Interpretive Comments on the

Pastor Salary Guidelines 2026-2027

I. Pastoral Salary Base and Unit Values

The base and unit values have been increased 2.6% from the previous year. This percentage change is the overall average increase or decrease of the Consumer Price Index from the previous year. The base assumes a high school education only. Credit for post-high school education is included in the salary units for education (II.B).

II. Unit Value for Salary Adjustment

A. Experience. One unit is given for each accumulating year (or full-time equivalent) of pastoral experience for years 1-30. A half-unit will be added for each additional year of service beyond 30.

In some situations, particularly when ministry is a second career or other church-related years of experience have helped prepare the person for pastoral ministry, it might be appropriate for the congregation to award some units for experience other than direct pastoral ministry. In such cases, the norm is to award one unit for every two years of related, full-time experience. For new pastors, giving one year of experience for each year of full-time pastoral education would also be appropriate.

B. Education. Education units are awarded according to the table based on degree completion—not on years of study. The unit credit for S/CPE is for four full units of credit, not for the single unit but year-long extended unit of S/CPE. Graduate degrees other than seminary, while valuable for general preparation, are not designed for pastoral ministry preparation and should be granted only one unit per degree. The maximum units for all accumulated education are eight.

C. Responsibility. The premise is that different levels of complexity, various levels of intensity, and higher levels of risk in ministerial leadership ought to be reflected in the salary scales. These are kept at a minimum in the church compared to other vocations in our society. Where these guidelines might result in an equal or higher salary for an associate as compared to a lead pastor in that congregation, the committee may need to make adjustments that reflect the stated roles and responsibility.

The criterion is weekly worship attendance and pastoral role. In some cases, there may be other factors that should also be considered in adding units for responsibility. The Associate / Assistant pastor role includes all pastors, ministers, or directors that report to a lead pastor in the congregation. It can include youth pastors, worship pastors, formation pastors, etc. This year Church Planter was combined with Solo Pastor / Co-pastor rather than a separate category.

Conference Minister's responsibility units reflect the additional weight of being a pastor to pastors and the complexity of overseeing a larger organizational system. Conference ministers are often required to balance pastoral, administrative and management functions similar to executives of comparable organizations. Additional responsibility units for conference ministers acknowledge this role.

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D. Geography. There is considerable spread in the cost of living from county to county across the country, particularly related to housing costs. We have not found a true cost of living calculator that covers all the counties in the U.S. As a proxy for these variations, the geographical units assigned are based on the 2025 "Effective Buying Income" index obtained from *Claritas (formerly Nielsen Segmentation & Local Market Solutions.)* "Effective Buying Income" reflects income after taxes as calculated by a proprietary formula and is not a cost of living index. These geographical units are updated every two years.
It cannot be stressed strongly enough that local data should be taken into consideration to adjust geographical units as needed. Specifically, we recommend taking into consideration the cost of living and/or the effective buying power in your county or the community where the majority of your members reside. You should also consider the median household income of your congregation. Checking with your local Chamber of Commerce or a similar organization will help inform your congregational decisions.

E. Optional additional salary. We recognize that the specific unit values identified on the worksheet may not meet the unique circumstances of every church or pastor. In cases where housing costs in a community are particularly high, additional salary may be needed to avoid undue financial burden on the pastor. Likewise, if a pastor has student debt for education related to preparing for pastoral ministry, it is helpful to add additional salary here. If the pastor has seminary debt, in conversation with the pastor, add 1000-3000 to base pay for the life of the educational loan.

III. Self-Employment Tax Adjustment

We strongly support pastors' participation in the Social Security system to provide long-term benefits for retirement, disability, survivor's benefits in case of an untimely death, and Medicare benefits in retirement years.

Pastors are considered self-employed for purposes of figuring Social security taxes, meaning that they are responsible to pay the self-employment tax (both the employee's and the employer's portion of Social Security, minus a somewhat discounted rate (approximately 2 percentage points) of the 15.3 percent total tax rate). (Remember that self-employment tax is paid on the housing allowance.)

This additional cost to the pastor for Social Security could be considered a trade-off for the unique housing deduction which pastors have on income tax (see section VII. A. "Housing Allowance"). However, many times, half of the self-employment tax still exceeds any special income tax deductions for housing which the pastor may receive.

The pastor should be granted additional income to cover the amount normally paid by the employer (7.65 percent of income or one-half of the usual rate of 15.3 percent). Any payment to the pastor to assist in payment of the self-employment tax becomes additional salary and must be included as taxable income on the W2 form for IRS.

IV. Housing Adjustments

A. Parsonage adjustment. When the congregation provides housing through a parsonage, the value of such housing should be figured at a fair market value in the community and subtracted from the overall salary. This amount should be deducted from Total Salary before Housing Adjustments (line 12). Another guide for determining this parsonage adjustment is that it should not exceed 25 percent of line 12. The value of the housing is considered a taxable benefit.

B. Housing equity fund. If the fair market value of housing is deducted from salary because of a parsonage, then a housing equity fund may be established for the minister. This fund helps to offset the loss to the minister of the amount which normally would go to pay on the principal of the mortgage, the gain in value which may come to the property due to inflation and the gain which may be realized through improvements using the minister's own labor. The recommended amount to be placed annually in an account is 5 percent of line 12 or 2 percent of the assessed parsonage value. It is recommended that these funds be deposited in a separate account such as an Everence Praxis Mutual Fund or another type of investment of local choice. *This is taxable income in the year the minister receives and controls these funds as is the interest or dividends earned.*

V. Benefits

A. Medical Health Plan. Health (insurance) coverage is essential for pastors and congregational staff. Consider it as part of providing for their well-being. The Corinthian Plan, MC USA sponsored health coverage and other benefits is available for all affiliated congregations. The Corinthian Plan (TCP) is a comprehensive benefit plan including health, life and disability with optional dental and vision. TCP is administered by Everence.

Mennonite Church USA envisions all congregations to provide access to health coverage for their pastors and staff. Non-pastoral staff are also eligible for coverage. For more information on The Corinthian Plan benefits go to mennoniteusa.org/ministry/the-corinthian-plan. You can contact Everence at TCP@everence.com or The Corinthian Plan Director, Duncan Smith at DuncanS@MennoniteUSA.org.

We strongly recommend that a family health coverage plan be provided for the pastor and the pastor's family, and that congregations pay the full premium as they are able. The Corinthian Plan requires 50% of the health coverage premium be paid for by the congregation. Participation in The Corinthian Plan has a mutual aid component that provides a subsidy for congregations to pay their premium that would otherwise find it difficult to obtain adequate health coverage elsewhere. If the spouse has health coverage available through employment, or another type of credible waiver, the coverage the church provides may include only the pastor and eligible children.

If your congregation participates in The Corinthian Plan through active health coverage or waiver, there are no tax implications for the congregation or the employee. If your congregation is not participating in The Corinthian Plan, it may be providing financial support for pastors/staff to access other group or individual health coverage through direct or indirect compensation. In this case your congregation may qualify for a QSEHRA (Qualified Small Employer Health Reimbursement Arrangement). A QSEHRA allows qualified small employers to pay for employee health coverage up to a limit without tax implications. The rules around employee compensation for health coverage and taxes change. Consult your accountant or tax professional regarding this type of compensation for health coverage.

Because of the continuing escalation of health insurance costs, some congregations are moving to higher deductible plans and/or limiting coverage for families. Such changes result in a pay cut to pastors! Where this is deemed necessary, we urge congregations to phase in these changes over a period of years. We also urge you to set up and contribute to a Health Savings Account (HSA) or a Flexible Savings Account (FSA) to help manage out of pocket expenses for pastors. HSA and FSA contributions can be made with pre-tax income and can reduce income tax. For information on HSA's, contact Everence or your current health insurance provider.

B. Pension Plan/Retirement Fund. We recommend that an amount equal to 8 to 10 percent of the Total Salary (line 12) be contributed by the congregation for retirement purposes into Mennonite Retirement Trust, administered by Everence, or another tax-deferred instrument on behalf of the pastor. We encourage the pastor to make personal investments/savings toward retirement. Contributions from both the employer and pastor can be up to 100 percent of taxable compensation or $69,000 ($76,500 including catch-up contributions), whichever is lower. Keep in mind that contributions to retirement plans

cannot exceed the pastor's income minus the amount designated as housing allowance. See "Ministers' Retirement Fund Recommendations" at mennoniteusa.org/resource-portal/resource/retired-ministers. We encourage you to consult with a financial advisor, tax consultant, or lawyer.

C. **Life and Disability Insurance.** The congregation may provide some other life insurance and/or disability insurance for the pastor if they do not participate in The Corinthian Plan. Life and Long Term Disability are also now included as benefits in The Corinthian Plan. Congregations are encouraged to consider Short Term Disability for their staff as well.

D. **Continuing Education and Spiritual Direction/Retreats.** The congregation should provide funds for pastoral growth and continuing education such as the annual seminary pastors' week. We are suggesting a range from $600 - $1,000 per year. In addition, one to two weeks' annual study leave time should be provided. These may be accumulated over three years within the congregation being served to permit participation in something such as the seminary interterm or summer school. Congregations may also wish to encourage pastors to seek out opportunities for spiritual direction and/or retreats.

E. **Other Benefits**. Congregations may want to contribute to an employee's Health Savings Account (HSA). This can help offset deductible expenses for the pastors/staff. Other special benefits can be recorded on line 21.

VI. Expense Allowances

A. **Auto Expense.** Auto expense for church related travel should be reimbursed at $0.725 per mile, the 2026 level of allowance by IRS. This should be paid monthly based upon an itemized record of miles actually driven and reported by the pastor. The rate should be updated on January 1, 2027 to the current IRS rate or at any other time that IRS adjusts the rate.

B. **Conference Expense.** The pastor's attendance at area and denominational conference sessions as well as area ministers' meetings is part of the pastor's professional responsibility. It is strongly recommended that the congregation pay for registration, travel, lodging, and food costs for the pastor.

   Sometimes pastoral families vacation in connection with conference attendance. In such cases, it is recommended that the congregation reimburse the round trip costs of the least expensive mode of transportation to get the pastor to the conference, realizing this may be flying, renting a car or paying mileage on a personal car. The costs and the method for the trip should be agreed upon prior to the trip.

C. **Professional Expenses.** Dues of professional associations and costs incurred on behalf of the congregation such as church-related lunch meetings or visits should be reimbursed.

D. **Technology Expenses.** The pastor will be provided with the necessary technology to do their work effectively. This includes technology such as computer, printer, video conferencing, etc. Devices and software should be replaced and updated on a regular schedule. If the pastor is using their personal cell phone for church-related work, compensation for the use of their personal cell phone should be included in their benefits.

E. **Other Expenses.** Moving arrangements and expenses are negotiable between the pastor and the congregation. It is common practice that the receiving congregation assumes the basic costs of moving, such as payment for a rental truck and fuel. Such negotiations should occur as part of the "Covenant of Understanding" and be part of the offer to the pastoral candidate prior to the candidate accepting the invitation.

VII. Other items to consider

A. Housing Allowance. Our salary guidelines include allowances for housing, utilities and appurtenances. For these to be tax-deductible items for the pastor, they must be identified by a specific amount prior to receiving them in an annual contract, the church budget, or a specific minute reflecting an action by the governing body of the congregation. When the minister provides his/her own housing, official boards of congregations in the United States should designate annually a portion of the cash salary as a "housing allowance" or a "parsonage allowance," which under IRS rules may be excluded from taxable income. This action must be taken by the church prior to the time the income is received. Generally, the pastor, in consultation with her tax consultant, will recommend a housing allowance amount.

Current IRS rules (Publication 517) stipulate that only the lowest of the following three factors can be taken as a housing allowance exclusion for income tax purposes: 1) the amount designated as housing allowance by the church; 2) the amount actually used for housing and related costs; or 3) the fair market rental value for equivalent housing in the community.

B. Vacations, Holidays and Days Off. The following schedule should be followed for a pastor's vacation time.

Years one through four – two weeks
Years five through eleven – three weeks
Years twelve and above – four weeks

This is for cumulative years of full-time pastoral or church-related service and is transferred with the pastor. Vacation time should not be used for conference attendance or minister's workshop participation. Normally vacation time is not taken until the pastor has been employed for a minimum of six months and then only on the basis of days earned.

The full-time work week is 40 hours. A pastor's work life ebbs and flows with the life of the congregation. Therefore, it is reasonable to expect the pastor will work more than 40 hours some weeks and then will compensate for the extra hours the following week by working less than 40 hours. Work life balance is crucial for the sustainability of the pastor and by extension, the congregation.

C. Sabbaticals. To encourage growth in ministry and the likelihood of longer pastoral tenure, the congregation is encouraged to establish the following sabbatical policy. For each year of completed service to this congregation (other than the year in which a sabbatical leave is received), one month of sabbatical leave may be granted. The leave is not to be used until the fourth year of ministry in that location. Subsequent sabbatical leaves would occur during the eighth and twelfth, etc., years of ministry. During the sabbatical, the pastor will receive full salary and benefits as exist in the then current "Covenant of Understanding." Sabbatical plans, submitted by the pastor, shall be approved by the governing body of the congregation. Following a sabbatical, the pastor agrees to provide a minimum of one year of service to the congregation with the understanding that repayment of sabbatical salary and benefits will be made for failure to do so. Accumulated sabbatical time is not transferable from prior congregational locations, nor is a terminal sabbatical normally acceptable. Congregations are urged to budget for sabbatical support every year to help provide for pastoral leadership during the time when the pastor is actually gone on sabbatical

D. Parental/Family and Medical Leave. As a denomination that calls both women and men, young and old to ministry, it is crucial to support them in the various stages of their lives. We believe pastors thrive when family-life is prioritized, and monetarily supported. The following guidelines reflect this commitment.

Job-protected leave of up to 12 weeks will be granted for any of the following reasons:

1. To care for the employee's child after birth, or placement for adoption, or foster care.
2. To care for the employee's spouse, son or daughter, or parent who has a serious health condition.
3. For a serious health condition that makes the employee unable to perform the pastoral responsibilities

The congregation will provide up to eight weeks paid leave with the pastor using their vacation and sick time to cover remaining four weeks.

We further recommend that the congregation maintain health care coverage and retirement benefits during this leave. It is understood that the pastor will assist the congregation in planning for the needed interim ministry required during the leave.

E. Special Situations. In situations where the pastor will not be able to return to pastoral duties, alternative arrangements will be put in place. Congregations are encouraged to be both creative and generous as well as to look out for the whole of the congregation. In these special situations, the congregational leaders will want to contact the conference minister for counsel.

F. Part-Time Application of the Guidelines. To apply these salary and benefit guidelines to persons in part-time employment, the guidelines should be figured as if full-time. The part-time percentage should then be applied on line 10. Congregations that cannot pay at the full-time level should allow the pastor to seek part-time employment elsewhere that is compatible with the pastoral role. If the congregation plans to make retirement contributions for a part-time minister, remember that the retirement contribution cannot exceed the pastor's salary minus the amount designated as housing allowance.

G. Copying these Materials. You are encouraged to make copies of the Interpretive Comments and the Pastor Salary Guidelines (any or all of these materials) for those in your congregation who are responsible for working with the pastoral salary negotiation process.

VIII. Other Resources

A. Special considerations for compensation for Intentional Interim/Transitional Ministry. See the policy for transitional and interim pastors (available upon request from Leadership Development Team of Mennonite Church USA). Generally, compensation for a transitional or an intentional interim/transitional pastor follows the Pastors' Salary Guidelines with adjustments for the unique circumstances of the pastor.

B. Negotiating the Pastor's Salary. Available in the Pastor Congregation Relations packet from mennoniteusa.org/wp-content/uploads/2015/03/NegotiatingThePastorsSalary1.pdf. This packet is available upon request from Leadership Development Team of Mennonite Church USA or from your area conference office.

C. All of the materials related to the Pastor Salary Guidelines are available on the Everence web page at everence.com/pastor-salary-guidelines.

D. Covenant of Understanding (also available at mennoniteusa.org/wp-content/uploads/2020/08/CovenantofUnderstanding2015_2016.docx). The finished worksheet for a pastor's salary can be attached to or incorporated into a Covenant of Understanding.