

# BASICS OF CLERGY PAY

“The laborer deserves to be paid” | Timothy 5:18.

Both clergy and the churches they serve thrive when fair compensation is appropriately agreed upon.

This resource describes the broad categories of clergy compensation in order to inform conversations between search teams and ministry candidates. For more complete planning tools and in-depth discussion of these categories, contact Jay Kieve, CBF’s Director of Ministerial Transitions, or visit [www.churchbenefits.org](http://www.churchbenefits.org).

Clergy pay may be understood in three basic categories: compensation, benefits, and ministry expenses. Each category is a component of the cost to the church of employing a minister. Minister and congregation often work together to determine the funding of each category.

## ELEMENTS OF COMPENSATION

Compensation refers to the salary, housing allowance and self-employment tax support which ministers receive as pay for their service. The search committee (on behalf of the church) and the ministry candidate should negotiate compensation as a part of the search and call process. Wise search teams and candidates will discuss compensation early in their conversations in order to avoid disappointment when negotiating the final details of the church’s call.

Salary refers to the ordinary pay of the minister, as for any other occupation. This income is based on the minister’s role, responsibilities, and experience. It is subject to income tax and is reported on the W-2 form.

Housing allowance is the portion of compensation declared by the minister and approved by the church annually, for the purchase and maintenance of a home. Housing allowance should be based either on the actual expenses related to housing or the fair rental value of the furnished home, whichever is less. Included in the housing allowance calculation are utilities, insurance, taxes and rent or mortgage along with expenses for maintenance and improvements. Housing allowance is exempted from income tax, but is subject to self-employment tax, the minister’s contribution to Social Security and Medicare.



### COMPENSATION

- salary
- housing allowance
- self-employment tax support



### BENEFITS

- retirement contribution
- life and disability insurance
- health insurance
- paid time off



### MINISTRY EXPENSES

- business mileage reimbursement
- hospitality expenses
- books / subscriptions
- continuing education
- conferences

Self-employment tax (SECA) support is income for the minister that substitutes for the church's portion of "payroll taxes" (the employer's portion of Social Security and Medicare taxes for other employees). Typically, self-employment tax support is calculated as 7.65% of salary plus housing allowance. Self-employment tax support income is taxable income and is reported on the minister's W-2.

When negotiating the terms of call with a ministerial candidate, salary and housing allowance should be treated as the baseline for compensation. The self-employment tax support is then added as a calculation of salary plus housing.

**Example:** Compensation = (Salary \$40,000 + Housing \$20,000) x SECA support .0765 = \$64,590

For more salary information, including comparative analysis, contact Jay Kieve at [jkieve@cbf.net](mailto:jkieve@cbf.net).

## ELEMENTS OF EMPLOYEE BENEFITS

Employee benefits refer to the combination of retirement contributions, various forms of insurance and paid time off. Providing comprehensive employee benefits is a church's investment in the long-term health and well-being of their ministers.

Many churches provide a retirement contribution to a plan of the minister's choice. Church contributions to a minister's retirement fund typically range from seven-to-10 percent of salary plus housing allowance. "Church-based" plans (such as those provided by CBF Church Benefits) are allowed to distribute contributions and earnings as housing allowance, providing an important tax benefit in retirement.

Conscientious congregations understand that term life insurance and long-term disability insurance protect both the church and their minister. Inexpensive plans are regularly available in conjunction with retirement plans.

Health insurance often constitutes the largest benefit expense to the church. Because of the complexity of the insurance market, churches can benefit from consulting health coverage professionals. The church should commit to ensuring their ministers' secure coverage.

Providing adequate paid time off (PTO) protects a minister's health and long-term well-being. Considerations for PTO should include sick days, vacation (at minimum, two weeks), bereavement leave and maternity / paternity leave. The wise congregation also plans and provides regular intervals of sabbatical leave for ministers.

## MINISTRY EXPENSES

Ministry expenses consist of the costs required to effectively engage ministry in the local church. Ministry expenses provide for study, visitation of church members and prospective members, growth in ministry, and networking on behalf of the congregation. Many churches include all ministry expenses in a single budget line to include:

- business mileage reimbursement: covers the cost of car travel, often at the government's recommended rate, to visit members, hospitals, mission sites, etc.;
- hospitality expense: provides for the cost of entertaining prospective church members or visiting with members over coffee/meals;
- books/subscriptions: an expense that grants access to some of the tools of ministry, such as biblical commentaries, theological works, and cultural perspectives;
- continuing education: supporting continued learning related to topics of ministry which benefits both church and clergy;
- conferences: providing for the cost of attending ministry or denominational conferences, such as CBF's annual General Assembly, supports building a network for ministry and connecting for missions work;
- certain technology, like cellphones, tablets used for preaching or computers and software.

## CREATIVE ADDITIONS TO COMPENSATION

Churches may find that creative additions to compensation support the thriving of their ministers, especially if the church has limited income but larger savings. Some examples of creative compensation for ministry include: an equity allowance if the church has a parsonage, educational assistance or scholarships for the minister or a family member, educational loan or home loan repayment assistance, and providing a church-owned car for the minister. Proceed with caution as these creative additions to compensation do carry tax consequences and other considerations. Consult with local tax advisors as you plan these additions to compensation.

## CALL EXPENSES

Search teams should commit to covering any expenses a candidate incurs related to the call process. If the minister travels to interview or to preach in view of a call, the church should cover the cost of travel, food and lodging. Many churches also reimburse clergy for the costs of moving to serve the church.

## CONTACTS FOR CLERGY PAY ASSISTANCE:

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