Pastor Compensation Planning Workbook

A manual worksheet for small-church leaders and their pastor

Use this printable workbook to organize a compensation proposal, distinguish personal compensation from ministry expenses, and prepare informed questions for a clergy-tax professional. It does not calculate a tax return, set a fair salary automatically, or replace advice for your church and pastor.

Inside

- A responsibility and budget worksheet, with a clear cash-pay convention to prevent counting housing twice.
- Housing-designation planning and questions for a clergy-tax professional.
- Benefits, retirement, accountable-expense planning, and a part-time ministry worksheet.
- An illustrative package calculation, board proposal, annual review checklist, and source links.

Before you begin

Choose the compensation year and determine who may review the figures. Gather current pay records, the church's approved budget and policies, benefit estimates, ministry responsibilities, and any current housing designation. Use annual amounts unless a field says otherwise. Protect personal records under your church's policy.

Review date and scope

Prepared November 12, 2026, using the IRS sources on page 12. Rules, rates, plan terms, and individual circumstances can change. Have a qualified clergy-tax professional and, where appropriate, benefits or legal advisers review the proposed treatment before the church acts. This workbook does not give individualized tax or legal advice.

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7. Package summary and worked example

Use this page to discuss a budget, not to calculate taxable income. Amounts below are illustrative; they are not recommended pay levels.

Example: housing included in cash pay

Annual cash pay A: $48,000. The board proposes to designate $12,000 of that A for housing in advance, subject to eligibility and review. Remaining cash C: $48,000 − $12,000 = $36,000. Employer health benefit: $6,000. Employer retirement contribution: $2,400.

Package budget for cash plus employer benefits and retirement: $48,000 + $6,000 + $2,400 = $56,400. Do not add the $12,000 designation again. If the church also budgets $1,000 for properly reviewed ministry expenses, the illustrative total church budget becomes $57,400; those expenses are shown separately.

Your proposed annual figures

Cash pay A, including any designated housing portion: $_____

Employer benefit and retirement cost, without duplicates: $_____

Cash plus employer benefits / retirement: $_____

Separate ministry expense budget: $_____

Separate parsonage cost, if not already included: $_____

Total estimated church budget: $_____

Check

If a benefit or housing cost appears in more than one line, remove the duplicate. The pastor’s taxable income and self-employment-tax amount are separate questions for the adviser.

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