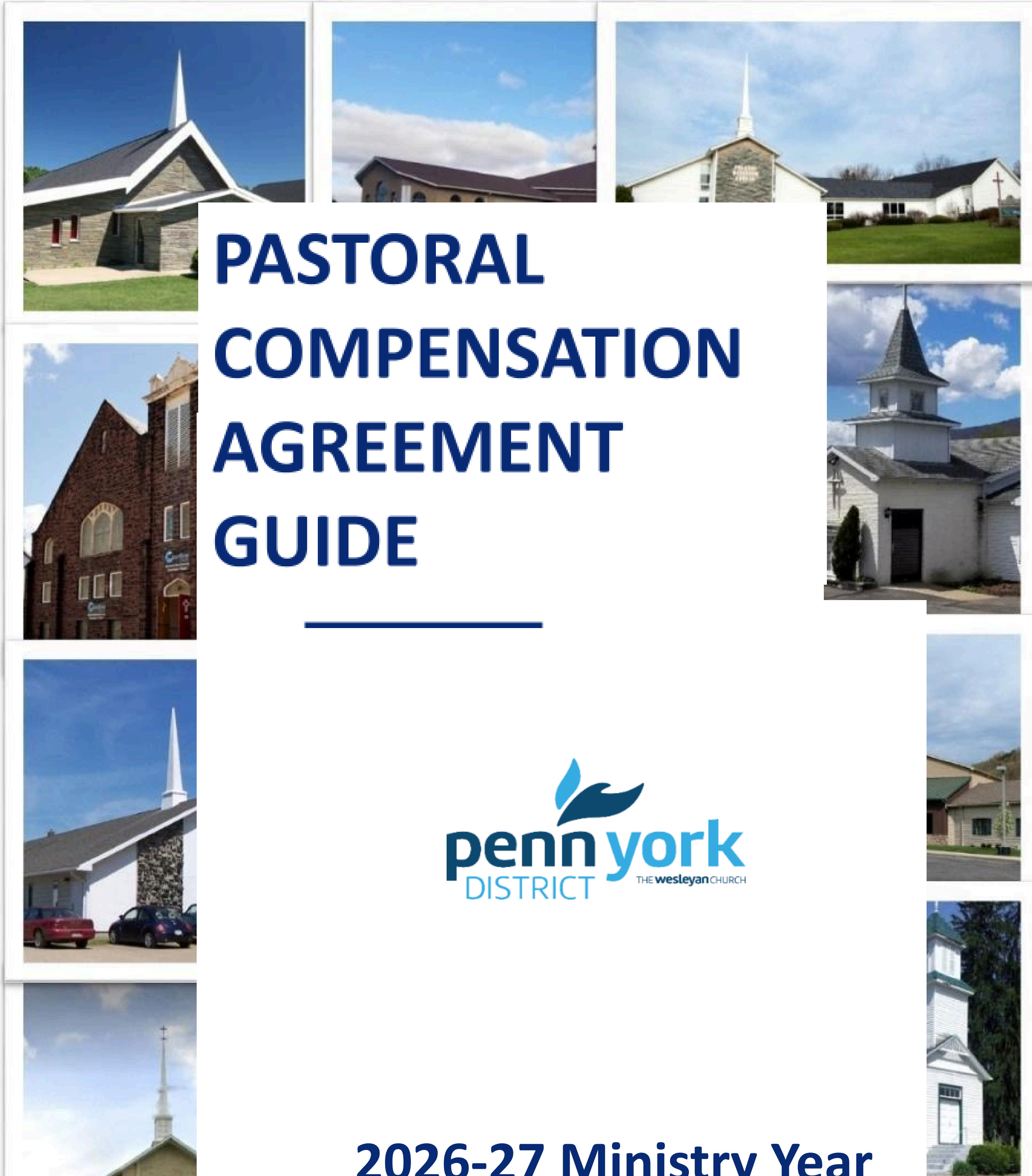

PASTORAL COMPENSATION AGREEMENT GUIDE

penn york DISTRICT THE wesleyan CHURCH

2026-27 Ministry Year

Pastoral Compensation Guidance

Senior and Solo lead pastors of a church

The District Board of Administration recommends the following *minimum guidelines* when determining compensation/benefit packages for all full-time, Senior and Solo pastors of a local church.

All compensation/benefit packages should take into consideration the church's average morning worship attendance, annual giving of tithes and offerings, overall financial stability of the church, and the educational qualifications of the pastor. The Local Board of Administration is tasked with reviewing the pastor's compensation/benefit package on an annual basis in accordance with *Discipline 723, 724*. An annual cost of living increase should be taken into account during the review.

If a local church is not able to meet the recommended minimums, it must allow the pastor the privilege of partially supplementing his/her income in accordance with 1 Timothy 5:18. Ultimately, the final compensation and benefit package is determined by mutual agreement between the pastor and the LBA and is ratified by approval of the general budget by the local church conference or can be delegated to the LBA (*Discipline 655:12.*)

District churches are responsible for maintaining compliance with applicable state and federal employment laws, including those governing wages and hours, paid and unpaid leave, withholding taxes, disability and workers compensations.

Resources:

723. Annual Review of Pastoral Support. The pastor's cash salary and other benefits, including health insurance and employer contributions for the Wesleyan Pension Fund (WPF), shall be reviewed annually by the local board of administration prior to the annual session of the local church conference, whether or not a vote is being taken on the securing or retaining of a pastor. Proper health insurance coverage should be provided by the local church for pastor and family except in cases in which they have adequate coverage through other employment of pastor and/or spouse, or in the case of pastors serving in Canada, through the national health program. Full participation in the Wesleyan Pension Fund by the local church on behalf of all pastors is expected in the plan of support of all pastors. The obligation, responsibility, and liability for both health insurance premiums and employer contributions to WPF belong solely to the local church. The district and General Church have no obligation, responsibility, nor liability for these matters, either expressed or implied. A report of the final action on the pastor's support, whether by the local board of administration or by the local church conference, shall be sent by the local board of administration in writing to both the pastor (or pastor-elect, cf. 692:5) and the district superintendent (cf. 746).

724. Sabbatical for Pastors. Every Wesleyan church is encouraged to provide a sabbatical leave for its pastor(s) at least every seven years of service. A sabbatical shall be for a minimum of four weeks in excess of vacation time with financial provisions as approved by the local board of administration. (Cf. 723, 746.)

655:12 To adopt an annual budget (cf. 782:31), and to authorize all expenditures not provided for in the annual budget; or to delegate to the local board of administration (782:31) full authority over the annual budget.

https://www.ssa.gov/OACT/COLA/latestCOLA.html

Minimum Compensation – Full-time Senior/Solo Pastors:

a. Pastor's living in church supplied housing (or parsonage): The recommended minimum compensation/salary is $29,900 annually and is the TOTAL of the pastor's cash salary PLUS the fair market rental value of the church supplied housing including; utilities, select services, and maintenance.
b. Pastor's without church supplied housing (or parsonage): The recommended minimum compensation/salary is $29,900 annually ($575/week).
c. NOTE - Housing Allowance: A pastor's housing allowance is considered a portion of their cash compensation/salary. The pastor, with approval from the church LBA, has full discretion as to the amount of their cash salary they wish to designate as Housing Allowance for tax purposes. In both (a) and (b) above, compensation/salary refers to the total salary INCLUDING any portion of it designated by the pastor as Housing Allowance.

SECA Tax Reimbursement (or Social Security Reimbursement):

In most cases, it is beneficial for a licensed pastor to be treated as a self-employed person for tax purposes. Therefore, it is recommended that a church provide a cash payment of the 15.3% SECA tax equivalent directly to the pastor on a monthly basis. The pastor's compensation package should be determined with this reimbursement in mind. The church should not withhold FICA taxes on behalf of the pastor nor pay the employer portion of FICA taxes directly to the government.

d. Pastor's living in church supplied housing (parsonage): The SECA Tax Reimbursement is calculated at 15.3% of the pastor's cash compensation/salary (INCLUDING any portion of it designated by the pastor as Housing Allowance) PLUS the fair market rental value of the church supplied housing including; utilities, select services, and maintenance.
e. Pastor's without church supplied housing (parsonage): The SECA Tax Reimbursement is calculated at 15.3% of the pastor's cash compensation/salary (INCLUDING any portion of it designated by the pastor as Housing Allowance).

Wesleyan Pension Fund:

It is recommended that a contribution to the WPF on behalf of a Senior/Solo pastor be made on a monthly basis and that the contribution be 12% (*full participation, Discipline 723, Wesleyan Pension Plan Summary, pp.6*) of the combined total of that pastor's Cash Salary/Cash Housing Allowance, and SECA Tax Reimbursement. If the pastor is living in church supplied housing (parsonage), the housing allowance can be determined in one of two ways. The first (recommended), is the fair market rental value of the home in the local community plus actual utilities. The second way to determine the value of church supplied housing is outlined in the Wesleyan Pension Plan Summary (pp.6) and allows for housing and utilities to be valued at 30% of the pastor's Cash Salary (which includes any amount designated as Housing Allowance).

Resource:

https://www.wesleyan.org/pension

Healthcare:

It is recommended that the local church arrange substantial financial assistance in providing healthcare coverage for the Senior/Solo Pastor and their family. This arrangement may be an annual cash amount provided to the pastor so he/she can obtain coverage on their own, or that a church offers to provide a group healthcare plan to all eligible employees and pays all or part of the premium and/or healthcare costs. There are several other healthcare options available to pastors and churches and each party should evaluate what works best for them.

Worker's Compensation – Required:

The states of New York and Pennsylvania require each employer (church) to provide worker's compensation coverage for their employees including pastors.

Expenses:

It is recommended that each church provide an "accountable" expense account for each Senior/Solo Pastor which clearly outlines acceptable reimbursable and continued education/development expenses. Accountable expense accounts require (1) a church (ministry) related purpose for the expense, (2) employees to substantiate the expense usually by providing proof of purchase, (3) the return of any excess reimbursements. Accountable expense account funds are usually determined at the beginning of the fiscal year and excess funds are not paid out at the end of the year. A documented plan is required for reimbursement of expenses to be excluded from taxable income for pastors or other employees.

Examples of suggested expenses to be paid for or reimbursed to Pastors include:

- Mileage for ministry use of a personal vehicle at the rate set annually by the IRS
- District retreat and District Conference expenses
- General Conference expenses
- Continued education expenses
- Ministry related development resources such as books, software, training videos
- Sabbatical expenses *(see Discipline 724 for Sabbatical recommendations)*.
- Ministry related meals, entertainment
- Ministry use of personal cell phone or home internet

Resource:

https://www.irs.gov/tax-professionals/standard-mileage-rates

Vacation

The vacation time of a pastor in the Penn York District shall be based on the number of years the pastor has served under appointment in professional ministry. A vacation period shall begin May 1 or as negotiated between the LBA and pastor. The minimum vacation shall be determined as follows:

(a) Up to ten years: three weeks;
(b) Eleven to nineteen years: four weeks;
(c) Twenty to twenty-nine year: five weeks;

(d) Thirty years and up: six weeks; and
(e) External ministry or continuing education up to two weeks beyond vacation.

The maximum amount of vacation days that may be carried over or accumulated is one week. Once the maximum is reached, further accruals will cease until vacation days are taken or special approval from the LBA (for senior/solo pastor) or by the lead pastor (for all other licensed staff pastors) for additional days is granted. Extensions should be recorded in the LBA minutes as well as filed in the pastor's personnel file.

The pastor's salary shall be continued during any district event and while serving in other district assignments. It is further understood that a pastor will not be absent more than three consecutive Sundays without special permission from the LBA; and that the cost of pulpit supply, while the pastor is on approved vacation, shall be borne by the local church.

Assistant, Associate, and/or other licensed staff pastors. *(Discipline 678)*

When establishing compensation packages for full-time Assistant, Associate, and/or other licensed staff pastors, the District Board of Administration recommends that churches follow, as closely as possible, the guidelines established above as we believe these to be fair and equitable wage and benefit minimums for full-time employment. However, these are only recommended guidelines and a final determination of acceptable compensation is at the full discretion of the local church board, the senior pastor, and the employee.

Resource:

678. A minister who serves as the sole pastor of a church shall be referred to simply as "the pastor." The term "senior pastor" shall be applied to the presiding minister of a multiple pastoral staff. The pastor shall be expected to carry out the full pastoral function as set forth in 675, and ultimate responsibility for the same shall rest upon the senior pastor. An associate pastor is a helping member of a multiple staff who normally shares a broad range of the shepherding and teaching responsibilities and such administrative responsibilities as are delegated (cf. 738). An assistant pastor is a helping member of a multiple staff who normally is assigned more limited and specific aspects of the pastoral function (cf. 741).

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Pastor's Salary and Benefits Review Form

Please complete and return by April 30, 2021 to District Executive Director Tammy Leonard: tleonard@pennyorkdistrict.org or by mail: 264 Shawville Hwy, Woodland PA 16881

If you have questions, please contact either;

- *Tammy Leonard; email (above); phone, (cell) 814-553-2068 (office) 814-290-6198*
- *Business Manager Rev. Gary Hart; email ghart@pennyorkdistrict.org; phone, (cell) 607-684-8918 (office) 607-846-2207*

2016 DISCIPLINE PAR. 723

The pastor's cash salary and other benefits, including health insurance and employer contributions for the Wesleyan Pension Fund (WPF) shall be reviewed annually by the local board of administration prior to the annual session of the local church conference, whether or not a vote is being taken on the securing or retaining of a pastor. Proper health insurance coverage should be provided by the local church for pastor and family except in cases in which they have adequate coverage through other employment of pastor and/or spouse, or in the case of pastors serving in Canada, through the national health program. Full participation in the Wesleyan Pension Fund by the local church on behalf of all pastors is expected in the plan of support of all pastors. The obligation, responsibility and liability for both health insurance premiums and employer contributions to WPF belong solely to the local church. The district and general church have no obligation, responsibility, nor liability for these matters, either expressed or implied. A report of the final action on the pastor's support, whether by the local board of administration or by the local church conference, shall be sent by the local board of administration in writing to both the pastor (or pastor- elect, cf. 692:5) and the district superintendent (cf.746).

The Local Board of Administration of the____________________________Wesleyan Church met on_________________________to review the pastor's salary package.

The pastor was invited to be present for the review: YES - The pastor was present for the review: YES -

NO -

FINANCIAL COMPENSATION		**Current Annual Compensatio**
Cash Salary - Funds not designated as Housing Allowance		
Cash Salary – Funds designated as Housing Allowance		

NO -

BENEFITS				
Accountable Reimbursements				
Medical Reimbursements (i.e. dental, eye, deductibles)				
Pension – 12% both salary (cash & SECA (Social Sec.)) and housing include utilities				
Social Security – 7.65% or 15.3%				
Health Insurance				
Expense Allowance (Mileage, Entertainment, etc.)				
Educational Expenses (Seminars and/or books)				
Parsonage w/ Utilities				
# of weeks paid vacation				

Date of Agreement: ____

Date changes are to be effective: __________________________________

Vice-Chairperson: ____

Signature: ____

Secretary or Treasurer: ____

Signature: ____

Pastor: ____

Signature: ____

Pastor's Salary and Benefits Review Form Helps

Cash Salary – The Cash Salary represents the base or "take home" salary before withholdings. For licensed pastors, a portion of this Cash Salary can be designated as a "housing allowance" for income tax purposes. Housing allowances must be approved annually by the Local Board of Administration. The amount of the allowance is under the complete control of the employee.

SECA Taxes – Social Security and Medicare – SECA taxes include Social Security and Medicare and the combined assessment amounts to 15.3% of the Cash Salary. Licensed Pastors are considered self-employed for income tax purposes only. The church should not pay SECA taxes to the government on behalf of licensed pastors nor is the pastor required to have these taxes withheld from their paycheck. The Cash Salary example shown on the previous page has been calculated to take into account the cost of the church paying the SECA taxes directly to the employee. The pastor is responsible for paying required taxes to the government when filing.

Federal and State Income Taxes – An employer determines the amount of the federal and state income tax withheld from their paycheck in two ways. The first is by filling out a W4 form at the time of hire. This form can be adjusted annually. The federal and state income tax withholding figures listed on the first page of this offer letter are based on a W4 filed as "married" with "zero dependents". Increasing the number of dependents and/or changing to "single" on the W4 can increase or decrease the amount of withholding from an employee's bi-weekly pay.

In addition, licensed pastors have the benefit of allocating a portion of their Cash Salary as a "housing allowance". The federal and state income tax withholding figures listed on the first page of this offer letter are based on a "zero" housing allowance allocation. Increasing the housing allowance will reduce tax withholdings.

Federal and state income taxes are calculated based on an employee's Cash Salary plus SECA Bonus

**NOTE ON TAXES: Withholding of state and federal income and SECA taxes is optional for licensed pastors. Licensed pastors are considered self-employed for tax purposes and therefore have options for tax withholdings. It is highly recommended that pastors consult with a qualified tax accountant to determine the best course of action given their specific financial situation as it relates to income and SECA taxes.*

Pension – Pension funds may not be paid out as Cash Salary.

Reimbursable/Development Expenses – It is recommended that the church implement an Accountable Expense Account system. Eligible expenses are reimbursed by receipt only. The reimbursable allowance may be used for development purposes but the development allowance may not be used for Reimbursable expenses unless approved by the Treasurer. Any unused expense allowance is not paid out at the end of the year and does not carry over.

A non-accountable expense plan - is established with the pastor's compensation package. A designated amount is paid in advance to the pastor, and it is the responsibility of the pastor to track and record the spending of the designated funds. While many reputable church management organizations do not recommend this form of reimbursement plan, it is a plan that can be utilized. Receipts must be kept with the report for audit purposes. If the full amount of the allotted funds is not spent by the end of the year, the pastor must claim it as income on his taxes at the end of the year. If additional funds were spent beyond the allotted amount, the pastor may count that as a loss against his income on his taxes at the end of the year.

Non-Accountable Expense Report

January **20XX**

EXAMPLE ONLY

A. Mileage

Total miles traveled		
Cost per mile	$0.575	
Total mileage cost	$0.00	
	Mileage Expense	**$0.00**

B. Professional Expenses

Books, Periodicals, Newspapers	$0.00	
Cell Phone	$0.00	
Conferences and meeting expenses	$0.00	
Travel expenses	$0.00	
Meals	$0.00	
Memberships and dues	$0.00	
Office Supplies	$0.00	
Lodging	$0.00	
Tolls	$0.00	
Postage	$0.00	
Phone	$0.00	
Gas	$0.00	
Auto Expenses	$0.00	
Other	$0.00	
Total Professional Expenses	$0.00	
	Professional Expenses	**$0.00**
	Reimbursement Paid	

REMAINING REIMBURSEMENT	**$0.00**