

## Guide to Pastor's Payroll

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### Background

Pastor's payroll is one of the most difficult areas for church treasurers. One needs to be aware of income tax legislation, withholding deduction requirements and group benefit plan regulations in order to be in compliance with all areas. This can sometimes seem like a daunting task. Many churches use either a payroll company (such as ADP or Ceridian) or a payroll software solution. While this is helpful, one still needs to be aware of the regulations in order that the appropriate data can be provided to the payroll company or input into the computer.

There are two different systems at work depending on whether the church provides accommodation or the pastor owns his/her own accommodation.

### Gross Salary

It used to be that churches, when making an initial offer to a pastor, based their offer on basic salary and a housing allowance. Given that the Income Tax Act with respect to clergy residences was changed in 2001, this method is no longer appropriate. The housing value/allowance is now called Clergy Residence Deduction and represents the fair market rental value of the accommodation the pastor occupies.

In cases where the church provides a parsonage, the church will offer a basic salary plus the fair market rental value of the parsonage. Together these two amounts are called gross salary. In cases where the pastor provides his/her own accommodation, the church offers just a gross salary and the pastor is responsible to determine the fair market rental value of their house or apartment and hence the amount that they will claim as Clergy Residence Deduction. The church is not obligated to withhold income tax on this amount provided that the pastor has given written notice to the church as to what amount he/she is eligible to claim.

### Withholding Deductions

Churches are obligated to withhold certain amounts at source, including: employment insurance, Canada pension, income tax, and registered pension plan contributions. Each of these deductions have their own rules as to how they are applied. The following chart provides the basic rules:

Payroll item	CPP	EI	Tax	Pension
Basic salary	☺	☺	☺	☺
Clergy Residence Deduction		☺		☺
Group Life Insce Premium	☺		☺	

### Employment Costs

There are certain costs that must be borne by the employer and are not passed along to the employee. These should never be considered "salary" or "employment earnings". They include:

- The church's portion of CPP (matches amount withheld)
- The church's portion of EI (1.4 times amount withheld)
- The employer's portion of registered pension plan contributions (matches amount withheld)
- Cost of BCOQ group benefit plan.

## CBOQ Group Benefits & Pension Plan

The CBOQ provides a group benefit plan and a defined contribution pension plan for employees of its member churches through the auspices of Canadian Baptist Ministries. All employees who work at least twenty (20) hours per week are eligible to join the Group Benefit Plan. There is no minimum-hour requirement for the pension plan. Since these are both compulsory plans, churches are obligated to offer them to all employees that qualify. An employee who is covered under a spouse's plan may be exempted from medical and drug coverage, but is required to sign a waiver.

The pension plan is a defined contribution plan requiring the following contribution rate from the employee and the employer:

2005	5.5%
2006	5.75%
2007	6.0%

Churches should be aware that it is a legal requirement in pension legislation for the employer to remit pension contributions within thirty (30) days of having withheld it from the employee's pay. Remittances can be made on the regular CBOQ Monthly Remittance Form.

The group benefit plan provides for a broad range of benefits, including:

- Life insurance - \$25,000 for member; \$10,000 for spouse; \$4,000 per dependent
- Prescription drug coverage – 80% reimbursement for first \$1,250 of claims; 100% thereafter
- Health coverage – 100% of eligible expenses
- Accidental Death & Dismemberment
- Long Term Disability – 67% of salary after 17 weeks
- Employee Assistance Program – confidential counselling for broad range of issues

The cost for this coverage is the church's responsibility and information will be provided to the Treasurer by the CBOQ Benefits Coordinator. Exemptions are available for a limited number of churches upon application through the Convention office.

Funds for pension and benefits should not be sent in to the CBOQ Office until confirmation of registration has been received. New employees must register for the group benefit plan within 90 days of hiring in order to be accepted without providing medical evidence of insurability. It is the church's responsibility to advise CBOQ of all new employees.

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DISCLAIMER: This guide is provided for information purposes only and is not intended as advice to the local church. Information is current only as of the date that the guide was prepared. Readers are advised to seek professional advice for their particular situation.