

Clergy Compensation - Professional Expenses

by Scott Selman (Modified for use by the Presbytery *For* Southern New Jersey)

Now we know that whatever the law says, it speaks to those who are under the law, so that every mouth may be silenced, and the whole world may be held accountable to God.

Romans 3:19 (NRSV)

Why are professional expenses part of clergy compensation? The answer to this question goes back to the time when clergy were considered self-employed in all respects. Today, clergy are considered self-employed for purposes of social security taxes and employed by their local church for purposes of Federal and state income taxes. However, when clergy were considered self-employed only, it was common for churches to budget an amount separate from base salary to help the pastor with his or her out-of-pocket professional expense.

The most common type of clergy professional expense is travel such as to and from the church to hospitals, facilities, home, meetings with parishioners, community activities Presbytery activities and gatherings. Other types of professional expenses may include: books, subscriptions, professional dues, clergy attire (such as robes or stoles), meals with members or colleagues, expenses relating to continuing education above and beyond continuing education expenses. All expenses for reimbursement should be vouchered with receipts or mileage log attached.

Computers, office supplies, postage, and worship or Christian education supplies should be in other line items in a congregation's budget.

There are many expenses that should not be considered professional expenses. These expenses typically include: mileage for commuting between church and home, spousal travel, vacations, expenditures related to researching or publishing a book or article (other than in a local church newsletter), everyday clothing, medical expenses, child care/dependent expenses, insurance premiums (life, disability, and medical), charitable contributions, and housing related expenses.

No pastor should be paid a monthly pro-rated allowance in cash. Remember an Allowances is not only taxable but also subject to Pension Dues. All expenses are to be vouchered only. Reimbursements are not taxable and should not be reported on Form W-2.