

# Church's Guide to Basic Compensation for 2020

*"Dedicated to those  
who serve"*



The Free Will Baptist  
Minister's Program  
[www.fwbmp.org](http://www.fwbmp.org)

## WELCOME

This is the 25<sup>th</sup> year that the Minister's Program has published the Church's Guide to Basic Compensation for our churches and pastors.

Few topics generate more interest in the local church than minister's compensation, perhaps because the minister's salary is often the largest single line item in the church's budget. Every Christian and each church is called upon to practice responsible stewardship as it relates to the financial matters of the church.

Regardless of the order of worship in a church or the special events that may be planned on Sunday, there is nothing more important that takes place than the reading, teaching, and preaching of God's Word. With that in mind, each church should consider carefully and compensate fairly the person it appoints to stand before the congregation each week to carry out this important task.

*1 Timothy 5:17-18, Paul writes,*

*"Let the elders that rule well be counted worthy of double honour, especially they who labour in the word and doctrine. For the Scripture sayeth Thou shalt not muzzle the ox that treadeth out the corn. And, The labourer is worthy of his reward."*

Most ministers and churches would agree that pastors are called first by God rather than by the church, and that they are accountable to God for how they lead the church. At the same time, pastors and churches both have expectations

from each other as to how they will work together under God's leadership. Because of these expectations, establishing a regular process for reviewing both compensation and performance are vital to a successful relationship between pastor and church.

When the church and pastor meet to consider matters of compensation, we hope that you will find this guide helpful.

## WHAT IS THE CHURCH'S GUIDE TO BASIC COMPENSATION?

In the mid-1980s the Minister's Program discovered that the average age of the FWB minister was increasing at a rate which would result in widespread shortages of pastors over the next few decades. Anecdotal evidence also indicated that the salary of FWB pastors lagged far behind churches of other denominations who were similar in size and geographic location.

As a result of this information, the Minister's Program designed and published the "Church's Guide to Basic Compensation" and it has been made available to the every church within the Convention for 25 years. Originally based on compensation surveys within the Convention, the publication was never intended to establish set rates of pay for pastors but rather to be used as a tool and guide for the discussion of pastoral compensation.

## 25<sup>th</sup> Edition

This guide is based on YOUR CHURCH! It does not use averages from our Convention or other denominations. It uses your budget or annual record of giving and the average attendance as each church may record.

Using the average attendance and budget presents an accurate picture of the church's ability to meet the compensation suggestions presented in this booklet. Even though a pastor may serve the needs of non-members, they cannot be counted on to provide regular support to the church's ministry and this lack of giving must be taken into consideration.

**Employment Status** - Bi-vocational and part time status will be taken into consideration. Pastors are considered bi-vocational when the pastor is employed outside of the church. Many of our pastors today are bi-vocational and provide a valuable ministry to churches who cannot afford to pay their pastors a living wage.

**Church Staff** - Guidance on staff positions such as associate pastors, youth pastors, and ministers of music will also be included in this guide.

**Base Income** - In the past we have tried to define direct income as the pastor's base income plus housing, utilities, and FICA. Since housing and utilities can vary so widely, they are being left out of the calculation. It is better to allow the pastor to set these numbers and have them accounted for in such a way as to gain the maximum tax benefit available.

**FICA** - For Social Security and Medicare tax purposes the pastor is defined as a "common law employee." This designation requires the pastor to pay FICA tax at the rate of a self employed individual, or 15.30%. This is quite a sum and churches are encouraged to pay one half of this amount to lessen the tax burden on their pastor. While the church's contribution is taxable income, it is still a big help to your pastor.

**Professional Assistance** - Everyone wants to make certain that the business affairs of the church are conducted in a manner that is above reproach, and it is often advisable to enlist the aid of a qualified tax professional in determining benefits and deductible items.

**Benefits** - In the past, benefits have included retirement, disability, group life, and health insurance. With the complexity of tax consequences increasing, churches are being asked to consider a percentage of the direct income to be used as the pastor directs within IRS guidelines.

**Accountable Plans** - Every church should reimburse their pastor for mileage, conferences and conventions. Proper reporting by the pastor is necessary to insure that the AP does not become taxable income.

## Comparable State and Private Sector Salaries

Churches often ask what are similar positions to a pastor's role in the local church? A pastor wears many hats. They are speakers, teachers, life coaches, counselors, advisors, and fill other roles. In addition they are on call 24 hours a day. While there may not be an exact job description in the private or government workplace, there are some comparisons.

The Bureau of Labor Statistics reported in May 2016 that in North Carolina post-secondary philosophy and religion teachers averaged \$77,420, high school teachers earned \$45,220 and family and marriage therapists averaged \$50,860.

These positions are mentioned for your consideration and can provide some insight into matters regarding compensation.

## Information about the Categories

For a recommendation to be meaningful, it must fit the characteristics of the parties involved. For the pastor, the major characteristics are full-time or bi-vocational, followed closely by education and experience.

For a church, the principal characteristics for determining compensation are size as expressed by their average attendance and total budget.

## Church Categories

Church category is determined by the average attendance. Average attendance is the number of people (attendee = adults and children) in attendance on any given Sunday morning service throughout a 12 month period.

### Average Attendance Category

25-49	I
50-99	II
100 +	III

A healthy church receives in gifts and offerings anywhere from \$20-\$30 per attendee per week or annual gifts of \$1,040-\$1,560. Example: A church with 75 attendees will probably have a budget of approximately \$97,500. (75 x \$1,300 = \$97,500)

## Pastor Categories

There are several considerations for the pastor which include:

- Vocational Status: Full time, part time or bi-vocational
- Experience
- Education

## Using Categories

This method is not a “one size fits all” approach. All the numbers used for calculating recommendations are based on the church’s average attendance and their budget. The

calculations also take into account the pastor’s vocational status, experience and education. All of our congregations and pastors are unique and every situation deserves individual consideration. The information in this guide revolves around two inescapable realities. One, the higher the attendance the more complex a pastor’s role becomes, and two, the size of the budget determines a church’s ability to pay.

## HOW DO YOU USE THIS GUIDE?

The most important thing to remember is that when you apply these guidelines to your church’s individual situation, you have reached a place to start the conversation. This guide is not meant to be the final say in matters relating to your pastor or congregation. This information is a tool that should be modified to help you determine fair and equitable compensation for your pastor. Each church should take into account major factors such as average attendance, the church’s revenue from tithes and offerings, and the minister’s education and experience. You need to adjust these numbers for your situation.

Each of the following headings play a valuable role in the church decision making process and should be considered carefully.

### Vocational Status

**Category I:** Experience has shown that category I churches almost always employ part time or bi-vocational pastors.

**Category II:** Smaller category II churches may

employ bi-vocational or part time pastors while larger churches in this category employ full time pastors.

**Category III:** These churches almost always employ full time pastors.

### Category Factor

Base salaries for pastors can be calculated by using a percentage factor of the budget for each category as follows:

Category I	50% of budget
Category II	40% of budget <b>Full Time</b>
Category II	30% of budget <b>Bi-vocational</b>
Category III	30% of budget

### Adjustments

Education	
Degree	Adjustment
2 Year	0%
4 Year	10%
Masters	13%
Doctorate	15%
Experience	
Years	Adjustment
0-5	0%
6-9	5%
10-19	10%
20-29	15%
30+	20%

### Benefits

A percentage of the direct income to be used as the pastor directs for retirement, etc. within IRS guidelines.

15%

## FICA

The pastor is required to pay FICA tax at the rate of 15.30%. The church should consider paying one half.

$$50\% = 7.65\%$$

## Sliding Scale

By using just 3 categories we have attempted to make this process simple. However, the simplicity works best in the middle of the scale and not at either end. When a church is at the low or high end of a category, they may choose to adjust or slide the percentage up or down to match their situation.

For example, your church is a category II with an average attendance of 60 and a budget of \$60,000. Your pastor is bi-vocational so the category factor is 30% which calls for a base of \$18,000. It is appropriate to slide the factor up to 40% or even higher.

Conversely, if your church is a category II, full time minister, average attendance of 90 and a budget of \$150,000, the church may choose to slide the factor down below 40%.

The main point is this: This approach assists the church in determining a starting point for a meaningful discussion about compensation by using calculations that are unique to their particular congregation and pastor.

## BUDGET WORKSHEET

**Category Factor (CF) \_\_\_\_\_ %**

Does the church need to use a sliding scale adjustment?

Budget \$ \_\_\_\_\_ X \_\_\_\_\_ % CF =

\$ \_\_\_\_\_ Base Salary

+ \_\_\_\_\_ ( \_\_\_ % Ed/Exp Adjustment) =

\$ \_\_\_\_\_ Adjusted Base

+ \_\_\_\_\_ (15% Benefits) =

\$ \_\_\_\_\_ Total Base

Minus tax advantaged exemptions:

Retirement - \$ \_\_\_\_\_

Other - \$ \_\_\_\_\_

**Total Base** \$ \_\_\_\_\_

Add FICA (base x 7.65%) + \$ \_\_\_\_\_

Subtract

the housing allowance - \$ \_\_\_\_\_

**(While exempt from income tax, the housing allowance is subject to FICA and should be reported as such.)**

**TOTAL TAXABLE INCOME** \$ \_\_\_\_\_

## Example

Your minister has a 4 year degree and 12 years of experience in the pastorate. Your church has an average attendance of 90 people and a budget of \$100,000. To use the **Church's Guide to Basic Compensation**, find the church category which in this case would be a II and your pastor is full time which indicates a factor of 40% of the budget.

Multiply the budget by the category factor.  
 $\$100,000 \times 40\% = \$40,000$  Base salary.

Now add the education and experience adjustment which is 20% by multiplying the base by 1.20 which gives you an adjusted base.  
 $\$40,000 \times 1.20 = \$48,000$  Adjusted Base

Add 15% benefits to the adjusted base by multiplying the base by 1.15.  
 $\$48,000 \times 1.15 = \$55,200$  Total base

Deduct tax advantaged exemptions such as qualified retirement contributions which in this example will be:

\$55,200 Total Base  
- \$ 4,800 Retirement  
\$50,400 Total Base

Add FICA and subtract the housing allowance:  
+ 3,856 FICA ( $\$50,400$  base x 7.65%)  
- 17,400 Housing  
\$ 36,856 Total Taxable Income

## MINISTRY STAFF

Over the years we have seen our larger churches utilize larger staffs in order to provide a higher level of ministry and care for their congregations. These positions include associate pastors, youth pastors, minister of music, musicians, and others.

Staff pastors range from bi-vocational who work part time to full time positions with a heavy work load. A rule of thumb is that an associate pastor is compensated at 75% +/- of the senior pastor's base salary.

Regardless of the title associated with a staff position, compensation is based upon the job description, amount of time the individual works, experience, and qualifications.

Lastly, when it comes to gender issues every church should adopt the philosophy of equal pay for equal work.

## OTHER CONSIDERATIONS

In addition to the minister's regular compensation, there are other matters that the church should consider. They are as follows:

### **2020 IRS Mileage Rate**

For those pastors that have accountable plans and are reimbursed by the church for miles traveled, the IRS has set the mileage reimbursement rate at 57.5 cents per mile for 2020.

### **Vacations**

Two weeks with one additional week for each 5 years of experience is suggested. The church should budget for the supply speaker.

### **Christmas Gift**

The church should consider a minimum of one week's salary as an added bonus during the Christmas season.

### **Sick Leave/Disability**

You should agree in writing what the policy of the church will be in the event of sickness or disability. This is especially true in the event that the pastor lives in the parsonage. How long will the parsonage be available and compensation continue? In the event of a total disability, the church should continue the pastor's salary for a minimum of ninety days and up to one hundred and eighty days if possible.

### **Death Benefits**

What does a church do when their pastor dies? This doesn't happen very often but when it does, it presents some very difficult choices for the

church, especially if a parsonage is involved. These decisions are much easier when the church has considered this possibility beforehand.

While the church has lost their pastor, it is important to consider that the widow has lost her husband, his salary and, in the case of a parsonage, her home. The Minister's Program recommends that the church continue to pay the widow 70% of the pastor's salary for a period of 90 days and that she be granted the right of occupying the parsonage for that period of time.

### **Supply Speakers**

When someone is called to fill a pulpit for a service, the church should consider a minimum of \$150 per service and mileage at the IRS rate for a round trip from his home. The mileage rate for 2020 is 57.5 cents per mile.

### **Interim Pastors**

If this individual is expected to provide all the pastoral services expected of a regular pastor, then you should use the **Church's Guide to Basic Compensation**. Depending on the expectations of the interim pastor, the church and pastor may agree to a percentage of the total recommendations.

### **Evangelists**

The recommended amount is \$150 per service with an allowance for mileage and meals if travel will be during meal time. Overnight accommodations, if needed, should be at an acceptable motel at the expense of the church.

## **Healthcare under the Affordable Care Act (ACA)**

The ACA has caused health care premiums to increase dramatically. Changes that have occurred in the rules associated with the ACA now allow churches to pay for the coverage of their pastor through a group plan such as is available through Blue Cross Blue Shield of North Carolina.

Reimbursement to the pastor is not allowed and will be treated as W-2 income for tax purposes. Coverage must be provided through a qualified group plan and paid directly by the church. All full time staff employed by the church must be offered this benefit.

We recommend that the church/pastor contact a professional insurance agent and discuss the options with them. Properly executed this could result in significant tax savings for the pastor.

## **Publication Resources**

For this edition of the “Church’s Guide,” we are using a combination of existing data and information from outside the Convention - resources such as the Bureau of Labor and Statistics along with compensation studies of pastors and staff from ThomRainer.com.

For Additional Information,  
Contact

The Free Will Baptist  
Minister’s Program  
P.O. Box 1396  
Kinston, North Carolina 28503  
[www.fwbmp.org](http://www.fwbmp.org)

Or call  
Donald Fader  
252-523-5800