the preparation of annual budgets. When adopted by District Conference, these guidelines become our recommended standard for the year and until modified. The District Superintendent shall use them as a reminder to church boards at the appropriate time each year.

**Scriptural Foundation**

*Who serves as a soldier at his own expense? Who plants a vineyard and does not eat of its grapes? Who tends a flock and does not drink of the milk? When the plowman plows and the thresher threshes, they ought to do so in the hope of sharing in the harvest. If we have sown spiritual seed among you, is it too much if we reap a material harvest from you? The Lord has commanded that those who preach the gospel should receive their living from the gospel. I Corinthians 9:7,10-11,14*

*The elders who direct the affairs of the church well are worthy of double honor, especially those whose work is preaching and teaching. For the Scripture says, "Do not muzzle the ox while it is treading out the grain," and "The worker deserves his wages." I Timothy 5:17-18*

**Full Time Compensation**

**1. Definition of "Full Time"**

It is understood that most full time pastors will invest 50-60 hours a week in ministry.

Note: For the purpose of worker's compensation and disability insurance an employee must be employed a minimum of 30 hours a week.

**2. Minimal Full Time Compensation Package**

A full time pastor should receive an appropriate cash salary, a housing allowance and/or use of a parsonage, health insurance, long-term disability, and Missionary Church pension. Otherwise, the pastor should be free to supplement his income with outside employment.

**3. Establishing the Pastor's Compensation Package**

- A. Responsibility Factor - Consider the size of the congregation and the ministries it provides.
- B. Training and Experience Factor - Consider education, ordination and years in active ministry.
- C. Cost of Living Factor - Consider annual adjustments to reflect changes in the cost of living.
- D. Non-Statistical Growth Factor - Consider the pastor's contribution (his leadership, planning, communication, spiritual guidance, etc.) to the spiritual growth of the members.
- E. Whether the pastor's wife works or not should not be a factor in establishing the pastor's salary.
- F. Consultation with a resource such as Church Law and Tax Report's *Annual Compensation Handbook for Church Staff* ([www.churchlawtoday.com](http://www.churchlawtoday.com)) or online at the U.S. Department of Labor Compensation Statistics ([www.bls.gov](http://www.bls.gov)).

**4. Pastor's Salary and Benefits**

Estimate the median salary and benefits of a similar professional person working in your community as the base from which the following considerations are then made:

- A. Cash Salary.
- B. Housing - parsonage and utilities or an adequate housing allowance.
- C. Telephone - the church should provide for telephone service in the parsonage, except for the pastor's personal long distance calls.
- D. Health insurance - for the family.
- E. Long-term Disability Insurance.
- F. Missionary Church Pension plan.
- G. Social Security - at least one-half of self-employment tax on the pastor's salary and on his housing allowance or the parsonage fair rental value.
- H. Paid Vacation - for all full-time ministers: (Cumulative Pastoral Career Experience)
  - 0-5 years experience = 2 weeks,
  - 6-12 years experience = 3 weeks,
  - 13-20 years experience = 4 weeks
  - Over 20 years of experience = 5 weeks

NOTE: The pastor and church board should establish a vacation time policy.

(e.g., when vacation should be used, how many weeks in a row are allowable, whether unused vacation time is cumulative for future years, etc)

- I. Sabbatical Rest. To honor long-term service to a local congregation, the church is encouraged to consider offering their pastor a 30 to 90 day sabbatical rest after 10 years of service. This shall not be considered vacation time, nor shall it be considered time to candidate for another position.
- J. All additional monies received from the church such as Christmas gifts and additional cash for FICA are cash salary and should be included in the wages section of the W-2.

5. **Business Expense and Health Reimbursement Plans (MERPS)**

- A. Continuing Education - the church should cover expenses for the pastor to at least one seminar a year, besides the District and General Conferences.
- B. Entertainment Account - to cover his expenses for ministry related meals and hospitality.
- C. Mileage - provide for mileage reimbursement at the IRS rate, or some other adequate car allowance.  
Mileage reimbursement by a mileage log, usually submitted on a monthly basis.
- D. Health costs reimbursement. These can be **employee** funded through a cafeteria plan, or **employer** funded by creating reimbursement funds for Co-Pays and deductibles in the health insurance plan. Both plans are non-taxable, if a fully accountable program is used and payment is given only when a receipt is submitted - usually on a monthly basis

6. **Miscellaneous**

- A. It is recommended that the church strongly encourage its pastor to take a day off each week.
- B. It is recommended that the church send its pastor and treasurer to a church tax seminar.
- C. Salary and benefits packages for all paid church staff should be structured so as to take maximum advantage of the tax laws and to avoid unnecessary tax liability.
- D. Churches should include pastoral counseling liability and sexual misconduct liability in their insurance coverage. An amount larger than the amount included in the basic policy is recommended.
- E. Churches should purchase workers' compensation insurance.
- F. Churches are encouraged to participate in the annual Pastor Appreciation Day.
- G. Churches are expected to cover the expenses for the pastor to attend the annual district ministers' retreat, pastor and spouse retreat, District and General Conferences.  
(Not to be considered a part of vacation, continued education, or seminar allowance.)
- H. Churches are to encourage their pastor to attend a district camp and not consider it as vacation.
- I. According to the IRS pastors are unique and must be considered employees for income tax purposes and as self-employed for Social Security / Medicare. Withholding is not required from salary payments, but earnings must be reported on a W-2, not a 1099 miscellaneous form. No housing allowance or provided housing value should be included in the wage section of the W-2. Housing is subject only to self-employment tax.

7. **Other Benefits a Church May Wish to Consider**

- A. Library Allowance - the church may wish to make provision for a Pastoral Library Allowance to cover the purchase of books and periodicals, which he deems helpful for an effective ministry.
- B. Equity Allowance - if a parsonage is provided, the church might consider giving the pastor a monthly equity allowance to compensate for the equity he would build up if he were to own his own home.
- C. Additional Life Insurance. The church can purchase up to \$50,000 in term Life without it being taxable to the pastor.
- D. Supplement to the Missionary Church Pension Program. (e.g. 403b T.S.A.) It is recommended that each pastor begin a 403b tax sheltered annuity or some like tax-sheltered savings program early in their career. Contributions made on a "deferred compensation" basis are free of income tax and self-employment tax, are portable, simple and can be started with \$50 or \$100 per month."

