



Alabama Baptist
STATE BOARD OF MISSIONS

Church Staff Compensation Study

REPORT OF THE CHURCH STAFF COMPENSATION STUDY SUBCOMMITTEE 2023-2024

Greetings in the Name of Christ:

This report is the result of the combined efforts of the Church Staff Compensation Study Committee, a subcommittee of the Executive Committee, and selected members of the State Board of Missions staff. The committee consists of laypersons from Alabama Baptist churches. Our new name is a better reflection of our purpose: to study all aspects of staff compensation, not simply salary. It is also a reminder that our churches should not take the lump sum or package approach, but consider ministry business expenses, benefits, and housing allowance for the ordained minister. See the Compensation Planning Guide at www.guidestone.org/compensationplanning for more information.

This report is an online resource at www.alsbom.org/ccs.

This is not a salary recommendation. It is a report of actual responses from the 2022 survey. We feel this report is a useful tool in helping church leaders consider what to offer church employees in salary and benefits. Please use it as a guideline. If you have any questions, call 1-800-264-1225, ext. 2304, at the State Board of Missions. Printed copies of the report are available in limited quantities upon request from the same phone number.

Customized reports are also available including compensation based upon tenure and education. If you would like to develop a **report customized specifically for your church**, you may do so on our web site at www.alsbom.org/ccs. Click on Salary Studies, then click on the national study. The national study can provide additional data when Alabama survey responses are limited.

This report may be used by persons in your church who deal with staff salaries/and benefits. Thank you for helping care for the financial needs of your employees.

Sincerely,
The Layman's Salary Study Committee

Rhonda Grandstaff, Chair
Beth Baldwin, Stuart Davidson, Julia Ford, Ben Curlee, Shirley Smith

The Lord commands that those who preach the gospel should be supported by those who receive the gospel:

In the same way, the Lord has commanded that those who preach the gospel should receive their living from the gospel.

I Corinthians 9:14 NIV

Those who are taught the Word must share in all good things with their teacher.

Anyone who receives instruction in the word must share all good things with his instructor. Galatians 6:6 NIV

The laborer of Christ deserves to be paid.

And in the same house remain, eating and drinking such things as they give: for the labourer is worthy of his hire. Go not from house to house. Luke 10:7 KJV

General observations from the 2022 study

Salary Planning Process

Salary Planning involves several factors. This guide provides average salary information for various ministers and staff grouped by size and budget. The following factors should also be a part of the consideration. Churches should develop a process to examine these factors annually.

1. Cost of living adjustment
2. Merit increase
3. Total years of ministry experience
4. Tenure. Church health is generally enhanced by long tenured pastors and staff.
5. Education level of the employee

Observation Number 1: Alabama Pastor compensation has exceeded inflation over the last 4 years

While the Consumer Price Index has jumped 17.6% from 2018 to 2022, compensation, which includes salary and housing, has increased 0.2% for full-time senior pastors at Southern Baptist churches during the same period according to LifeWay Research. But the average pay for full-time Alabama pastors and bivocational pastors has exceeded the inflation rate despite the years of pandemic.

Year	Average Full Time SBC Pastor's Compensation
2014	\$59,768
2016	\$62,435
2018	\$63,604
2022	\$75,188

Observation Number 2: Pastors receive health insurance in larger churches.

Baptist churches with 50 to 99 at an average worship service typically don't receive medical insurance. Half (51%) of those at churches that average 100 to 249 in attendance are provided health insurance. For churches with 250 or more, most pastors (74%) receive medical insurance from the congregation according to LifeWay Research.

Observation Number 3: Ministry related expenses are not included in the total

Churches are increasingly recognizing that expenses are not part of the compensation. Expenses should be considered totally independent of compensation and benefits and should be paid using an accountable reimbursement plan. This cannot be funded by salary reduction according to the IRS. **Important Note:** Beginning in 2018, the minister will no longer be able to deduct unreimbursed business expenses for federal income taxes.

This current SBC Compensation Study assumes all ministry-related expenses are paid by a church separately and are **not** a part of salary. Expenses include mileage; expenses for conventions and continuing education; expenses for ministry related books and periodicals; and ministry related hospitality expenses. Amounts to cover these ministry related expenses are **in addition to** reported amounts in the survey.

Observation Number 4: Continue vacation and sick pay for staff newly called to your church

Pastor and staff should not be penalized for accepting God's call to your church. Do not make him start over on these because God has called him to your church. Base the minister's vacation or paid time off on total years of denominational service.

Observation Number 5: SBC-Wide Tenure increases slowly

The length of time ministers and church employees are staying in the same church continues to increase for most church staff positions. Those

responding to this question on the survey have averaged being at their current church as follows:

SBC-Wide Positions

3,133	Full Time Pastors	10.2	(compared to 9.6 in 2018)
828	Bivocational Pastors	8.7	(compared to 8.0 in 2018)
2,587	Full Time Staff Ministers	8.0	(compared to 7.4 in 2018)
1,439	Bivocational Staff Ministers	7.6	(compared to 7.1 in 2018)

Observation Number 6: Percentage of a Church Budget Used for Staff Compensation & Benefits

Churches with an average weekly attendance between 50 and 99 spend 46%. Those that average 100 to 249 devote 48%, while congregations of 250 or more spend 50% on employee compensation and benefits.

Observation Number 7: Social Security offset is needed

Social security costs your minister twice as much as it costs most of your members. The minister pays a rate of 15.3% while non-minister employees pay 7.65%. Consider paying the difference of 7.65% as a Social Security offset. This should be paid by the church and should not be part of a “package.” If the church provides a Social Security offset, it is treated as taxable income.

Observation Number 8: Compensation Differential due to Education

According to LifeWay Research On average, pastors whose highest level of education is high school or less are paid \$6,736 less than those with a four-year degree or more. Those with an associate degree earn \$7,206 less, while those with some college are paid \$4,800 less than those with at least a bachelor’s degree. Southern Baptist pastors with a doctorate earn \$9,794 more, on average, than their counterparts with bachelor’s or master’s degrees. Here is the data concerning Alabama pastors:

		High School or Less	2 Yr Associate Degree	Some College- No Degree	Bachelor's Degree	Master's Degree	Graduate Degree
Bivo. Pastor	Personal Income	\$23,962 (5)	\$33,673 (2)	\$23,690 (10)	\$22,218 (11)	\$22,151 (12)	\$26,829 (9)
	Protection Coverage	\$0 (5)	\$3,477 (2)	\$1,217 (10)	\$702 (11)	\$1,154 (12)	\$3,333 (9)
FT Pastor	Personal Income	\$72,041 (1)	\$66,612 (1)	\$59,077 (10)	\$85,857 (24)	\$82,435 (55)	\$103,177 (56)
	Protection Coverage	\$5,035 (1)	\$9,651 (1)	\$8,184 (10)	\$15,323 (24)	\$11,286 (55)	\$18,462 (56)

Compensation Planning: Pulling it all together

Adapted from *Compensation Planning Guide* by GuideStone Financial Services of the Southern Baptist Convention

1. Determine the needs of church employees by completing a financial support review annually. The information provided from the review will be essential to completing the committee's work of financial support planning and completion of the financial support worksheet.
2. Put financial support policies in writing. Be sure to include the basics of financial support that include ministry-related expenses, employee benefits and personal income.
3. Budget for ministry-related expenses separately from employee benefits and personal income. Do not do this from salary reduction. That makes it taxable.
4. Establish an accountable reimbursement plan for the purpose of fully reimbursing all church employees for expenses incurred while doing the church's work.
5. Designate money in the church budget to pay for medical, life and disability coverage for all full-time church employees. Do all you can financially to protect your employees and your church.
6. For each eligible employee, contribute a minimum of 10% of personal income (within legal limits) to the Church Retirement Plan as an employer contribution. Encourage employee participation through a Salary Reduction Agreement toward a total goal of 15% of salary plus housing (subject to legal limits).
7. If your church has an annual budget under \$75,000, apply for the Mission/Church Assistance Fund. Up to \$3,000 in retirement contributions may be available to ministers participating in the Church Retirement Plan.

Six steps to compensation planning

- Determine the needs.
- Establish written financial support policies.
- Provide for ministry-related expenses.
- Provide employee benefits.
- Determine personal income.
- Complete a financial support worksheet.

8. Provide additional income to all ministers equal to one-half of their Social Security taxes. Remember that ministers are self-employed for Social Security tax purposes and must pay both halves of that tax, which is in excess of 15%. Designate this additional income as a Social Security offset.

9. Budget for the employer's portion of FICA tax for non-ministerial church employees. Additionally, understand your federal payroll and employer reporting obligations and plan and budget for them.

10. Review the personal income of all church employees in comparison to the income of employees of other businesses or institutions in your town.

11. Consider providing a cost-of living increase to assure church employees' salaries are keeping pace with inflation. See www.alsbom.org/ccs

12. Review each church employee's job performance annually and provide merit increases when appropriate.

13. Designate the minister's housing allowance for eligible ministers. Remember that the housing allowance is one of two parts of the minister's personal income. Let the minister decide how this division should be made followed by church approval.

14. Complete the financial support worksheet for each church employee. This pulls the whole

financial support planning process together.

Consider the factors affecting compensation

1. Economic conditions of the community around the church (see Cost of living by Alabama County). Note: the counties in the table below are grouped together into metropolitan statistical areas. The MSAs are Birmingham, Decatur, Dothan, Florence-Muscle Shoals, Huntsville, Montgomery and Tuscaloosa.
2. The average salary of professionals within the church of like education and ability.
3. The actual cost of housing, utilities, maintenance, appliances, and furnishings for your area.
4. Other churches of similar size, budget, economic environment, cost of living and location.

Estimated Median Family Income for Alabama Counties¹

Source: HUD Office of Economic Affairs, Economic and Market Analysis Division, 2021
<http://www.huduser.org/portal/datasets/il.html>

County	Median Family Income	County	Median Family Income	County	Median Family Income	County	Median Family Income
Alabama	\$66,700	Colbert	\$64,500	Henry	\$60,500	Montgomery	\$67,600
Autauga	\$67,600	Conecuh	\$41,600	Houston	\$63,400	Morgan	\$63,100
Baldwin	\$74,300	Coosa	\$50,300	Jackson	\$51,400	Perry	\$32,700
Barbour	\$46,400	Covington	\$57,000	Jefferson	\$78,000	Pickens	\$54,900
Bibb	\$78,000	Crenshaw	\$58,200	Lamar	\$53,200	Pike	\$53,400
Blount	\$78,000	Cullman	\$57,300	Lauderdale	\$64,500	Randolph	\$55,100
Bullock	\$44,500	Dale	\$59,200	Lawrence	\$63,100	Russell	\$65,200
Butler	\$48,400	Dallas	\$43,000	Lee	\$78,000	St. Clair	\$78,000
Calhoun	\$63,700	DeKalb	\$53,000	Limestone	\$82,900	Shelby	\$78,000
Chambers	\$53,700	Elmore	\$67,600	Lowndes	\$67,600	Sumter	\$45,300
Cherokee	\$54,800	Escambia	\$48,700	Macon	\$50,200	Talladega	\$55,000
Chilton	\$56,700	Etowah	\$63,500	Madison	\$82,900	Tallapoosa	\$57,500
Choctaw	\$51,400	Fayette	\$50,000	Marengo	\$55,400	Tuscaloosa	\$70,900
Clarke	\$54,200	Franklin	\$50,600	Marion	\$48,600	Walker	\$65,900
Clay	\$51,800	Geneva	\$63,400	Marshall	\$60,800	Washington	\$50,600
Cleburne	\$55,900	Greene	\$32,500	Mobile	\$58,200	Wilcox	\$44,600
Coffee	\$67,700	Hale	\$70,900	Monroe	\$49,400	Winston	\$50,400

¹ For more information about your particular community, you may contact Mickey Crawford at 800.264.1225 extension 281 and request the MFI.

Note: On the following tables the number within parentheses is the number of survey responses

Comparison Data from Adjacent States

	Pastor	Assoc. Pastor	Administrator	Education	Worship/Music	Youth	Children	Activities	Multi-Role	Office Staff	Custodian
Full-Time: Personal Income											
All Surveys	\$78,872 (3,133)	\$68,828 (768)	\$79,618 (210)	\$71,588 (329)	\$69,181 (635)	\$55,979 (771)	\$55,296 (478)	\$59,657 (83)	\$65,839 (968)	\$43,365 (951)	\$38,361 (254)
Alabama	\$89,128 (147)	\$72,645 (33)	\$92,720 (11)	\$77,922 (15)	\$72,637 (41)	\$58,099 (44)	\$55,322 (28)	\$54,673 (7)	\$70,206 (49)	\$46,807 (66)	\$42,637 (23)
Florida	\$75,025 (350)	\$65,461 (70)	\$68,832 (22)	\$70,617 (28)	\$68,886 (65)	\$58,749 (65)	\$53,184 (36)	\$64,559 (7)	\$62,291 (84)	\$42,274 (78)	\$39,399 (23)
Georgia	\$95,703 (136)	\$67,043 (36)	\$70,411 (7)	\$69,664 (16)	\$76,671 (32)	\$59,568 (26)	\$52,509 (24)	\$83,157 (2)	\$69,445 (40)	\$43,208 (31)	\$40,049 (7)
Mississippi	\$77,071 (98)	\$53,696 (12)	\$74,931 (7)	\$69,150 (16)	\$62,842 (16)	\$51,874 (22)	\$53,216 (10)	\$67,430 (3)	\$62,706 (30)	\$35,864 (16)	\$33,787 (8)
Tennessee	\$87,087 (231)	\$77,541 (77)	\$76,825 (23)	\$71,999 (34)	\$70,722 (56)	\$60,535 (80)	\$59,259 (56)	\$70,852 (7)	\$65,668 (80)	\$47,474 (126)	\$41,528 (32)
Full-Time: Protection Coverage											
All Surveys	\$14,504 (3,133)	\$13,912 (768)	\$17,291 (210)	\$16,334 (329)	\$14,722 (635)	\$11,581 (771)	\$11,335 (478)	\$13,096 (83)	\$13,314 (968)	\$7,259 (951)	\$7,195 (254)
Alabama	\$14,414 (147)	\$14,542 (33)	\$20,154 (11)	\$18,767 (15)	\$14,271 (41)	\$11,767 (44)	\$10,807 (28)	\$13,578 (7)	\$14,298 (49)	\$10,395 (66)	\$10,594 (23)
Florida	\$13,607 (350)	\$13,962 (70)	\$16,009 (22)	\$14,235 (28)	\$15,246 (65)	\$13,206 (65)	\$12,810 (36)	\$12,517 (7)	\$12,744 (84)	\$7,322 (78)	\$8,076 (23)
Georgia	\$15,558 (136)	\$8,829 (36)	\$9,948 (7)	\$12,331 (16)	\$17,715 (32)	\$10,303 (26)	\$9,105 (24)	\$15,787 (2)	\$11,850 (40)	\$5,331 (31)	\$1,409 (7)
Mississippi	\$14,915 (98)	\$9,069 (12)	\$10,106 (7)	\$13,307 (16)	\$13,460 (16)	\$9,792 (22)	\$4,937 (10)	\$15,431 (3)	\$10,692 (30)	\$3,984 (16)	\$1,923 (8)
Tennessee	\$15,919 (231)	\$17,325 (77)	\$15,477 (23)	\$11,349 (34)	\$15,160 (56)	\$11,231 (80)	\$10,095 (56)	\$18,937 (7)	\$11,230 (80)	\$7,804 (126)	\$8,180 (32)
Bivocational: Personal Income											
All Surveys	\$25,230 (828)	\$19,986 (181)	\$23,116 (37)	\$24,758 (55)	\$15,399 (653)	\$17,259 (333)	\$17,828 (256)	\$16,035 (24)	\$20,005 (228)	\$16,011 (659)	\$10,327 (435)
Alabama	\$23,994 (49)	\$17,922 (10)	\$29,022 (3)	\$6,740 (4)	\$13,121 (52)	\$13,492 (22)	\$15,349 (19)	\$6,644 (3)	\$15,883 (14)	\$16,776 (44)	\$9,376 (26)
Florida	\$25,686 (98)	\$16,999 (26)	\$22,219 (1)	\$24,365 (6)	\$12,387 (60)	\$17,611 (24)	\$14,503 (11)	\$24,811 (2)	\$17,046 (18)	\$13,712 (92)	\$11,169 (31)
Georgia	\$35,729 (29)	\$20,161 (12)	\$22,029 (1)	\$12,588 (1)	\$14,512 (27)	\$20,998 (10)	\$16,614 (8)	(0)	\$20,081 (6)	\$14,085 (27)	\$10,681 (9)
Mississippi	\$25,500 (34)	\$23,078 (4)	\$40,407 (1)	\$40,407 (1)	\$13,438 (27)	\$19,511 (15)	\$21,992 (9)	(0)	\$30,616 (4)	\$19,132 (18)	\$10,827 (11)
Tennessee	\$24,732 (104)	\$14,348 (6)	\$36,648 (1)	\$31,470 (1)	\$17,167 (65)	\$14,603 (44)	\$18,286 (14)	\$31,470 (1)	\$18,189 (15)	\$15,691 (61)	\$9,677 (59)
Bivocational: Protection Coverage											
All Surveys	\$2,060 (828)	\$2,259 (181)	\$4,602 (37)	\$3,387 (55)	\$379 (653)	\$733 (333)	\$604 (256)	\$431 (24)	\$1,560 (228)	\$533 (659)	\$35 (435)
Alabama	\$1,443 (49)	\$5,161 (10)	\$16,784 (3)	\$315 (4)	\$221 (52)	\$203 (22)	\$681 (19)	\$0 (3)	\$3,752 (14)	\$818 (44)	\$0 (26)
Florida	\$1,530 (98)	\$413 (26)	\$1,572 (1)	\$1,073 (6)	\$119 (60)	\$63 (24)	\$502 (11)	\$0 (2)	\$518 (18)	\$1,360 (92)	\$0 (31)
Georgia	\$3,699 (29)	\$592 (12)	\$0 (1)	\$0 (1)	\$0 (27)	\$451 (10)	\$330 (8)	(0)	\$0 (6)	\$0 (27)	\$0 (9)
Mississippi	\$2,553 (34)	\$2,203 (4)	\$0 (1)	\$0 (1)	\$49 (27)	\$687 (15)	\$350 (9)	(0)	\$0 (4)	\$270 (18)	\$0 (11)
Tennessee	\$1,401 (104)	\$386 (6)	\$0 (1)	\$2,407 (1)	\$414 (65)	\$351 (44)	\$768 (14)	\$2,407 (1)	\$537 (15)	\$330 (61)	\$0 (59)

Alabama Pastor Data	Mean	Median
Age	50	51
Years of Experience	20	10
Years at Current Church	8	3
Average Attendance	370	200
Budget	\$1,708,396.10	\$592,533.50
Housing Allowance/Parsonage	\$12,355.80	\$52.45
Salary	\$31,668.77	\$26,461.03
Weeks of Vacation	3	2
Weeks of Revival	2	1

Alabama Pastor Data includes those who responded to the salary study

Mean = The arithmetic average; sum of items divided by count of items

Median = The central number; half of values are above and half below.

Note: On the following tables, the number within parentheses is the number of survey responses

**Averages for Full-Time Staff Based on Attendance
(Higher of Worship or Sunday School)**

1		1 - 50	51 - 100	101 - 250	251 - 500	501 - 1000	1001 - up
Pastor	Personal Income	\$55,220 (13)	\$61,065 (30)	\$83,378 (59)	\$97,971 (27)	\$144,148 (13)	\$222,712 (5)
	Protection Coverage	\$11,243 (13)	\$7,909 (30)	\$10,772 (59)	\$17,087 (27)	\$29,934 (13)	\$49,883 (5)
Associate Pastor	Personal Income	\$27,264 (1)	\$45,325 (1)	\$57,032 (10)	\$71,122 (12)	\$91,539 (5)	\$110,804 (4)
	Protection Coverage	\$0 (1)	\$0 (1)	\$7,815 (10)	\$11,067 (12)	\$21,733 (5)	\$40,071 (4)
Administrator	Personal Income	(0)	\$97,699 (1)	\$56,122 (1)	\$66,611 (3)	\$88,438 (4)	\$156,257 (2)
	Protection Coverage	(0)	\$14,340 (1)	\$0 (1)	\$4,906 (3)	\$29,175 (4)	\$37,966
(2)((2)(@Z92)Education	Personal Income	(0)	(0)	\$47,030 (3)	\$72,591 (4)	\$85,184 (6)	\$113,135 (2)
	Protection Coverage	(0)	(0)	\$2,657	\$2,657 (4)	\$25,090 (6)	\$35,888 (2)
Worship/Music	Personal Income	(0)	\$43,643 (2)	\$61,930 (15)	\$74,299 (13)	\$82,109 (9)	\$128,503 (2)
	Protection Coverage	(0)	\$1,574 (2)	\$5,853 (15)	\$15,858 (13)	\$22,546 (9)	\$42,555 (2)
Youth	Personal Income	(0)	\$41,960 (1)	\$49,929 (20)	\$60,560 (13)	\$61,456 (7)	\$99,454 (3)
	Protection Coverage	(0)	\$3,147 (1)	\$6,237 (2)	\$13,528 (11)	\$16,609 (7)	\$32,578 (3)
Children	Personal Income	(0)	(0)	\$50,811 (12)	\$51,160 (8)	\$64,962 (5)	\$68,395 (3)
	Protection Coverage	(0)	(0)	\$2,728 (12)	\$15,492 (8)	\$16,191 (5)	\$21,655 (3)
Activities	Personal Income	(0)	(0)	\$45,692 (3)	\$49,937 (3)	(0)	\$95,826 (1)
	Protection Coverage	(0)	(0)	\$1,399 (3)	\$18,341 (3)	(0)	\$35,823 (1)
Multi-Role	Personal Income	(0)	\$61,661 (3)	\$51,280 (17)	\$71,274 (13)	\$85,862 (11)	\$102,458 (5)
	Protection Coverage	(0)	\$5,829 (3)	\$4,212 (17)	\$12,497 (13)	\$23,740 (11)	\$37,579 (5)
Office Staff	Personal Income	\$30,073 (1)	\$30,063 (3)	\$34,553 (17)	\$37,276 (9)	\$49,609 (21)	\$66,956 (15)
	Protection Coverage	\$1,397 (1)	\$11,360 (3)	\$4,665 (17)	\$7,253 (9)	\$7,745 (21)	\$22,894 (15)
Custodial Staff	Personal Income	\$44,583 (2)	\$50,352 (1)	\$40,573 (5)	\$33,889 (4)	\$41,073 (8)	\$58,045 (3)
	Protection Coverage	\$37,764 (2)	\$32,519 (1)	\$2,880 (5)	\$5,120 (4)	\$4,256 (8)	\$22,228 (3)

Averages for Full-Time Staff Based on Church Budget

	Up to 250k		250k - 500k		500k - 1 million		1 million+-1.5		\$1.5 million+	
Pastor	Personal Income	\$50,866 (27)	\$72,671 (45)	\$94,243 (43)	\$101,509 (10)	\$154,414 (20)				
	Protection Coverage	\$5,519 (27)	\$10,789 (45)	\$11,998 (43)	\$16,719 (10)	\$35,689 (20)				
Associate Pastor	Personal Income	\$36,294 (2)	\$47,381 (4)	\$64,744 (12)	\$75,291 (5)	\$98,179 (10)				
	Protection Coverage	\$0 (2)	\$1,993 (4)	\$8,553 (12)	\$14,795 (5)	\$29,532 (10)				
Administrator	Personal Income	(0)	\$97,699 (1)	\$61,380 (2)	\$61,031 (2)	\$112,900 (6)				
	Protection Coverage	(0)	\$14,340 (1)	\$4,529 (2)	\$13,534 (2)	\$28,538 (6)				
Education	Personal Income	(0)	\$42,485 (2)	\$52,444 (2)	\$84,654 (1)	\$89,432 (10)				
	Protection Coverage	(0)	\$3,986 (2)	\$1,133 (2)	\$23,078 (1)	\$24,819 (1)				
Worship/Music	Personal Income	\$43,643 (2)	\$56,502 (4)	\$66,543 (16)	\$76,922 (4)	\$86,162 (15)				
	Protection Coverage	\$1,574 (2)	\$5,770 (4)	\$6,474 (16)	\$8,849 (4)	\$27,995 (15)				
Youth	Personal Income	\$41,960 (1)	\$46,556 (7)	\$55,713 (17)	\$58,195 (5)	\$67,887 (14)				
	Protection Coverage	\$3,147 (1)	\$4,833 (7)	\$8,057 (17)	\$13,276 (5)	\$19,817 (14)				
Children	Personal Income	(0)	\$52,266 (5)	\$49,560 (8)	\$48,499 (3)	\$62,142 (12)				
	Protection Coverage	(0)	\$1,500 (5)	\$3,790 (8)	\$11,155 (3)	\$19,275 (13)				
Activities	Personal Income	(0)	\$45,692 (3)	\$46,664 (2)	(0)	\$76,155 (2)				
	Protection Coverage	(0)	\$1,399 (3)	\$12,389 (7)	(0)	\$33,035 (2)				
Multi-Role	Personal Income	\$43,643 (2)	\$55,510 (9)	\$66,354 (12)	\$68,182 (9)	\$90,192 (16)				
	Protection Coverage	\$1,574 (2)	\$4,128 (9)	\$7,077 (12)	\$10,413 (9)	\$30,063 (16)				
Office Staff	Personal Income	\$30,073 (1)	\$31,836 (6)	\$34,272 (15)	\$41,267 (6)	\$55,435 (38)				
	Protection Coverage	\$1,397 (1)	\$5,680 (6)	\$5,440 (15)	\$4,529 (6)	\$14,259 (38)				
Custodial Staff	Personal Income	(0)	(0)	\$44,285 (5)	\$37,371 (4)	\$43,553 (14)				
	Protection Coverage	(0)	(0)	\$6,978 (5)	\$21,890 (4)	\$8658 (14)				

**Part Time Staff Based on Average Attendance
(Higher of Worship or Sunday School)**

		1 - 50		51 - 100		101 - 250		251 - 500		500-1000	
Pastor	Personal Income	\$19,239	(35)	\$34,300	(11)	\$41,680	(3)		(0)		
	Protection Coverage	\$877	(35)	\$915	(11)	\$9,976	(3)		(0)		
Associate Pastor	Personal Income	\$18,908	(3)	\$9,966	(3)	\$23,150	(4)		(0)		
	Protection Coverage	\$17,204	(3)	\$0	(3)	\$0	(4)		(0)		
Administrator	Personal Income	\$56,646	(1)	\$15,735	(1)	\$14,686	(1)		(0)		
	Protection Coverage	\$50,352	(1)	\$0	(1)	\$0	(1)		(0)		
Education	Personal Income	\$3,776	(2)	\$9,703	(2)		(0)		(0)		
	Protection Coverage	\$629	(2)	\$0	(2)		(0)		(0)		
Worship/Music	Personal Income	\$9,446	(12)	\$10,157	(19)	\$18,335	(16)	\$15,171	(4)	\$21,906	(1)
	Protection Coverage	\$144	(12)	\$33	(19)	\$572	(16)	\$0	(4)	\$0	(1)
Youth	Personal Income	\$2,581	(2)	\$12,137	(11)	\$15,835	(8)	\$31,470	(1)		
	Protection Coverage	\$0	(2)	\$162	(11)	\$334	(8)	\$0	(1)		
Children	Personal Income	\$1,888	(1)	\$9,231	(5)	\$15,239	(8)	\$20,347	(4)	\$40,276	(1)
	Protection Coverage	\$0	(1)	\$126	(5)	\$354	(8)	\$1,597	(4)	\$3081	(1)
Activities	Personal Income	\$4,721	(2)	\$10,490	(1)		(0)		(0)		
	Protection Coverage	\$0	(2)	\$0	(1)		(0)		(0)		
Multi-Role	Personal Income	\$16,522	(4)	\$10,322	(5)	\$20,932	(5)		(0)		
	Protection Coverage	\$12,903	(4)	\$0	(5)	\$185	(5)		(0)		
Office Staff	Personal Income	\$4,566	(7)	\$13,872	(8)	\$19,484	(15)	\$23,317	(2)	\$22,898	(4)
	Protection Coverage	\$0	(7)	\$0	(8)	\$285	(15)	\$629	(2)	\$5,762	(4)
Custodial Staff	Personal Income	\$4,115	(11)	\$11,887	(6)	\$13,839	(8)	\$16,486	(1)		
	Protection Coverage	\$0	(11)	\$0	(6)	\$0	(8)	\$0	(1)		

Part Time Based on Church Budget

		Up to \$250k	\$250k – 500k	\$500k – 1 millionk	\$1 million - \$1.5 million	\$1.5 million +
Pastor	Personal Income	\$23,970 (44)	\$27,536 (4)	(0)	(0)	(0)
	Protection Coverage	\$1,085 (44)	\$5,743 (4)	(0)	(0)	(0)
Assoc. Pastor	Personal Income	\$16,590 (5)	\$14,962 (3)	\$25,692 (2)	(0)	(0)
	Protection Coverage	\$10,322 (5)	\$0 (3)	\$0 (2)	(0)	(0)
Administrator	Personal Income	\$36,191 (2)	(0)	\$14,686 (1)	(0)	(0)
	Protection Coverage	\$25,176 (2)	(0)	\$0 (1)	(0)	(0)
Education	Personal Income	\$7,763 (3)	\$3,672 (1)	(0)	(0)	(0)
	Protection Coverage	\$420 (3)	\$0 (1)	(0)	(0)	(0)
Worship/Music	Personal Income	\$9,309 (25)	\$12,510 (15)	\$23,937 (8)	\$16,172 (3)	\$21,906 (1)
	Protection Coverage	\$150 (25)	\$51 (15)	\$563 (8)	\$826 (3)	\$0 (1)
Youth	Personal Income	\$9,137 (9)	\$13,123 (10)	\$25,943 (2)	\$31,470 (1)	(0)
	Protection Coverage	\$0 (9)	\$237 (10)	\$1,042 (2)	\$0 (1)	(0)
Children	Personal Income	\$5,455 (4)	\$9,878 (6)	\$21,282 (8)	(0)	\$40,276 (1)
	Protection Coverage	\$157 (4)	\$100 (6)	\$1,078 (8)	(0)	\$3,081 (1)
Activities	Personal Income	\$6,644 (3)	(0)	(0)	(0)	(0)
	Protection Coverage	\$0 (3)	(0)	(0)	(0)	(0)
Multi-Role	Personal Income	\$14,843 (8)	\$13,057 (4)	\$25,692 (2)	(0)	(0)
	Protection Coverage	\$6,567 (8)	\$0 (4)	\$0 (2)	(0)	(0)
Office Staff	Personal Income	\$9,167 (12)	\$14,881 (7)	\$20,782 (11)	\$12,064 (1)	\$22,772 (11)
	Protection Coverage	\$0 (12)	\$0 (7)	\$503 (11)	\$0 (1)	\$2,770 (11)
Custodian	Personal Income	\$6,585 (16)	\$11,497 (5)	\$16,187 (5)	(0)	(0)
	Protection Coverage	\$0 (16)	\$0 (5)	\$0 (5)	(0)	(0)

Average for Full Time Based on Education

		High School	2 yr associate	Some College	Bachelor	Masters	Graduate
Pastor	Personal Income	\$72,041 (1)	\$66,612 (1)	\$59,077 (10)	\$85,857 (24)	\$82,435 (55)	\$103,177 (56)
	Protection Coverage	\$5,035 (1)	\$9,651 (1)	\$8,184 (10)	\$15,323 (24)	\$11,286 (55)	\$18,462 (56)
Assoc. Pastor	Personal Income	\$75,487 (1)	(0)	\$37,931 (3)	\$75,576 (7)	\$77,026 (17)	\$73,905 (5)
	Protection Coverage	\$1,133 (1)	(0)	\$2,154 (3)	\$11,879 (7)	\$15,657 (17)	\$24,597 (5)
Administrator	Personal Income	(0)	(0)	\$66,638 (1)	\$134,490 (2)	\$82,771 (7)	\$104,900 (1)
	Protection Coverage	(0)	(0)	\$9,058 (1)	\$19,931 (2)	\$19,257 (7)	\$37,974 (1)
Education	Personal Income	(0)	(0)	\$43,265 (2)	\$75,334 (3)	\$85,814 (7)	\$85,200 (3)
	Protection Coverage	(0)	(0)	\$3,231 (2)	\$5,665 (3)	\$21,957 (7)	\$34,782 (3)
Worship/Music	Personal Income	\$52,450 (1)	\$44,450 (1)	\$45,107 (1)	\$62,781 (18)	\$83,937 (19)	\$111,225 (1)
	Protection Coverage	\$11,539 (1)	\$26,750 (1)	\$11,539 (1)	\$10,033 (18)	\$16,747 (19)	\$36,503 (1)
Youth	Personal Income	\$75,508 (2)	\$51,545 (2)	\$41,436 (2)	\$52,030 (19)	\$61,779 (16)	\$80,786 (3)
	Protection Coverage	\$566 (2)	\$6,294 (2)	\$7,868 (2)	\$4,925 (19)	\$18,749 (16)	\$31,580 (3)
Children	Personal Income	(0)	\$54,810 (2)	\$43,265 (2)	\$52,786 (13)	\$60,604 (11)	(0)
	Protection Coverage	(0)	\$4,248 (2)	\$3,231 (2)	\$8,338 (13)	\$16,294 (11)	(0)
Activities	Personal Income	\$56,484 (1)	\$48,254 (1)	\$43,265 (2)	\$47,809 (2)	\$95,826 (1)	(0)
	Protection Coverage	\$30,247 (1)	\$0 (1)	\$3,231 (2)	\$11,256 (2)	\$35,823 (1)	(0)
Multi-Role	Personal Income	\$69,167 (3)	\$48,254 (1)	\$43,879 (3)	\$63,355 (12)	\$78,907 (26)	\$60,211 (4)
	Protection Coverage	\$10,460 (3)	\$0 (1)	\$6,000 (3)	\$7,398 (12)	\$17,936 (26)	\$24,024 (4)

Average for Full Time Based on Experience

		1-5 Yrs	6-10 Yrs	11-15 Yrs	16-20 Yrs	21-30 Yrs	31 Yrs +
Pastor	Personal Income	\$81,268 (7)	\$75,954 (10)	\$78,412 (17)	\$84,156 (29)	\$93,821 (48)	\$97,619 (35)
	Protection Coverage	\$16,468 (7)	\$15,421 (10)	\$9,510 (17)	\$13,122 (29)	\$13,792 (48)	\$17,825 (35)
Assoc. Pastor	Personal Income	\$51,357 (4)	\$64,119 (7)	\$60,078 (4)	\$90,093 (3)	\$85,947 (11)	\$71,752 (4)
	Protection Coverage	\$7,301 (4)	\$15,154 (7)	\$2,518 (4)	\$22,891 (3)	\$19,303 (11)	\$13,385 (4)
Administrator	Personal Income	\$130,790 (3)	\$75,528 (1)	\$66,785 (3)	(0)	\$86,066 (3)	\$93,468 (1)
	Protection Coverage	\$39,403 (3)	\$24,652 (1)	\$5,586 (3)	(0)	\$16,758 (3)	\$11,800 (1)
Education	Personal Income	\$37,764 (1)	\$62,327 (3)	\$56,122 (1)	\$109,725 (2)	\$84,111 (6)	\$81,921 (2)
	Protection Coverage	\$4,196 (1)	\$16,839 (3)	\$0 (1)	\$31,030 (2)	\$16,752 (6)	\$32,108 (2)
Worship/Music	Personal Income	\$57,593 (5)	\$57,720 (8)	\$69,243 (4)	\$66,594 (2)	\$71,521 (10)	\$91,918 (12)
	Protection Coverage	\$11,444 (5)	\$11,000 (8)	\$11,853 (4)	\$18,738 (2)	\$12,405 (10)	\$19,247 (12)
Youth	Personal Income	\$50,727 (11)	\$57,318 (17)	\$56,960 (4)	\$59,263 (3)	\$69,838 (8)	\$59,636 (1)
	Protection Coverage	\$10,947 (11)	\$9,682 (17)	\$6,447 (4)	\$13,197 (3)	\$19,911 (8)	\$8,071 (1)
Children	Personal Income	\$52,107 (13)	\$57,401 (6)	\$50,937 (3)	\$62,183 (3)	\$62,617 (3)	(0)
	Protection Coverage	\$10,637 (13)	\$13,970 (6)	\$10,124 (3)	\$3,861 (3)	\$12,846 (3)	(0)
Activities	Personal Income	\$41,163 (2)	\$48,510 (2)	\$51,057 (1)	\$76,155 (2)	(0)	(0)
	Protection Coverage	\$13,354 (2)	\$1,133 (2)	\$0 (1)	\$33,035 (2)	(0)	(0)
Multi-Role	Personal Income	\$59,664 (8)	\$56,563 (8)	\$67,379 (5)	\$75,482 (5)	\$81,898 (16)	\$80,893 (6)
	Protection Coverage	\$14,660 (8)	\$12,212 (8)	\$4,736 (5)	\$19,653 (5)	\$17,919 (16)	\$12,719 (6)

This report includes:

- 1. Personal Income:** Salary, Housing, Parsonage, and Social Security Offset
- 2. Protection Coverage:** Medical/Life/Disability Insurance, and Retirement Contributions

You must add the following (not included in this study):

- 3. Ministry Related Expenses:** Transportation, Travel (overnight), Hospitality, Conventions, Conferences, Books/Subscriptions, etc. You must add these in order to form a complete financial support plan. **See page 5.**

These figures are averages of salaries reported.

- 4. They are not a recommendation of compensation levels.** In most cases, you should pay more than the average above.

This study assumes all ministry-related expenses are paid by the church using an accountable reimbursement plan and are NOT INCLUDED in compensation. See page 5 for a complete financial support plan sheet.

Interim minister is usually paid between 25 and 35% of the minister's weekly Personal Income for Sunday and for Wednesday evening; and 20-25% for each additional day per week of service requested. In addition, you should reimburse ministry expenses. See Page 18.

Legal Issues for the Church as Employer

The following issues are raised in order to help church leaders understand some of the legal implications facing the church. Neither the list nor the descriptions are intended as the final word. If your church needs additional information on these issues, please consult a qualified attorney.

- 1) Churches should stay up to date concerning new developments about the **Affordable Care Act**. A group health insurance plan continues to be a tax-free benefit. Also, a GuideStone plan is a tax-free benefit. Finally, a “group of one” where there is only 1 full time employee serving the church remains a tax-free plan. There are 2 small employer HRAs which provide some help but have several requirements. (2) Individual plans paid or reimbursed have ceased to be tax free. (3) Large churches having 50 or more Full Time Equivalents are required to provide health insurance to employees working 30 hours per week or more.
- 2) **The Fair Labor Standards Act** applies to employers with one or more employees. It addresses issues such as minimum wage, overtime, and record-keeping requirements. Employees are either exempt or non-exempt and legal guidelines determine into which category an employee must be classified based on job responsibilities. Placing an employee on salary does not make him/her exempt. Any employee paid less than **\$684** a week is automatically non-exempt. Churches should require non-exempt employees to keep time sheets with hours worked. **Ministers are usually exempt (even ministers who do not earn \$684/week).**
- 3) **E-Verify and four other forms are required for each employee when hired (including ministers):** They are the I-9 and E-Verify from the U.S. Citizenship and Immigration Services (USCIS); the NH-1 described under item four below; the W-4 from the IRS; and the A-4 from the Alabama Department of Revenue (ADOR).
- 4) **New Hire Law:** Alabama law requires employers with one or more employees to report to the Alabama Department of Industrial Relations the hiring, rehiring, or recalling of any employee. This may be submitted online at <http://labor.alabama.gov/nh/>. For more information, call the Alabama Department of Industrial Relations at (334) 353-8491.
- 5) **Worker’s Compensation:** An Alabama employer with five or more employees (includes part time and ministers) is required to provide this insurance. It protects the employer and employee in the event of a work-related injury. Churches with less than five employees are liable for Worker’s Compensation claims as well. They too should provide such coverage even though they are not legally required to do so.
- 6) **Employee Handbook (a.k.a. Personnel Manual):** If a church has an employee handbook, it should not include wording that implies a contractual commitment between the church and the employee. A statement that references Alabama’s “At Will” status should also be included. This status means that the employment relationship can be ended by either the church or the employee without a reason or grounds.
- 7) **Conduct background checks on all potential employees:** Conduct a rigorous background investigation with a professional agency. Many services are available. See www.alsbom.org/safe. You must get proper signed release forms and conduct the background check in accordance with the new FCRA federal guidelines.
- 8) **Incorporation:** All churches should be incorporated for three reasons: (1) for the church to own property, (2) to protect members from personal loss if the church is found liable, (3) to protect the church from takeover.
- 9) **Tax-exempt Status:** Alabama does not exempt churches from sales tax. Churches are automatically exempt from federal and state property tax. They are also given the right to grant charitable contributions credit to those giving cash or non-cash gifts to, or for the use of, the church. Some vendors may ask church leaders for a 501(c)(3) exemption letter as proof of status. To receive such a letter, contact the SBC Executive Committee’s Finance Office at 901 Commerce St., Nashville, Tennessee 37203, (615) 244-2355.
- 10) **Sexual Harassment:** Make sure that your church has a sexual harassment policy that is clear. Make sure it is communicated to all employees. Churches should be free from any hostile work environment. Employees should understand the procedure for reporting situations and employers should always take complaints seriously.
- 11) **Churches are excluded by law from the following:** COBRA, Federal Unemployment Tax, and Alabama Unemployment Tax.
- 12) **Age Discrimination in Employment Act 1967 (ADEA) and Age Discrimination Act of 1975:** ADEA protects certain applicants and employees 40 years of age and older from discrimination on the basis of age in hiring, promotion, discharge, compensation, or terms, conditions or privileges of employment.
- 13) **Alabama Child Labor Law:** Under the new system, work permits are no longer required for each minor employed. In its place, employers are required to obtain a Child Labor Certificate in order to employ minors. www.labor.alabama.gov
- 14) **Americans with Disability Act (ADA):** Churches that employ 15 or more individuals generally **are covered** by **Title I** of the ADA. Covered

employers are banned from discriminating against qualified individuals with disabilities in all aspects of **employment**. Churches generally are **not covered** under **Title II** of the ADA which covers accessibility to things like buildings and sidewalks.

- 15) **Civil Rights Act of 1964:** Prohibits employers from discriminating in any employment decision—including hiring, discharge, compensation, and the terms, conditions, or privileges of employment on the basis of race, color, religion, sex, or national origin. Religious organizations, including churches, are exempt from the prohibition against discrimination based on religion, and the United States Supreme Court upheld the constitutionality of this provision in 1987.
- 16) **Family and Medical Leave Act (FMLA):** The FMLA is applicable to churches with 50 or more employees each working day during at least 20 calendar weeks or more in the current or preceding calendar year.
- 17) **Immigration Reform and Control Acts of 1986:** All employees hired on or after June 1, 1987 must complete the top half of Form I-9 by the third

day of work. Present a Form I-9 for inspection to an U.S. Citizenship and Immigration Services (“USCIS”) or Department of Labor officer upon request. Note that the Form I-9 is not filed with the government. Rather, it is retained by the employer for presentation to an appropriate government representative upon request.

- 18) **Uniformed Services Employment and Reemployment Rights Act:** Employees have the right to be reemployed if they leave to serve in the military provided: they tell you in advance, have 5 years or less in the services while under your employ, return to work in a timely manner, and have not been separated with a disqualifying discharge. They must be restored to the job and benefits they would have attained.

For more information, call 1-800-264-1225, extension 2283 and request a *Legal Issues for Churches* guide. If you have questions, ask for Jim Swedenburg.

Jim Swedenburg is a State Missionary in the office of Church Health, State Board of Missions.
jswedenburg@alsbom.org

Tax Issues for the Church as Employer

- 1) There are some issues every church must understand in dealing with employees — ordained ones in particular. Consider these four major elements:
 - a) **Ordained ministers live under a dual tax status.** They are employees for federal and state tax purposes and self-employed for Social Security purposes.
 - b) **Ordained ministers are exempt from income tax withholding.** The minister may choose to pay taxes on a quarterly estimated basis or may choose voluntary withholding by completing step 4 on their W-4.
 - c) **Churches cannot pay FICA for a minister.** Social Security offsets are included as regular income.
 - d) **Ordained ministers qualify for a housing allowance.** The allowance applies to church-owned housing or housing owned or rented by the minister. If the church provides a parsonage to **non-ordained** employees, the fair rental value of the house/apartment must be recorded as taxable income on the person’s W-2 at the end of the year.
- 2) Your church must have an employer identification number (EIN). This is not a “tax-exempt” number. There is no Alabama tax-exempt number that prevents a church from paying sales taxes on items purchased. To apply for a Federal EIN, call 1-800-829-3676 and request form SS-4 or www.irs.gov. For a State EIN, call 334-242-8830 or www.revenue.alabama.gov.
- 3) Determine whether each church worker is an employee or self-employed. A seven-factor test issued by the IRS can help in making the determination. You must obtain the Social Security number from each worker — employees on form W-4 and contract workers on form W-9. If a contract worker refuses to provide a SS number on a form W-9, the church must withhold 28% of the total compensation as back-up withholding.
- 4) Each employee must have a form W-4 on file for the current year. This form is used to claim withholding allowances. Ordained employees may use the form to elect voluntary withholding. New employees should complete the form when they begin employment, on or before the fifth day of work. This should be repeated prior to January 1 each year.
- 5) Compute each employee’s taxable wages. The following items will generally be counted as wages and entered on the employee’s W-2: salary, bonuses, Christmas and other special occasion gifts (love offerings), Social Security offset for ordained persons, personal use of a church-owned vehicle, purchases of church property for less than fair market value, business expense reimbursements under a non-accountable reimbursement plan, imputed interest on below-market interest church loans, most reimbursements of spouse travel expenses, and forgiven debts. Generally, if funds are given to church employees that pass through, or are collected by the church, those funds should be reported on the W-2 as income.
- 6) Determine the amount of income tax to withhold from each employee’s

- wages. Request from the IRS Publication 15 (Circular E) to assist in this process. The circular, along with the W-4 will help make the process easier. If you have questions, contact your CPA.
- 7) Withhold Social Security (FICA) taxes from **non-ordained** employees. Ordained employees are self-employed for Social Security purposes. Never pay or withhold FICA tax for ordained persons serving as ministers (they pay SECA taxes at the rate of 15.3%)
 - 8) Deposit the taxes you withhold. The amount of the deposit will determine the frequency that deposits must be made. If you have questions, contact your CPA. The IRS will notify you if the frequency needs to be changed.
 - 9) All employers subject to income tax withholding and/or Social Security withholding must file Form 941 quarterly. Churches with only one minister-employee will probably be exempt from this rule. Once the form is first filed, the IRS may notify you that the form will not be needed unless additional staff is added.
 - 10) Prepare a Form W-2 for every employee, including ordained ministers. A Form 1099-NEC will need to be filed for non-employees who were paid for services during the calendar year where total compensation was equal to or exceeded \$600. Ordained ministers are employees for federal and state tax purposes and should receive a W-2.
 - 11) The following forms should be on file for every employee: W-4, I-9, and A-4. E-Verify and Alabama NH-1 are also required.
 - 12) Alabama law requires employers with one or more employees to submit a form to the Alabama Department of Industrial Relations that reports the **hiring, rehiring, or recalling** of any employee. This may be submitted online at <http://labor.alabama.gov/nh/>. For more information, call the Alabama Department of Industrial Relations at (334) 353-8491.
 - 13) The IRS gives intense scrutiny to employee use of listed property. This includes computers and vehicles. Cell phones have been removed from listed property.
 - 14) Club memberships: No deduction is permitted for club dues, including social, athletic, sporting, luncheon clubs, airline and hotel clubs, and “business” clubs. This does not include bona fide professional dues.
 - 15) Credit card: Expenses charged to the church credit card are 100% taxable if executives are not required to substantiate that those expenses were for business. If not required, the reimbursement is non-accountable and the total reimbursement is taxable income.
 - 16) Spouse or dependent travel: Reimbursement of a spouse (or other dependents) travel is taxable to the employee unless there is a business purpose for the spouse to participate.
 - 17) FSA or flex plans use it or lose it rule eased. A cafeteria plan document may, at the employer's option, be amended to provide for a grace period. Churches may allow current year funds to be spent through March 15 of the following year.
 - 18) Consider using per diem rates for substantiating travel expenses. The IRS allows taxpayers to substantiate business expenses by using “per diem” (daily) rates. Taxpayers still must have records substantiating the date, place, and business purpose of each expense.
 - 19) Worker Misclassification: the IRS has announced that it will give careful scrutiny to recipients of 1099’s who should have received W-2’s. In 2005 the IRS began fines for churches giving 1099’s to ministers. Ministers on a church staff must be given a W-2.

For more information, call 1-800-264-1225, extension 2304 and request a Minister’s tax guide. If you have questions, ask for Lee Wright, Jo Ellen Johnson, CPA or Mike Jackson.

- Mike Jackson is a State Missionary. He is the Associate Executive Director of the Alabama Baptist Convention, State Board of Missions. mjackson@alsbom.org
- Jo Ellen Johnson, CPA is a State Missionary. She is Coordinator of Accounting Services of the Alabama Baptist Convention, State Board of Missions. jjohnson@alsbom.org
- Lee Wright is a State Missionary serving in Church Health. lwright@alsbom.org

Tax Issues for the Minister

The following issues represent two major points of consideration for ministers with regards to taxes. These items are not exhaustive due to space limitations — they are guidelines for further review. Consult your CPA for help in dealing with these issues or call 1-800-264-1225 for Lee Wright (ext. 2241), Mike Jackson (ext. 2219) or Jo Ellen Johnson, CPA (ext. 2204). For more information, call 1-800-264-1225, extension 2304 and request a Minister’s Tax guide, or go online at www.guidestone.org/ministrytools/financialresources.aspx.

Providing a “package” is no longer an acceptable practice

The “package” is when the church gives the minister a figure and he divides it to fit his needs. When this method is allowed by the church and used by the minister, the entire “package” is taxable.

1. The IRS does not allow using salary package restructuring to fund business expenses. Reimbursement can’t be part of compensation (no package). If it comes out of a package it is 100% taxable--IRS Reg. 1.162-17 & 1.274-5T(f)
2. Using salary reductions to fund business expenses is also prohibited by the IRS. This is when the church provides a constant monthly check, but allows division of check to vary from month to month to cover expenses. This makes all of the check taxable.
3. Using salary package restructuring to refund medical expenses is not available when the church uses a compensation “package approach.” IRS Publication 502 Medical and Dental Expenses

Compensation and tax reporting practices

The IRS may levy “**Intermediate Sanctions**” against a pastor who is a church officer for “excess benefits” paid to him and his family.

In the past the IRS would revoke exempt status of church for such violations. Rather than take that drastic step, the IRS may now impose intermediate sanctions. These are excise taxes of up to 225% of excess benefits against “insiders” such as the senior pastor who helps determine his own salary benefits.

The focus in the past has been “Unreasonable compensation”. The new focus is “automatic” excess benefits for the minister’s use of church assets.

The targeted areas include:

- Real estate (housing and more); when unused housing allowance is not

added to form 1040.

- Personal purchases by minister on church credit card.
- Non-accountable plan not reported on the W-2 by the church nor reported by the minister on IRS form 1040.

Why did the IRS characterize these as automatic excess benefits? A combination of one or two factors:

1. Business purpose was not properly substantiated.
2. Neither church nor minister reported personal use as income.

This is a powerful reminder that churches and ministers must report income properly. It is critical for churches to use accountable plans to reimburse ministers, and then only for legitimate ministry-related expenses.

Housing Allowance:

- 1) A housing allowance (or parsonage allowance) is available to an ordained minister who receives ministry related income during a calendar year. The housing allowance is only available on the income from ministry (you cannot take a housing allowance on earnings received from secular employment). The allowance applies to the principal residence of the minister. A housing allowance is also permitted for ordained ministers living in church-owned housing. The allowance applies to any expense incurred by the minister for the upkeep and maintenance of the residence with the exception of food or maid service. The following calculations are used in determining the allowance:

- a) What is the fair-rental value, furnished, plus utilities annual cost of the principal residence? Ask a real estate agent to place on his/her

letterhead what the house would rent for furnished. Then add utility estimates and the result is your maximum allowance available for the calendar year, regardless of how much you spend. The housing allowance cannot exceed fair rental value, furnished, plus utilities.

- b) What expenses can you prove you paid for during the year? Receipts and cancelled checks are needed to document expenses.
 - c) What is the amount designated by the employer? The church, as employer, must approve an amount for the housing/parsonage allowance.
- 2) If you are involved in an audit concerning the housing allowance, the examiner will look at these three previous items and take whichever amount is smaller.

- 3) If, at the end of the year, you did not spend as much as you sheltered from tax, the surplus must be reported on the Form 1040, Line 1, listed as “excess housing allowance.”
- 4) The church **should not report** the amount of the housing allowance, approved by the employer, on the minister’s W-2. The allowance is not taxable for federal/state taxes but is taxable for Social Security purposes and should be reported, by the minister, as self-employment income.

Ministry Expense Reimbursement:

- 1) The employer has two options:
- a) Operate under an accountable reimbursement plan. The following rules apply:
- The employer (church) must have a written plan in place detailing which expenses will be reimbursed. A sample plan is available from Church Compensation Services.
 - Once receipts and mileage are submitted, a church financial secretary/treasurer/leader should verify that the request for reimbursement is reasonable and payment should be made.
 - The employee must submit mileage and expense receipts to the employer within 60 days of incurring the expense.
 - The employer must keep the receipts on file in the event of an IRS audit of the employee.
 - Accountable reimbursements to the employee are not reported on the W-2.
 - A salary reduction agreement cannot be used by the employee to cover business expenses. The employer must pay these reimbursements from church funds, not from the employee’s “package”.
- b) Operate under a non-accountable reimbursement plan. The following rules apply:
- Under this plan, the employer distributes an amount of money earmarked as “ministry expenses” (or car allowance, or travel, or business expenses, or whatever). The employee does not report back to the employer (church) as to how the money was used and does not return any surplus money to the employer. At the end of the year, all expense payments are to be reported as taxable income on the W-2.
- 2) The minister will not be able to deduct these expenses for Federal Income Tax. Call if you need help with ministry expenses or a sample of an accountable reimbursement plan policy.

Major 2018 Tax Changes

The 2017 Tax Cuts and Jobs Act brings about the most important Federal income tax changes in a generation. Most Americans will pay less but a few might pay a little more. Here are some of the major changes:

- The personal exemption has been eliminated, but the standard deduction has been essentially doubled. Most of the familiar Schedule A deductions are still in place, but 90-95% of Americans will not have enough to itemize.
- The Child Tax Credit is doubled to \$2000.. This will be advantageous for middle and lower incomes. Families with 18-19-year-olds and college students will see less benefit.
- The Employee Unreimbursed Business Expense deduction is eliminated. Ministers serving a church are employees of the church and will no longer be able to deduct business expenses on their Federal Income Tax. This

points to the need for an accountable reimbursement plan for ministry business expense.

- Ministers should continue to track deductions and unreimbursed business expenses for Alabama Income Tax purposes.
- Moving expenses are no longer deductible and if the employer pays or reimburses for the move, it is taxable income.

For more information, call 1-800-264-1225, extension 2304 and request a Minister’s tax guide. If you have questions, ask for Lee Wright, Jo Ellen Johnson, CPA.

Jo Ellen Johnson, CPA is a State Missionary. She is Coordinator of Accounting Services of the Alabama Baptist Convention, State Board of Missions. jjohnson@alsbom.org

Calling an Interim Pastor

By L. Dale Huff

The pastor has resigned. What to do? There is not a Baptist bishop who can be contacted about sending a new pastor. The local Baptist church has the privilege and responsibility of seeking and calling a new pastor. And that can be a several months' process—about nine months on average. The church needs to call an interim pastor to perform needed pastoral duties and to assist the church in getting ready to receive a new pastor.

Interim Pastor Search Committee

An Interim Pastor Search Committee should be selected. It is best that the task of securing an interim pastor not be performed by the Pastor Search Committee as they have a very challenging job already. As often as not, the Interim Pastor Search Committee is a subcommittee of the deacons group. Usually this committee is also assigned the task of securing pulpit supply preachers until an interim pastor is called

The Search Process

Job Definition

The first responsibility of the Interim Pastor Search Committee is to determine what the church needs an interim pastor to do. Such a job description should be formed in consultation with key lay leaders and church staff.

Some key areas to be considered are:

1. Sunday preaching
2. Wednesday evening preaching/teaching
3. Pastoral care (hospital visitation, counseling, weddings, funerals, homebound visitation)
4. Outreach visitation
5. Administrative tasks (committee meetings, staff supervision, deacon's meetings).

Each area of the pastor's responsibility should be considered to determine whether it needs to be done by an interim pastor or assigned to other staff ministers or lay leaders. It should be kept in mind that staff ministers already have full time jobs and an additional assignment can reduce overall effectiveness, especially if the interim period is extremely long.

Source of Candidates

Once the job description has been completed, the names of potential interims that can fulfill the responsibility should be gathered. One source of names is the local associational office and the offices of adjoining associations. Another source is the Office of LeaderCare and Church Health at the State Board of Missions in Montgomery.

Guiding Principles

There are three guiding principles that should be considered in selecting an interim pastor.

1. Not a candidate

The interim pastor should not be a person desiring to become the pastor. There is nothing wrong with a church calling the interim pastor as its regular pastor, but the interim should not be using the interim position to promote himself.

2. Not a church member

The interim pastor should not be a member of the church, especially a member of the staff. If this principle is violated, it can become problematic in three ways: first, the interim may have trouble shifting back into his former role; second, the congregation may have difficulty in shifting allegiance from the interim to the new pastor; and, third, the new pastor may feel threatened by the former interim who is still in the church.

3. Meets basic expectations

The interim should not be of lower competency or of a different style than the church's expectations of their regular pastor. Sometimes a church so focuses on the pastor search process that they give inadequate attention to the interim position. This can be a serious mistake for the interim time can be long and is a critical time in the life of the church.

Reaching an Agreement

The Interim Pastor Search Committee should reach an agreement with a prospective interim about the responsibilities to be performed and the compensation to be paid. Developing a financial support plan is challenging because an interim typically performs only a portion of the regular pastor's job. A suggested compensation formula is that an interim be paid one-fourth to one-third of the regular pastor's direct income (salary and housing) for doing the preaching on Sunday and Wednesday evening. That figure is arrived at by considering that a pastor gives about one-fourth to one-third of his workweek to preparing for and delivering the messages for Sunday and Wednesday. Each additional fill day of work would add fifteen to twenty percent of the regular pastor's direct income to the interim's compensation. Additional items such as travel expense must be considered also and fairly reimbursed.

Copies of sample agreements can be secured from the Office of LeaderCare

and Church Health.

In our congregational system, the interim period has historically been a time for healing, unifying, preparing to give a wide-open-arms-welcome to a new pastor. An effective interim pastor can be a tremendous asset to a church during this time of transition.

For more information, call 1-800-264-1225, extension 2241, and ask for Lee Wright

Lee Wright is a State Missionary in the Office of LeaderCare and Church Health of the Alabama Baptist State Board of Missions.

How to use this resource to plan salaries:

Begin your work on page three with “Six steps to financial support planning”

1. Determine the needs of your staff.
2. Establish written financial support policies.
3. Provide for ministry-related expenses. These are NOT included in the study.
4. Provide employee benefits. These are the protection coverages.
5. Determine personal income.
6. Complete a financial support worksheet (on page 5) on each employee.

Things to remember:

1. This is a study of average salaries of churches that completed a survey.
2. It is NOT a recommended salary.
3. It is NOT to be used to reduce existing salaries.

Create a Customized Report

In addition to the Alabama Church Staff Compensation Study, more information may be obtained from the SBC Compensation Study. This study has been made possible through the work of LifeWay Christian Resources, GuideStone Financial Resources and the state conventions. You may check one or more states or all states. The study may be found at <http://compstudy.lifeway.com> or link to it from our own home page www.alsbom.org/ccs. It is uniquely Southern Baptist. All 12,000 responses included in the survey are for ministers and employees of SBC churches in all 50 states. Other compensation studies may charge for their service, but this is a free resource.

At the SBC Compensation Study website, information may be gathered according to church size and budget which are similar to the charts in the Alabama study. Certain states or all states may be selected. The writers of the study recommend using all states to glean the largest number of responses.

A customized report may also be created on the website to compare churches of similar size and budget for the position considered.

In addition, demographic data may be received from state missionary Mickey Crawford at 800-264-1225 or mcrawford@alsbom.org to compare church salaries to the incomes of families in your church field.

Alabama Baptist Convention
State Board of Missions

Rick Lance, Executive Director

1-800-264-1225, extension 2304

www.alsbom.org/ccs

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