

2023
Oregon-Idaho Conference
Payroll Guidelines for Clergy appointed to serve as Pastor of Local Church

Processing payroll for a clergyperson (this includes licensed, local pastors) appointed as pastor of a local church is slightly different from processing payroll for lay employees.

Clergy persons are considered employees for Federal and State Income tax purposes and self-employed for Social Security/Medicare purposes, they are eligible for Housing and Utilities & Furnishings allowances which are not included in income tax calculations, and, in Oregon, although they are subject to Unemployment Tax, they are covered by a bond provided by the conference, so their wages are not included on the local church Unemployment Tax report.

Note: Housing Allowances, Utilities & Furnishings Allowances, Health premiums, Medical Reimbursement amounts (FSA-Health & Dependent Care/HSA) and UMPIP/Retirement Pre-Tax Salary Reduction amounts are not included in taxable amounts below.

Federal Unemployment Tax (FUTA): Churches are exempt from FUTA.

Federal Tax: Local churches are not required to withhold income tax for clergy. However, the local church may voluntarily withhold income taxes at the request of the clergy.

Social Security & Medicare (FICA): Clergypersons are considered self-employed for Social Security and Medicare purposes and must pay SECA taxes. Churches may not file FICA taxes for clergypersons.

State Tax: Local churches are not required to withhold income tax for clergy. However, the local church may voluntarily withhold income taxes at the request of the clergy.

SUI (State Unemployment Insurance):

Idaho Churches: As of this writing, churches in Idaho are exempt from Idaho State Unemployment Insurance.

Oregon Churches: Churches are not exempt from Oregon State Unemployment Insurance. However, the Conference reports salaries for clergy serving as pastors of local churches as part of the itinerant system.

DO NOT INCLUDE CLERGY SALARIES ON YOUR OREGON STATE UNEMPLOYMENT INSURANCE TAX REPORT (SUI). Do include clergy hours for the Worker's Benefit Fund Assessment Tax (see below).

NOTE: This does not apply to Lay Supply Pastors or Deacons. See [Lay Employee Payroll Instructions 2023](#).

New: Oregon Paid Family Leave: (Oregon only)

A new tax will need to be withheld from clergy and lay employee paychecks (employees who receive W-2s) beginning January 1, 2023. The tax is 60% (.006) x wages. Employees can apply for the paid leave benefit starting September 3, 2023. Employers with 25+ employees, including temporary and seasonal workers, are required to pay 40% of the tax. Small employers with less than 25 employees are not required to pay the employer share of the tax. More information about the Paid Leave Oregon benefit and the [mandatory notice to employees](#) can be found [here](#).

CLERGY SALARIES INCLUDING PARSONAGE FAIR RENTAL VALUE OR HOUSING ALLOWANCE WILL NEED TO BE REPORTED THROUGH FRANCES FOR OREGON PAID FAMILY LEAVE AT <https://frances.oregon.gov/Employer/#0>.

Oregon Workers Benefit Assessment Tax: (Oregon only)

2023 tax rate: 0.022 times number of hours worked. One half (0.011) is withheld from the employee's check and matched by employer contribution of (0.011) times number of hours worked, deposited to State with State tax withholding (if any) and SUI (for churches with lay employees).

Worker's Compensation Insurance:

All churches are required to have worker's compensation insurance for all employees (clergy and lay.) Contact the State Insurance Commission or Insurance Company (Liberty NW, SAIF (Oregon) and SIF (Idaho) for policy details.

Check local county websites for local payroll taxes.

Disclaimer

Payroll and payroll tax issues become more complex every year.

In recent years we've seen changes in rules for reporting moving expenses and certain benefits, a new transit tax in Oregon. This year we learned of new COVID-19 related changes, new local taxes in some areas of Oregon, and expanded work-from-home considerations. New payroll taxes have been approved that are set to be instituted in 2023.

Because we don't have a tax professional on our staff to monitor all of this, the conference will no longer be able to provide specific instructions on payroll and payroll taxes.

As we've noted before, Paychex and Wespath have entered into an agreement to provide payroll services at a discounted rate for churches. We recommend that churches who are processing their payroll without access to a tax professional consider moving their payroll processing to Paychex. Here is Paychex contact information specifically for United Methodist Churches: <https://www.wespath.org/for-plan-sponsors/paychex>

Remember that the local church is responsible for following all labor rules and tax laws.

Local numbers for IRS, Social Security Administration, and State Department of Revenue are listed in the government pages of your local phone book. Most also have helpful internet websites. Also see the [State of Oregon Bureau of Labor and Industries \(BOLI\)](#) and [Idaho Department of Labor](#) websites for other helpful information

This information is based on our best understanding of the applicable law and is intended to be used as general guidance, not legal or tax advice.

If legal or tax accounting advice is required, services of a competent professional advisor should be sought.