

Hawaii Pacific Baptist Convention
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Missions.

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Basic Business Practices
in the Church

Session #7 – Pastoral and Employee
Compensation

Mike Martin,
HPBC Assistant Executive
Director for Business &
Finance

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Pastoral and Employee Compensation

Helpful Websites:
www.irs.gov
IRS Publications 15, 15-A, 15-B
IRS Publication 1828 – Tax Guide for
Churches
IRS Publication 517 – Social Security
and Other Information for Members
of the Clergy and Religious Workers
www.tax.hawaii.gov
www.ecfa.org
www.churchlawandtax.com

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Pastoral and Employee Compensation

Good resources

The image shows two book covers. The left one is '2020 Church & Clergy TAX GUIDE' by Richard D. Hammar, published by Church Law & Tax. The right one is 'Minister's Tax & Financial Guide' by Dan Busby and Michael Martin, published by Zondervan 2020. It features a laptop, a coffee cup, and a smartphone on a desk.

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Pastoral and Employee Compensation

Good resources

The image shows two book covers. The left one is 'Church and Nonprofit Tax & Financial Guide' by Dan Busby and Michael Martin, published by Zondervan 2020. The right one is 'Church Reporting Made Easy' by Dan Busby and Michael Martin, published by ECFA. It features a laptop, a coffee cup, and a smartphone on a desk.

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Pastoral and Employee Compensation

Good resources from Guidestone

The image shows the cover of 'Compensation Planning Guide' by Guidestone. It features a dark background with a grid pattern and the title in white text.

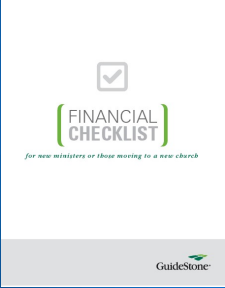
Six Essential Steps (based upon Compensation Plan)

1. Determine the Need
2. Establish Written Compensation Plan Policies
3. Provided for Ministry-related Business Expenses
4. Provide for Employee Benefits
5. Determine Personal Income
6. Complete a Compensation Planning Summary


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Pastoral and Employee Compensation

Good resources from Guidestone



FINANCIAL CHECKLIST
for new ministers or those moving to a new church

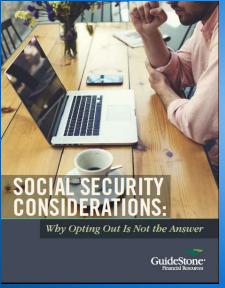


MINISTERIAL TAX ISSUES

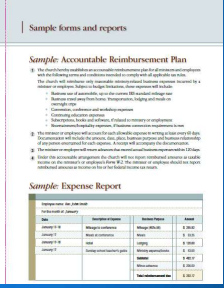
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Pastoral and Employee Compensation

Good resources from Guidestone



SOCIAL SECURITY CONSIDERATIONS:
Why Opting Out Is Not the Answer



Sample forms and reports

Sample Accountable Reimbursement Plan

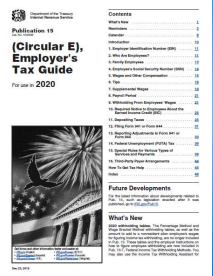
Sample Expense Report

Month	Business Expenses	Business Reimbursements	Net
January 2020	1,200.00	1,200.00	0.00
February 2020	800.00	800.00	0.00
March 2020	1,500.00	1,500.00	0.00
April 2020	900.00	900.00	0.00
May 2020	1,100.00	1,100.00	0.00
June 2020	1,300.00	1,300.00	0.00
July 2020	1,400.00	1,400.00	0.00
August 2020	1,200.00	1,200.00	0.00
September 2020	1,000.00	1,000.00	0.00
October 2020	1,100.00	1,100.00	0.00
November 2020	1,200.00	1,200.00	0.00
December 2020	1,300.00	1,300.00	0.00
Total	13,000.00	13,000.00	0.00


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Pastoral and Employee Compensation

Good resources from IRS



Employer's Tax Guide to Fringe Benefits
For use in 2020



Employer's Tax Guide to Fringe Benefits
For use in 2020

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Pastoral and Employee Compensation
Good resources from IRS

The image shows two IRS publications. On the left is '501(c)(3) Tax Guide for Churches & Religious Organizations'. On the right is 'Social Security and Other Information for Members of the Clergy and Religious Workers', which includes a table of contents and a 'What's New' section.

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Pastoral and Employee Compensation
Good resources from Guidestone

Six Essential Steps (based upon Compensation Plan)

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Pastoral and Employee Compensation
4 Areas associated with Salary Compensation Package

1. Base Salary
2. Fringe Benefits
3. Retirement Plan
4. Accountable Reimbursement Plan

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Pastoral and Employee Compensation

Base Salary

The base salary should include items based upon objective criteria for the position. As a church, you should determine to answer the question: "What are the qualifying factors associated with the position?" Most job descriptions are categorized in three main areas known as KSAs (Knowledge requirements, Skills, Abilities). These should be determined by the position requirements and not on the individual themselves. Some areas to consider are: educational requirements (i.e. are you expecting the individual to have a bachelor's or master's degree), experience in ministry, and professional certifications. Other areas include the ability to communicate, personal and professional interaction both inside and outside the ministry, and leadership skills. Another factor to consider is the size and scope of the ministries involved. Another question to answer is whether this is a full-time (40-50 hours a week) or part-time position. Are you expecting the individual to work 40 hours, or will they be bi-vocational? Finally, when determining compensation, you should take into consideration the local cost of living and what other professionals in your area are paid with similar education, experience, and abilities.

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Pastoral and Employee Compensation

Issues associated with Ministers:

1. Who is a "Minister for Tax Purposes"?
2. Is a minister employed or self-employed?
3. How do Social Security rules apply to ministers?
4. How do ministers pay their taxes?
5. What is minister's housing allowance?
6. What is an accountable reimbursement plan?

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Pastoral and Employee Compensation

Sample: Minister's Estimate of Housing Expenses Form

Category	Amount	Percentage
1. Mortgage interest		
2. Real estate taxes		
3. Homeowners association fees		
4. Property taxes		
5. Homeowners insurance		
6. Rent		
7. Utilities		
8. Maintenance and repairs		
9. Depreciation		
10. Other expenses		
Total Allowance		

Sample: Notification of Housing Allowance From the Church to the Minister

To: Minister's name: _____

This is to advise you that all the housing benefits of _____ (the church) are being provided to you for the year of _____.

If a percentage is provided, use the actual amount that you will be allowed to deduct.

The amount is provided to you by the church as follows: _____

The amount is provided to the church as follows: _____

You should keep an accurate record of your eligible housing expenses in the event of any amount not allowed from income tax. You should also keep a record of your housing expenses in the event of any amount not allowed from income tax. You should also keep a record of your housing expenses in the event of any amount not allowed from income tax.

Minister's name: _____

Date: _____

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Pastoral and Employee Compensation

2 Fringe Benefits

It is important to understand any labor laws that may impact fringe benefits. In Hawaii, the Prepaid Health Act of 1974 states that any employee that works four consecutive weeks of 20 hours is entitled to Medical Benefits. Also take in consideration items associated with flex spending plans, educational costs, SECA offset to name a few.

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Pastoral and Employee Compensation

3 Retirement Plan

A minister must be more proactive in preparing for their own future. We have partnered with GuideStone Financial Resources to help provide guidance in retirement benefits. A church that is actively contributing to cooperative program and to a minister's annuity, can receive matching funds from both the convention and GuideStone. If you need any resources on this, please feel free to contact GuideStone or the convention offices. In addition to the annuity, GuideStone can work with individual churches to set up a 403(b) plan for payroll deductions so a minister can tax defer his income.

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Pastoral and Employee Compensation

4 Accountable Reimbursement Plans

The Tax Cut and Jobs Act of 2017 had a significant impact on reimbursement plans for a church in 2018. In 2018, all unreimbursed employee expenses will not be allowed as a tax-deductible expense. Churches that currently have a Nonaccountable Reimbursement Plan in place might evaluate the tax impact on a minister. For example, if a church has an auto allowance under the nonaccountable reimbursement plan, they may receive the auto allowance as part of their paycheck and pay taxes on it but also get the deduction for unreimbursed employee miles. However, with the new tax law, that deduction will not be allowed in 2018. A consideration is to have an accountable reimbursement plan and turn in a mileage log for reimbursement and the reimbursement would not be taxable income to the minister.

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Pastoral and Employee Compensation



**Clergy—
Religious Workers**

Hawaii Pacific Baptist Convention
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Honolulu, HI 96817
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Ministries

Ministries are individuals who are called to minister to others as directed by a church. "Clergy" is used generally and does not refer to any particular religion. This page lists the various compensation and benefits of that which are required for clergy members and ministers. It also lists the various compensation and benefits for those who are called to minister to others as directed by a church. This page lists the various compensation and benefits of that which are required for clergy members and ministers. It also lists the various compensation and benefits for those who are called to minister to others as directed by a church.

Employment Income is reported on Schedule C (Form 990) and is subject to self-employment tax. It is the amount of money received by a minister from the church or other organization for services performed as a minister. It includes the amount of money received for services performed as a minister, but it does not include the amount of money received for services performed as a minister. It is the amount of money received by a minister from the church or other organization for services performed as a minister. It includes the amount of money received for services performed as a minister, but it does not include the amount of money received for services performed as a minister.

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