

# STEP 2: ESTABLISH WRITTEN COMPENSATION PLAN POLICIES

Written policies reduce confusion by forming a standard for current and future actions. They also help your ministers and employees clearly understand the provisions and expectations of the church. The policies should cover the following four major areas:

## 1. Ministry-related Expenses

Note: These should be funded by the church apart from the minister's/employee's salary.

- Allowable business expenses (need to be consistent with IRS rules)
- Employee recordkeeping and expense account reporting expectations
- Reimbursement rate for mileage expenses
- Allowable conference and convention expenses
- Reimbursement amount for books, publications, technology, etc. (as well as who will own the reimbursed items)

## 2. Employee Benefits

Note: These should be funded by the church apart from the minister's/employee's salary.

- Medical, life and disability coverage
- Retirement contributions provided by the church
- Educational expenses eligible for reimbursement

## 3. Personal Income

- Salary and any amounts designated as housing allowance for eligible ministers
- Social Security withholdings for non-ministerial employees (see the section titled "Social Security" under Step 5 for more information)
- Social Security offset for Ministers for Tax Purposes (see the section titled "Social Security" under Step 5 for more information)
- Willingness to withhold taxes at the request of a Minister for Tax Purposes
- How the church will designate the housing allowance (see the section titled "Minister's Housing Allowance" under Step 5 for more information)
- Procedure for personnel reviews and salary increases

## 4. Personnel Policies

- Vacation
- Sick and sabbatical leave
- Outside speaking engagements
- Hiring requirements
- Employee classifications
- Work hours and pay periods
- Business use of cell phones and computers