North Central Conference
of the Free Methodist Church

A Local Church Guide for Ministerial Compensation
North Central Conference FMCNA

Updated May 16, 2026
For 2027 calendar year

Introduction

Fair compensation (1Tim.5.18) and hard work with integrity (Col.3.23) are biblical principles. Productive, healthy, sustained ministry is fostered by fair compensation and clarity of expectations between a pastor and congregation.

This guide is designed to provide solid guidance and best-practice policies and procedures to assist a church in administering a compensation structure for its pastor and ministry staff. This does not offer comprehensive guidelines for support staff.

Reciprocity is the Biblical principle for ministerial remuneration. The minister is given to the church by the Lord in order to share His blessings and Word of God. The congregation is given to the minister to develop and shepherd, and to share in the material blessings God has allowed it to steward. Note the following passages: (NIV)

> Luke 10:7, Jesus instructed those whom he had just appointed to go into every city and place, and to “stay in that house, eating and drinking whatever they give you, for the worker deserves his wages.”
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> Galatians 6:6, to the church Paul wrote, “Anyone who receives instruction in the word must share all good things with his instructor.”
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> 1 Corinthians 9:14, Paul stated, “... the Lord has commanded that those who preach the gospel should receive their living from the gospel.”

It is reasonable to conclude from these Scriptures that ministers should be full-time, should be paid a full-time salary, and that the level should allow them to live at least on the same standard or level as the congregation and community. The Apostle Paul led congregations at times while also plying his secular trade as a tent-maker (Acts 18:3), and many ministers will serve part-time as pastors while working secular employment. The New Testament story speaks, however, to the more normative pattern of pastors devoting their lives to the service of Christ and the church and being compensated by the congregations they lead to do so.

Recommendations

This document is not a contract between the church and pastor/staff, and its provisions shall not be legally enforceable. Rather, what follows are a series of recommended perspectives, policies, procedures and general information relating to ministerial compensation and forms and tools to assist in executing compensation with clarity. We hope it will be helpful to local church leaders, Local Boards of Administration (LBA) and ultimately, honoring to God and His Kingdom. The stewardship of funds is one of the most visible and potentially volatile things we as

Christians do, and unbelievers and new believers watch us with great interest. Discussion about compensation should be an agenda item at least once per year so the Local Board of Administration and minister(s) understand each other on these issues. In both Old and New Testaments, the first use for the tithes and offerings of the peoples was to support their vocational ministers. It remains of highest priority for church income today.

It is well understood that some small churches must work their way through these pages selectively because they are in no position to meet each point. Every worthy minister understands that and should be satisfied with a church and a Local Board of Administration that does its best. For these, the value of the guide is to keep "fair compensation" on the agenda and establish a goal to get as close as is reasonable.

Earnest prayer and sacrificial giving should be made a major part of this process, which includes an example of giving tithes and offerings of the leaders being compensated.

Compensation should be based upon the job description, responsibilities, qualifications, and requirements of the position, along with the church's ability to provide at any given point in time. It should not be influenced by the minister's family size, personality, existing financial resources and other household income, age, etc., so long as those are not part of written job qualifications or requirements.

There are basically three types of professional ministers: 1) vocational, 2) bi-vocational/part-time and 3) volunteer. The approach for compensation varies and should be considered on an individual basis.

Vocational
The professional minister is called to a full-time career in pastoral ministry, fully active in and supported by their Christian ministry assignment.

Bi-vocational/ Part-time
Some professional ministers are called to a bi-vocational or "tent-making" ministry (much as was the Apostle Paul) and may share their time and sources of compensation both with a Christian ministry and a secular field.   Balancing compensation and time invested under such circumstances can a fruitful endeavor for both the pastor and congregation but must be clearly delineated for both.

When the pastor is needed or available for less than 30 hours per week[1], this person is considered a part-time pastor, and should be compensated on that basis.

Volunteer
Some pastors offer their Christian ministry services on a volunteer basis and would therefore receive only specified gifts and expense reimbursement for approved expenditures in return.

<u>Who is a "Minister" for Tax Purposes?</u>

Individuals who are ministers for tax purposes (according to the IRS):

- Are eligible for an income tax-free housing allowance
- Are self-employed for Social Security purposes
- Are exempt from federal income tax withholding

[1] The ACA (Affordable Care Act) and subsequent governmental action now lists full-time employment as anything requiring 30 or more hours of labor per week.

- Use quarterly estimated taxes to pay their income and Social Security taxes unless they elect voluntary withholding on IRS Form W-4 with their church.

An individual considered a minister by a church might not be a minister in the eyes of the Internal Revenue Service for tax purposes. For example, a church might have a youth pastor or a minister of music who is treated as a minister by the congregation, but that individual might not be a minister for tax purposes.

The IRS defines ministers as individuals who are duly ordained, commissioned or licensed by a religious body constituting a church denomination. They are given the authority to conduct religious worship, perform sacerdotal functions and administer ordinances and sacraments according to the prescribed tenet and practices of that religious organization. Thus, according to the IRS definition, ministerial candidates are not considered “ministers” for tax purposes unless they are appointed as senior pastor of a congregation.

The Internal Revenue Service publishes some helpful information that is available on its Web site at www.irs.gov. Publication 517— “Social Security and Other Information for Members of the Clergy and Religious Workers” has a useful comprehensive example with forms that illustrate many of the tax implications for ministers. Also of interest are Publication 15-A— “Employer’s Supplemental Tax Guide”, Publication 1828—“Tax Guide for Churches and Religious Organizations” and Publication 526—“Charitable Contributions”. A useful reference book for ministers and church treasurers is Church & Clergy Tax Guide by Richard R. Hammar, a certified public accountant and an attorney.

Compensation and Benefits

Compensating our ministers includes both enabling them to meet personal living costs at a level that fits both the community and church family norms, as well as providing for their home. The principle used must be “as much as we are able”. Like most self-employed individuals, the minister should benefit from the “fruit of his/her labors” and neither be exploited through punitive frugality nor pandered to through unwarranted liberality. It is a Biblical responsibility for the church to pay what is “right” and for the minister to work productively as “agreed” (Matt 20:1-15).

Personal Salary
Prior to the appointment of a minister, a stated salary should be agreed upon and placed in writing in church minutes. The NCC Compensation Worksheet is a useful tool to identify and clarify compensation and work-related expectations. Annual or semi-annual reviews should be conducted to ensure that compensation is fair both to the pastor and church. It is demeaning for the minister to be forced to come “hat in hand”—suffering deprivation. It is also demeaning for the congregation to be manipulated to “pay what I want” under threat or intimidation. Open, reasoned, and regular discussion of realities must be provided for.

The NCC recommends that a benchmark for setting appropriate compensation be a comparison with local teacher’s salaries and benefits, taking into consideration school district compensation for various levels of education and years of experience (bachelor’s, post-graduate degrees, for example). Median elementary school teacher salary (all degrees) before benefits in the United States is $68,763 (source: salary.com, April 2026. Average benefits included in same study are $18,988 plus 33 paid days off (Social Security $5,260; 401k/403b $3,369; Healthcare & Disability $7,471; Pension $2,888; Paid Time Off 33 days). In addition, professional expenses for conferences, additional training and travel expenses are usually paid by the school districts. *Local average teacher salaries vary considerably, and these figures are used for illustrative purposes only. Bear in mind that many pastors do not have social security offsets or dual pensions, for example, the reason for sharing this is to allow a church board to understand the cost of a full-time employee, not to match each line item verbatim*. Do be clear that cash salary and benefits are not the same thing.

Therefore, it is recommended in the NCC, that compensation less than $950.00/week salary (not including benefits) for pastors who have housing and utilities provided should be considered part-time, allowing a pastor to work fewer hours for the church in order to supplement income with outside employment. Pastors that have no housing provided for by the church who earn less than $1,300.00/week salary should not be considered full-time and should be encouraged to find employment outside the church. These figures for recommended full-time cash salary do not include remuneration for professional expense reimbursement plans, health and medical benefits, or offsets for self-employment taxes, and pension.

Salary Increases
The normative types of salary increase that should be considered are based on tenure in ministry, merit, satisfactory performance of job description, and/or excellence in grade. Cost of living adjustments (inflation/ recession) should also be considered on a regular basis notwithstanding salary increases described above. These types of salary increases are where "fruit of labor" is rewarded. In addition, growth, especially that resulting in additional church income should be shared with the minister who helps it take place. This may be done through a pay increase or a bonus.

Cost of living
Changes brought about by inflation/recession movement within the region should be responded to appropriately. Regional *Consumer Price Index* reports are available. The annual rate of inflation for the past 20 years (2006-2025) in the United States has averaged 2.62%. Cost of living increases/ decreases (inflation/recession) should be considered on the entire pastoral compensation package as the cost of all items will most likely increase or decrease as a normative with the consumer price index. Automatic basic salary adjustments having nothing to do with performance should be made when called for. However, because such indexes may be heavily impacted by real estate, an "across the board" application of the percentages may not be warranted.

Salary Decreases
The financial health of a congregation and its ability to compensate staff is impacted by many factors including church growth or decline and national or local economic shifts, extraordinary expenses being experienced by the local church, natural disasters and so forth. Sometimes, even when a church is growing numerically it may experience significant financial decline forcing difficult decisions regarding the number of staff and compensation for staff. It is always painful when a church must choose to reduce staff hours or compensation for hours served. The NCC urges pastors and local boards of administration to work creatively together to develop a congregation's stewardship capacity, and to prioritize healthy compensation for staff, which is most often key to healthy church growth and operations. However, when it becomes necessary to reduce compensation or staff, the reduction must be clearly identified in writing, with six weeks advance notice. When a reduction takes place, and salary falls below the minimum full-time pay, the pastor may allocate hours of service to employment outside of the church to supplement income and/or adjust time invested in ministry to the local church.

Considerations for Retirement
When a pastor is planning to retire, or for other reasons finds it necessary to leave a church with no immediate appointment to another church, it is important to begin planning for housing and financial needs before the date of departure. Social security, pension funds, Medicare, arranging for withdrawals from retirement tools such as an IRA or Annuity, etc., are the responsibility of the pastor.
The NCC, local church and pastor are encouraged to work together cooperatively to plan for housing. The local church must be free to fully support an incoming pastor upon appointment.

Severance Pay
There is generally no severance pay involved in the transaction between appointments of pastors. Vacation should be taken prior to the close of the Conference year.

Taxation

For income tax purposes, NCC pastors should be treated as employees and not as self-employed individuals. Churches should issue an IRS Form W-2, not an IRS Form 1099, at the end of the year. There are rare circumstances when a 1099 is more appropriate, when a church has a question about this, it should consult with a competent tax advisor.

Housing: Church-owned home
When the church owns the home in which the minister will live there are certain understandings which must be reached. We recommend that the church provides for all remodeling and redecorating, maintenance and repairs, basic equipment (lawn, etc.), basic appliances (as needed), household furnishings such as window and floor coverings, and all utilities. The NCC recommends that, where possible, churches pay a pastor's utilities directly to the utility company as a church expense, which will reduce taxable income for the pastor. If this is not possible, utility payments may be included as part of the "parsonage allowance." A "parsonage allowance" should be designated by the LBA in addition to the fair rental value of the parsonage to cover out-of-pocket expenses incurred by the pastor.

Minister-owned home
The IRS provides a significant tax advantage for purchasing a house. It should be noted that, on March 15, 2019, the 7th U.S. Circuit Court of Appeals reversed the Wisconsin district court's ruling that housing allowance is unconstitutional and ruled that, in fact, clergy housing allowance is constitutional and allowable as nontaxable income. The housing allowance for "fair rental value", upkeep, and operational costs may be excluded from taxable income. In order to qualify, the following procedures must be followed:

The LBA must approve the allowance prior to the start of the period covered and record it in its minutes. This "approval" cannot be given retroactively. It is thus recommended that the housing allowance be approved in the last LBA meeting of every year for the following year. In the case of a new pastor, the LBA meeting prior to his or her start date should be used to approve the housing allowance. The Free Methodist "Predetermined Housing Allowance Form" form may be used for this purpose.

The amount approved for housing allowance should be the amount requested by the pastor. The amount should be a dollar amount and not a percentage. Note that the housing allowance does not change total compensation of the pastor but merely allocates a portion of it.

The minister must keep detailed records of expenses, and if the entire housing allowance is not used for its allowed purpose, the unused portion must be added to taxable income on the tax return. It is recommended that the housing allowance be set on the high side to cover unexpected housing expenses.

The entire housing allowance must be added back into income amounts being used for figuring Self Employment (for ministers) and/or Social Security (for non-ministerial staff) taxes.

Honoraria
Honorariums may be accepted for weddings, funerals, and outside speaking engagements. Ministers should report honorariums as self-employment income, separate from the compensation received from the church.

Income Tax Withholding and Quarterly Estimated Tax Payments
Income tax is a "pay-as-you-go" system through income tax withholding. For example, an employee (non-minister) such as an office administrator or janitorial staff person normally must

have income tax withheld from his or her pay. However, ministers are specifically exempt from income tax withholding. Ministers should make quarterly estimated tax payments to prepay their income taxes and self-employment taxes. They may, however, enter into a voluntary withholding agreement with the local church to cover any income and self-employment tax that may be due. This agreement is made on IRS Form W-4. Non-minister staff should always have income taxes withheld from their payroll. (See the NCC Guide for Local Church Treasurers at nccfmc.org for guidance regarding setting up and executing a church payroll system).

Social Security Taxes/Self-Employment Contributions
The professional minister is considered self-employed for Social Security tax purposes. Therefore, the minister (not the church) is responsible for paying the entire self-employment tax under the Self-Employment Contributions Act (SECA). However, many churches provide one half of a pastor's Social Security taxes by giving additional income or a bonus to help cover the self-employment tax. This optional income or bonus is simply additional taxable income for the pastor.

The 1986 Tax Reform Act provides for a decision allowing ordained ministers to opt out of Social Security. This is a lifetime decision. It cannot be withdrawn! Opting out requires a conscientious/religious objector stand. Such a decision cannot be made on an economic basis but only as a matter of conscience with integrity. Most Free Methodist ministers would not qualify for this exemption. If the minister has previously opted out of Social Security, it is recommended that the local church provide an additional amount to salary to compensate for the amount that the church would have provided by way of Social Security reimbursement.

Non-minister employees of the church must have Social Security and Medicare payroll taxes withheld and matched by the church. Social Security payroll tax is 6.2% and Medicare is 1.45% of gross wages. Employers match Medicare and pay 6.2% of FICA (Social Security). Churches that withhold taxes must prepare and submit an IRS form 941 quarterly (see NCC Payroll Guide for more information). While these amounts are true as of this document's update, they do change from time to time. Please be sure to check current state or federal revenue tax codes for most current tax code requirements.

Recommended Benefits

Health Insurance
While the Conference does not provide a group policy for health, dental or vision benefits for pastors or staff, local churches are urged to consider these benefits as essential parts of the employee salary and benefits packages offered.
Consideration should be given to such issues as size of deductibles, out-of-pocket expense maximums, percentage of coverage offered and accessibility to providers and care networks. Churches should seek to encourage the health and wellness of their staff and to protect them from the burden of catastrophic medical bills.

The Tax Cut and Reform Act of 2017 eliminated the tax penalty for failure to comply with the individual mandate for health insurance under the Patient Protection and Affordable Care Act (PPACA). Subsequently, the individual mandate requiring health insurance was repealed at the federal level and no states in the North Central have individual mandates. Even though the individual mandate for health insurance has been repealed, catastrophic medical costs can create an extreme hardship on most families, so it is still the recommendation that each minister and family not afforded group coverage under another plan should consider obtaining adequate coverage for health needs and that the local church should assist as much as possible through monetary assistance or provision of coverage. Faith-based medical share plans (not health insurance) that have been in operation prior to December 31, 1999 provide a less costly provision for healthcare costs to health insurance. Three (3) such plans are Medi-Share, Samaritan Ministries, and Christian Healthcare Ministries.

As of February 2015, the Internal Revenue Service has changed and clarified new rules related to employers under the Patient Protection and Affordable Care Act (PPACA). Beginning July 1, 2015, any employer with more than one full-time employee (working 30 hours or more per week) cannot provide any health-care benefits to its employees unless they provide a “credible” GROUP health plan. That means your church cannot pay or reimburse your employees’ health insurance premiums or any health-care costs, or contribute to a Health Savings Account, Flexible Spending Plan or Health Reimbursement Arrangement, unless you offer a credible GROUP health insurance plan. GuideStone Insurance (guidestoneinsurance.org) is now offering such a plan to churches with between two and five employees. You may contact them for more information. Failure to follow these new rules can result in your church being fined $100 per day per employee for every day you’re not following the rules. So please take this seriously.

If you have more than one full-time employee, and you cannot offer a credible group plan to your employees, your only choice is to give them a raise roughly equivalent to the amount you’d otherwise pay toward their health care coverage. We strongly encourage churches to raise that amount by the costs of tax that your employees would have to pay on the raise, as that amount is taxable income. The raise cannot be tied to health care coverage or come with any requirements that your employees use to pay for health insurance.

If you have only one full-time employee (working 30 hours per week or more), then you can continue to pay for, or reimburse, their health insurance premiums with pre-tax dollars. You are specifically exempted from the PPACA regulations.

The generous church will take these matters into full consideration as they provide for the care and remuneration of their servant/pastor in addition to agreed cash salary.

Vacation, Holidays and Personal Days

A vacation policy should be established and be based upon the length of vocational service within the Free Methodist Church, not the current ministry assignment. Experienced ministers transferring into the Free Methodist Church from other denominations may have similar consideration for their years of service. The NCC recommendations are as follows:

> Minimally, each pastor and NCC full-time staff regardless of length-of-service, should receive two weeks (14 days) vacation which includes two Sundays.
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> Pastors having served seven years (regardless of location or conference) should receive three weeks (21 days) vacation which includes three Sundays.
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> Pastors having served fifteen years or more (regardless of location or conference) should receive four weeks (28 days) vacation which includes four Sundays.
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> Pastors having served twenty-five years of more (regardless of location or conference) should receive five weeks (35 days) vacation which includes five Sundays.

Vacation days are customarily not to be accrued from year-to-year. The primary reason for this is a tendency many clergy have to avoid taking adequate vacation, though for the sake of personal and family health, even the renewal of professional capabilities and prevention of “burn-out”, it is very important for pastors to take vacation due and for churches to support their clergy in this endeavor. Vacation days shall be taken within the conference year (July 1 – June 30). They are available three months from the first date of appointment, though previously made arrangements may be mutually agreed upon between the pastor and board of administration (for example a family trip planned during previous appointment, may on occasion occur early in the subsequent appointment, and arrangements such as these should be made clear at time of appointment) Vacation days are not intended to be accumulated and be applied with pay beyond the last date of appointment. A Local Board of Administration may agree to accrue any or all unused vacation days to the next conference year if it deems, in consultation with the pastor, that the life and ministry of the church during the year did not provide adequate opportunity for the pastor to receive said vacation. It must be noted, however, that this should be the exception and not the rule; that the Local Boards of Administration should make every effort to encourage and provide vacations as stipulated in the above guidelines to their pastors.

More often than not, bi-vocational pastors serve congregations that simply cannot afford a full-time pastor, and many of bi-vocational pastors make significant sacrifices to so serve such a congregation. *Churches being served by bi-vocational or part-time pastors should consider granting equivalent (or more gracious) vacation and fringe benefits to allow for the strains and struggles of balancing dual careers and family matters, often with very minimal financial compensation.*

Personal Days
Each pastor (and full-time staff) should be granted three personal days each year, which do not accumulate from year-to-year. These may be scheduled in conjunction with vacation time and are intended to provide flexible time for use in family and legal obligations which occur from time-to-time. There is no salary equivalent for unused personal days.

Outside Engagements
Attendance at denominational and Conference functions is not vacation. These are business and professional meetings where local church representation and ministerial development generally take place.

Each pastor should be allowed to accept up to two Sundays for speaking engagements outside of the local church with the advance approval of the local Board of Administration, but not to exceed 14 days in total per year. The local church would bear the expense for this pulpit supply in addition to the pastor's salary during this period. Any costs associated with such engagements are not the responsibility of the local church, though the pastor should still receive salary during these engagements. Outside ministry should be encouraged so long as it does not interfere negatively with ministry responsibilities.

Holidays
Holidays are often celebrated on weekends and there is no way the minister can avoid assigned responsibilities. The generous church will find a way to compensate. It may rotate in substitutes for some holidays and grant alternate days for others. Many holidays are specifically religious and require the attention of the pastor and staff (Christmas and Easter for example) and it would be unwise in most cases to seek time off on significant ministry opportunities. An offset of holiday time should be clearly articulated. The NCC recommends the following allowance for these holidays (time off to be taken within two weeks of the actual holiday):

New Year Day (1 day)	Martin Luther King Day (1 day)
President’s Day (1 day)	Veteran’s Day (1 day)
Memorial Day (1 day)	Labor Day (1 day)
Independence Day (1 day)	Columbus Day (1 day)
Thanksgiving (1 day)	Christmas (1 day)

Regular Days Off
Ministers should be expected to take off one day per average week as well as spend some evenings at home with family. Where possible, a day should be designated and publicized for the church. Because ministers are cause-driven it may be necessary for church leadership to insist on this and accept any ramifications.

Sick Leave
Sick days are provided for Pastors when they are ill or must tend to the care needs of a spouse or children. Sick days begin to accrue after six months of appointment as pastor within the denomination and are eligible for 1 sick day every month worked from date of hire, with a maximum of 9 days in their first year of appointment. Every succeeding calendar year, 9 sick days will be added. Unused sick days may be accumulated and carried over from year to year up to a maximum of 28 days. Sick days are not a cash benefit. All unused sick days will be forfeited at the end of employment. The LBOA shall determine their preferred system for tracking the use of sick days.

The Family and Medical Leave Act will not typically apply to most NCC congregations (who employ fewer than 50 individuals), but the principle of provision of days off for significant family events (birth or adoption and extended illness or losses in the family, for example) is a standard for which to strive.

Disability and Life Insurance
The NCC urges pastors and congregations to consider securing Long Term Disability and Life Insurance. When a long-term illness impacts a pastor, a church may desire to provide extended care but is unable to do so. LTD Insurance provides some protection for the pastor and comfort for the church in the event of an extended illness. These benefits, if provided by the church, are currently not considered a taxable benefit if paid by the employer under a cafeteria plan of benefits.

Pension and Retirement Plans
The Free Methodist Church pension plan is available, and participation is required of all ordained, appointed ministers. Each church is required to set up a direct pay arrangement with the FMCUSA Human Resources department for their pastor's pension. The NCC Pension Agent is the Conference Administrator, who can provide support when navigating the pension plan. The pension is administered through the Human Resources department of the FMCNA, and complete policies can be found at hr.freemethodistchurch.org. The current pension rate is 13.5% of the total of salary (which includes any self-employment offsets) and housing, and is paid monthly directly to the FMCUSA. Pension enrollment occurs for appointments with each annual conference, so that if a pastor is appointed mid-year (after December 31st of the Annual Conference), enrollment in pension begins with the subsequent annual conference.

There are provisions in the law that allow employees to invest certain funds for future retirement, bypassing income taxes until they are distributed. Only "qualified funds" can be used, and deposits must follow proper tracks. In some cases that means the minister may deposit the money personally; in others it means the church must deposit the moneys directly. Any use of tools such as an IRA should be clearly outlined between the pastor and church.

Study Leave, Professional Development
Seminary advanced degrees benefit both the pastor and the church being served and may require additional time away. A minimum of two weeks should be set aside for study leave or incorporated into a sabbatical plan as outlined below. Additional time needed should be worked out between the local church and pastor.

Sabbatical
Following seven years of service in a congregation, and at five-year intervals thereafter, NCC-appointed personnel, the pastor, and associate level staff are eligible for a sabbatical of no less than one month and up to three months at full salary (in addition to the regular annual vacation). A specific proposal for such an arrangement, including goals for the sabbatical, plans for covering church responsibilities and financial understandings are to be submitted for approval to the Local Board of Administration and the Superintendent at least three months in advance. Sabbatical leaves are for the purpose of enhancing ministry to the church. They should, therefore, incorporate plans for study, taking classes or attending seminars, travel,

ministry outside the church, or any combination of the above, along with some level of planned rest and renewal.

Ministry Expenses

The NCC recommends that a church establish reimbursement account policies for expenses rather than an allowance procedure. In “reimbursements,” the minister is required to turn in expense reports to the church for payment. The church may choose to establish a fully accountable reimbursement plan, in which the pastor is advanced expense funds that he/ she accounts for with receipts and documentation on a regular subsequent basis. The minister then is not required to file a 2106 tax form as is required for “allowances”. The church also can establish a “need” basis and better monitor activity, and at no additional cost except ledger entries and check writing. All such reimbursement policies must be explicitly adopted annually by the church which employs them.

There are certain professional expenses that, in the normal performance of ministerial functions, will be incurred. It is good for a church to assist in covering these costs. If a church determines not to establish an allowance to cover such expenses, the minister must remember that many of these expenses may be deducted from personal income taxes.

Travel Expense
Car expenses may be handled either in a monthly amount that is fixed, so expense reporting back is not required, or through an expense reported per-mile reimbursement. Either should consider not only gas but also maintenance, repairs, insurance and depreciation. For tax purposes it is highly recommended that the per-mile reimbursement method be used, and that amount be equivalent to the prevailing IRS federal mileage rate, which changes periodically (reference current IRS guidelines). The minister who receives a fixed amount monthly must report it as income and justify the deduction of the ministry portion.

In some cases, the church may provide a purchased or leased vehicle. The minister then should have a personal car or record and reimburse the church for personal use of the church-owned vehicle. Trips that require other forms of travel, lodging or meals should be reimbursed as shown on an expense reimbursement report. Ministers are advised to keep accurate and detailed records of business files for tax purposes regardless of the way car expenses are handled. These details must include the date, starting and ending odometer reading and purpose of each trip considered for business expenses.

Overnight lodging and meals expenses for business away from home may be reimbursed at actual cost or federal per diem rates if church has established a fully accountable reimbursement plan per IRS rulings. These per diem rates vary considerably from place to place in the United States (per IRS ruling) and may be found at www.gsa.gov.

Office Expense
Furnishings and equipment are part of the “tools” for ministry the church provides for its ministers. These should be modern, in good condition (and appearance), adequate, and comfortable. They belong to the church and remain after a minister leaves that appointment. Supplies such as paper, filing materials, postage, business cards, calendars and appointment books, tape, staples, etc. are a church expense. It is best if an account with a supplier is established so these can be purchased as needed without requiring immediate payment.

Telephone, internet access and/or mobile phone technology are all an essential part of modern ministry equipment. The church should reimburse for all ministry related calls or consider purchasing a mobile plan for church use by the pastor and/or staff.

Entertainment Expense
Local ministry may include expectations for attending ministerial associations, joining civic clubs, or participating in interchurch programs. The local church should reimburse such expense. Where such functions are truly optional to the minister, they may be considered personal expense.

Some effective ministry is done over coffee or meals. Within reasonable and determined parameters the church should reimburse for these expenses. When ministry expectations include hosting visiting persons or require the attendance of a spouse to specific events the church should provide reimbursement for costs, including childcare.

Moving Expenses
The local church is responsible for an incoming pastor's moving expenses of household goods. The NCC urges reasonable efforts made by the pastor and church to keep costs low, including the provision of volunteer labor when possible.

Books and Periodicals Allowance
The strength of the Church rests in its ministers. When the minister continues to grow and develop, everyone benefits. It is recommended that the local church consider participating by reimbursing for applicable books or providing a book/periodical allowance that will enable its minister to purchase these tools and build their personal library.

Dues
Certain ministers may be required (or prefer) to belong to professional organizations that keep their credentials valid or provide other district benefits. The church may want to assist with these as it reviews them on an individual basis.

Conference and Denominational Functions

Annual Conference
All pastors under appointment (elders, conference ministerial candidates and/or licensed pastors) and elected church delegates are required to be present at the Annual Conference to represent their church. The expense for this responsibility properly belongs to the church and should be budgeted and authorized. Time for this event is not vacation time. The local church should also fund the expenses of their elected Annual Conference delegates.

Conference Camping
The NCC oversees two Christian camps, Sky Lodge Christian Camp in Montello, WI and Heartland Christian Camp in Birmingham, IA. Both offer family camp, church rallies, and camps for teens, children, men, women and more. Christian camping is a vital opportunity for the spiritual growth and community building not only of church members but of those invited to participate in connecting with God in natural settings.

Pastors and staff are often required to attend and provide counsel and care for campers (for children and adults). Churches are strongly encouraged to promote camping and to provide for their pastors' attendance of such camps, not as vacation time (unless the pastor is very specifically vacationing) but as integral to their pastoral duties. The cost of attending camp when the pastor is expected to operate as support for that camp should be borne by the church as an opportunity to promote the spiritual and body-life of the church and network of Free Methodist Christians as a whole.

In-Service Training
The NCC provides pastoral training at monthly NCC District pastors' meetings, annual GROW events, annual Pastor's Retreat (in some districts) and other training events throughout the year that are intended to equip the minister to better lead and serve the church. The FMCUSA

provides ongoing training and team building events for pastors from time to time as well. All ministers (and sometimes spouses) are encouraged to participate. Travel, lodging and registration fees for these events should be considered part of the cost of ministry and included in the church budget.

Continuing Education Units
The local church should expect its ministers to keep professionally up-to-date and will benefit thereby. The “pew” seldom rises higher than the “pulpit”. The Free Methodist Church requires each pastor to develop a plan for continuing education annually. It can be healthy for the pastor and LBOA to participate together in planning continuing education. It is strongly recommended that a church make provision for continuing education and training of its pastoral and leadership staff, and that this be provided for in the budget at least to the level of Conference requirements.

Formal education, seminars, workshops, classes and the like accrue to the personal and professional benefit of the minister. The church should consider participating in the full or partial reimbursement of these expenses as the local church will benefit too.

Mission and VISA Trips
It is recommended that the church establish a policy and program that will enable its ministers to visit mission fields. This produces something special in the life of the minister and produces great dividends for the church itself.

General Conference
The NCC bears, in accordance with conference action which may change from year to year, partial expenses of pastors and lay leaders elected at Annual Conference to represent the NCC as delegates to General Conference. The General Conference event is open to all for participation and is a rich resource for networking, team building, vision enhancement and growing awareness of the larger work of God through the Free Methodist Church. Churches are encouraged to consider supporting expenses for lay and clergy leadership within the church who may benefit from the General Conference experience.

Miscellaneous Considerations

Pulpit Supply
From time to time, it may be necessary for a local church to pay a guest pastor to preach, lead services, provide ministry or music in the absence of the pastor. The following recommended rates may also be applicable to musicians.

One Worship Service range – $150-250.

Each additional Worship Service on the same day range – $50-100.

Travel and lodging reimbursement may also be appropriate.

Designated Gifts
At times, individuals desire to give designated money for special projects related to the minister, personally. These may be for non-vacation trips, equipment, studies, etc. Those dollars may be passed through the church accounts and receipted as contributions as well as non-taxable income for the minister, so long as the designation is approved by the Local Board of Administration and clearly marked for professional enhancement.

Some Useful Resources

IRS Clergy and Church Tax Guide	downloadable at nccfmc.org
IRS web site	www.irs.gov
Church Law and Tax Report	www.churchlawtoday.com
Step by Step Payroll Guide for Churches	www.freechurchaccounting.com
Free Methodist Human Resources	www.fmcusa.org/hr
Guidestone Financial (health insurance)	www.guidestoneinsurance.org
Per Diem IRS Guide	www.gsa.gov

NCC Compensation Worksheet

Church _________________________ Pastor ______________________ Date _________________

Using the NCC pastoral compensation guidelines, this worksheet should be completed upon appointment of the pastor to a local congregation by the pastor and authorized representative of the Local Board of Administration, and reviewed annually by the same. Not every part of this worksheet will apply to every pastor in every church. Use the portions that are appropriate to your church. This same form may be used as a guide with other staff as well. Note that this document is not a contract between the church and pastor/staff, and its provisions shall not be legally enforceable.

Income

Cash Salary $___________________

Housing Allowance $___________________

(use attached housing allowance approval form for subtotals)

Utilities (when not included in Housing Allowance) $___________________

SECA offset $___________________

Total Income $___________________

Please circle one: paid weekly OR bi-weekly OR twice monthly (1st/15th) OR monthly

Retirement:

Church contribution (FMC plan is 13.5% of total income) $___________________

Other retirement tool(s) (identify _________________) $___________________

Protection Insurance:

Life $___________________

Medical $___________________

Dental $___________________

Disability $___________________

Other Insurance (_______________________) $___________________

Total Protection Coverage $___________________

Church Ministry-Related Expense

The NCC recommends an actual fully accountable reimbursement system for professional and ministry expenses. The following line items are meant to provide budgetary guidelines for clarity of understanding between a local board of administration and pastoral staff. The amount identified is not a cash benefit to the pastor, and are not, if underutilized, a payable to the pastor.

The Church's Automobile Reimbursement per mile rate is _____/ mile. Please check IRS standards from year to year and note that if a church reimburses at a rate less than IRS standards, the difference may be a tax deduction for the pastor. A church may choose to reimburse meals and incidental expenses for a pastor and staff when traveling overnight, away for church related business. It is beneficial to refer to the IRS per diem rates as a guide.

Church anticipates annual mileage reimbursement cost. $_________________

Convention/Conference Reimbursement $_________________

Entertainment/Hospitality Reimbursement $_________________

Continuing Education, Books, Periodicals, Tapes $_________________

Office supplies and/or administrative equipment $_________________

Expenses related to Annual Conference, District Pastor's Meetings, and other required in-service, training or administrative meetings of the North Central Conference are an expense of the local church.

Total Church Ministry-Related Expense $_________________

Vacation, Holiday, Personal Days and Sick Time

Minimally, each pastor and NCC full-time staff regardless of length-of-service, should receive two weeks (14 days) vacation which includes two Sundays. Pastors having served seven years (regardless of location or conference) should receive three weeks (21 days) vacation which includes three Sundays. Pastors having served fifteen years or more (regardless of location or conference) should receive four weeks (28 days) vacation which includes four Sundays. Pastors having served twenty-five years or more (regardless of location or conference) should receive five weeks (35 days) vacation which includes five Sundays. Vacation days are not to be accrued from year-to-year. They are available three months from the date of appointment (typically this is July 1), and terminate with the last date of appointment (typically this is last day of June).

Pastoral Years of Experience _____ Days Available for Vacation this Year ______

Annual Personal Day Allowance is ________ days (not cumulative, not cash benefit).

Sick Days ________ Days Available for Sick Days for pastor or immediate family needs this Year ______

Outside Speaking Commitments – 14 allowable days with compensation, travel expenses are not the responsibility of the local church.

Recommended Holidays – if the holiday itself cannot be taken (for example, many churches hold Thanksgiving or Easter services requiring the pastor to serve), alternative days may be taken within two weeks of the actual holiday. New Year Day (1 day), Martin Luther King Day (1 day), President's Day (1 day), Memorial Day (1 day), Labor Day (1 day), Independence Day (1 day), Columbus Day (1 day), Veteran's Day (1 day), Thanksgiving Day (1 days), Christmas Day (1 days).

Regular Days Off

Pastors and churches are required to provide for at least one full day off each week for the pastor and ministry staff (pertaining to the local church). The Pastor's usual day off shall be _________________. This may be changed from time to time as need requires.

Office Hours

The church acknowledges that the minister's work cannot be rigidly regulated because of the nature of the ministry. Crisis situations and emergencies along with meetings and a heavy schedule may alter the minister's schedule and sometimes necessitate rearranging work and/or leisure. The minister maintains regular church office hours for the purpose of church administration, pastoral counseling, study/prayer and discussing church or personal matters with any church member. It is often unhealthy if a pastor spends the majority of time in the office rather than in ministry among the people of the community and congregation.

Recommended Office Hours – subject to change. (Example: T, W - 9-12; Th, Fr 6-9)

____

When appropriate, describe mutually agreeable Study Leave/Sabbatical Time (per compensation policy):

____

____

These guidelines have been reviewed by both the Pastor and the Board of Administration. They will go into effect _______________ (month), ___________ (day), _____________ (year).

Note that changes in compensation should be given no less than six weeks in advance of effective date.

______________________________ __________________
Pastor/Staff Date

______________________________ __________________
Authorized Board Representative Date