

Social Security Exemption and the ECA Clergy

By Dr. Henry Roso, Vice President

IRS codes states that applicants for exemption must inform their ordaining, commissioning, or licensing body that they are opposed to Social Security coverage for services they perform in the exercise of ministry. By signing Form 4361, applicants verify that they have satisfied this requirement. To be in compliance with this policy, ECA ministers who plan to apply for exemption from Social Security coverage must be sure to notify the Evangelical Church Alliance regarding their opposition to Social Security coverage and presumably of their intention to file an exemption application. This notification must occur prior to the time the exemption application is filed.

A minister certifies on Form 4361 that "I am conscientiously opposed to, or because of my religious principles I am opposed to, the acceptance (for services I performed as a minister . . .) of any public insurance that makes payments in the event of death, disability, old age, or retirement, or that makes payments toward the cost of, or provides services for, medical care." The form states that "public insurance includes insurance systems established by the Social Security Act."

As a minister, it is important that you fully understand:

The tax regulations make it clear that "conscientious opposition" refers solely to religious opposition. Non-religious conscientious opposition to receiving public insurance benefits (including Social Security) does not qualify.

The exemption is available only if a minister is opposed on the basis of religious considerations to the *acceptance of Social Security benefits* rather than to payment of the tax. A minister may have religious opposition to payment of the tax, but this alone will not suffice. The individual must have religious opposition to *accepting* Social Security benefits upon his or her retirement or disability.

Participation in private insurance programs is permitted, since these are not "public insurance." As a result, a minister who files the exemption application may still purchase life insurance or participate in retirement programs administered by non-governmental institutions (such as a life insurance company or pension board).

It is also important that you understand the Social Security and Medicare benefits that you are forfeiting:

The basic benefits are retirement benefits, disability benefits, survivor benefits, and Medicare. Note that retirement benefits, disability benefits, and survivor benefits are inflation adjusted each year, and are tax-free for most taxpayers. These benefits are available to persons who have at least 40 quarters of covered work.

Before you submit your Form 4361, it is recommended that you consult with a professional financial advisor in order to discuss the implementation of a retirement program, disability insurance, life insurance and health insurance (in place of Medicare) to replace the Social Security and Medicare plans that you are forfeiting.

If you choose to apply for exemption, you must provide the IRS with the ECA's address: **205 West Broadway, PO Box 9, Bradley, IL 60915**; and Federal Employer Identification Number (FEIN): **36-6111511**. (Support Documents are attached.) You will also need your date of Licensing or Ordination, and you will have to submit a copy of your Ministerial License or Ordination Certificate. If you do not have one, you may ask the ECA to provide a copy, or to provide you with a letter that certifies your status as a minister with the ECA.

This information is provided with the understanding that the Evangelical Church Alliance is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

Internal Revenue Service

District
Director

Department of the Treasury

RECEIVED

OCT 1 1985

EV. CHURCH ALLIANCE

Evangelical Church Alliance
P.O. Box 9
Bradley, IL 60915

Person to Contact: EO: TPA

Telephone Number: (312) 886-5571

Refer Reply to: 85-1130

Date: September 24, 1985

This is in reply to your letter dated September 4, 1985.

Our records indicate that you were issued the following:

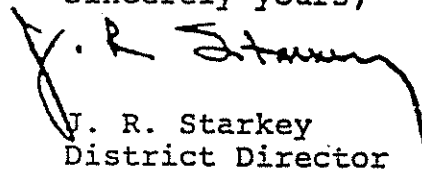
Exemption letter dated April 1, 1954

Section of Code 501(c)(3)

Foundation Status (501 (c) (3) only) 509(a)(1) & 170(b)(1)(A)(i)

Based on the above the tax exempt status of your organization still remains in effect.

Sincerely yours,


J. R. Starkey
District Director

Department of the Treasury
Internal Revenue Service

KANSAS CITY, MO 64999

In reply refer to: 09062522
SEP. 06, 1985 LTR 147KC
36-6111511

00382

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SEP 10 1985

EV. CHURCH ALLIANCE

EVANGELICAL CHURCH ALLIANCE
PO BOX 9
BRADLEY, IL 60915

Dear Sir:

Your employer identification number is 36-6111511. Please keep this number in your permanent records. You should enter your name, and your identification number exactly as shown, on all Federal tax forms that require its use, and on any related correspondence or documents:

Thank you for your cooperation.

Sincerely yours,
Chief, Accounting Branch

Enclosures:

**Application for Exemption From Self-Employment Tax
 for Use by Ministers, Members of Religious Orders
 and Christian Science Practitioners**

OMB No. 1545-0168

**File Original
 and Two Copies**

File original and two copies and attach supporting documents. This exemption is granted only if the IRS returns a copy to you marked "approved."

Please type or print	1 Name of taxpayer applying for exemption (as shown on Form 1040)		Social security number
	Number and street (including apt. no.)		Telephone number (optional) ()
	City or town, state, and ZIP code		
2 Check one box: <input type="checkbox"/> Christian Science practitioner <input type="checkbox"/> Ordained minister, priest, rabbi <input type="checkbox"/> Member of religious order not under a vow of poverty <input type="checkbox"/> Commissioned or licensed minister (see line 6)		3 Date ordained, licensed, etc. (Attach supporting document. See instructions.) / /	
4 Legal name of ordaining, licensing, or commissioning body or religious order		Employer identification number	
Number, street, and room or suite no.			
City or town, state, and ZIP code			
5 Enter the first 2 years, after the date shown on line 3, that you had net self-employment earnings of \$400 or more, any of which came from services as a minister, priest, rabbi, etc.; member of a religious order; or Christian Science practitioner			

6 If you apply for the exemption as a licensed or commissioned minister, and your denomination also ordains ministers, please indicate how your ecclesiastical powers differ from those of an ordained minister of your denomination. Attach a copy of your denomination's bylaws relating to the powers of ordained, commissioned, or licensed ministers.

7 I certify that I am conscientiously opposed to, or because of my religious principles I am opposed to, the acceptance (for services I perform as a minister, member of a religious order not under a vow of poverty, or a Christian Science practitioner) of any public insurance that makes payments in the event of death, disability, old age, or retirement; or that makes payments toward the cost of, or provides services for, medical care. (Public insurance includes insurance systems established by the Social Security Act.)

I certify that as a duly ordained, commissioned, or licensed minister of a church or a member of a religious order not under a vow of poverty, I have informed the ordaining, commissioning, or licensing body of my church or order that I am conscientiously opposed to, or because of religious principles, I am opposed to the acceptance (for services I perform as a minister or as a member of a religious order) of any public insurance that makes payments in the event of death, disability, old age, or retirement; or that makes payments toward the cost of, or provides services for, medical care, including the benefits of any insurance system established by the Social Security Act.

I certify that I have never filed Form 2031 to revoke a previous exemption from social security coverage on earnings as a minister, member of a religious order not under a vow of poverty, or a Christian Science practitioner.

I request to be exempted from paying self-employment tax on my earnings from services as a minister, member of a religious order not under a vow of poverty, or a Christian Science practitioner, under section 1402(e) of the Internal Revenue Code. I understand that the exemption, if granted, will apply only to these earnings. Under penalties of perjury, I declare that I have examined this application and to the best of my knowledge and belief, it is true and correct.

Signature ► _____ Date ► _____

Caution: Form 4361 is *not proof* of the right to an exemption from Federal income tax withholding or social security tax, the right to a parsonage allowance exclusion (section 107 of the Internal Revenue Code), assignment by your religious superiors to a particular job, or the exemption or church status of the ordaining, licensing, or commissioning body, or religious order.

For Internal Revenue Service Use

- Approved for exemption from self-employment tax on ministerial earnings
- Disapproved for exemption from self-employment tax on ministerial earnings

By _____ (Date)

General Instructions

Section references are to the Internal Revenue Code.

Purpose of form. File Form 4361 to apply for an exemption from self-employment tax if you are:

- An ordained, commissioned, or licensed minister of a church;
- A member of a religious order who has not taken a vow of poverty;
- A Christian Science practitioner; or

• A commissioned or licensed minister of a church or church denomination that ordains ministers, if you have authority to perform substantially all religious duties of your church or denomination.

This application must be based on your religious or conscientious opposition to the acceptance (for services performed as a minister, member of a religious order not under a vow of poverty, or Christian Science practitioner) of any public insurance that makes payments for death, disability, old age, or retirement; or that makes payments for the

cost of, or provides services for, medical care, including any insurance benefits established by the Social Security Act.

If you are a duly ordained, commissioned, or licensed minister of a church or a member of a religious order not under a vow of poverty, prior to filing this form you must inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to the acceptance of public insurance benefits based on ministerial service on religious or conscientious grounds.

Do not file Form 4361 if:

- You ever filed **Form 2031**, Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners; or
- You belong to a religious order and took a vow of poverty. You are automatically exempt from self-employment tax on earnings for services you perform for your church or its agencies. No tax exemption applies to earnings for services you perform for any other organization.

Additional information. See **Pub. 517**, Social Security and Other Information for Members of the Clergy and Religious Workers.

When to file. File Form 4361 by the due date, including extensions, of your tax return for the 2nd tax year in which you had at least \$400 of net earnings from self-employment, any of which came from services performed as a minister, member of a religious order, or Christian Science practitioner.

Effective date of exemption. An exemption from self-employment tax is effective for all tax years ending after 1967 in which you have net self-employment earnings of \$400 or more, if you receive any of it from ministerial services. For example, if you had qualified net earnings of \$400 or more in 2000 and not again until 2002, a valid Form 4361 filed by April 15, 2003, would apply to 2000 and all later years. See **Pub. 517** to find out if you are entitled to a refund of self-employment tax paid in earlier years.

Where to file. Mail the original and two copies of this form to: Internal Revenue Service, P.O. Box 245, Drop Point 8630, Bensalem, PA 19020

Approval of application. Before your application can be approved, the IRS must verify that you are aware of the grounds for exemption and that you want the exemption on that basis. When your completed Form 4361 is received, the IRS will mail you a statement that describes the grounds for receiving an exemption under section 1402(e). You must certify that you have read the statement and seek exemption on the grounds listed on the statement. The certification must be made by signing a copy of the statement under penalties of perjury and mailing it to the IRS not later than 90 days after the date the statement was mailed to you. If it is not mailed by that time, your exemption will not be effective until the date the signed copy is received by the IRS.

If your application is approved, a copy of Form 4361 will be returned to you marked "approved." Keep this copy of Form 4361 for your permanent records. Once the exemption is approved, you cannot revoke it.

Exempt earnings. Only earnings from ministerial services are exempt from self-employment tax.

Conducting religious worship services or ministering sacerdotal functions are ministerial services whether or not performed for a religious organization.

Ministerial services also include those performed under the authority of a church or church denomination. Examples are controlling, conducting, and maintaining religious organizations, including religious boards, societies, and other agencies integral to these organizations.

If your church assigns or designates you to perform services for an organization that is neither a religious organization nor an integral agency of a religious organization, you are performing ministerial services even though they may not involve conducting religious worship or ministering sacerdotal functions. Your services are ordinarily not considered assigned or designated by your church if any of the following is true.

- The organization for which you perform the services did not arrange with your church for your services.
- You perform the same services for the organization as other employees not designated as you were.
- You perform the same services before and after the designation.

Nonexempt earnings. Exemption from self-employment tax does not apply to earnings from services that are not ministerial.

Earnings from the following entities are not exempt even if religious services are conducted or sacerdotal functions are ministered: the United States; a state, territory, or possession of the United States; the District of Columbia; a foreign government; or a subdivision of any of these bodies. For example, chaplains in the U.S. Armed Forces are considered commissioned officers, not ministers. Similarly, chaplains in state prisons or universities are considered civil servants.

Indicating exemption on Form 1040. If the IRS returns your application marked "approved" and your only self-employment income was from ministerial services, write "Exempt—Form 4361" on the self-employment tax line in the **Other Taxes** section of Form 1040. If you had other self-employment income, see **Schedule SE** (Form 1040).

Specific Instructions

Line 3. Enter the date you were ordained, commissioned, or licensed as a minister of a church; became a member of a religious order; or began practice as a Christian Science practitioner. Do not file Form 4361 before this date. Attach a copy of the certificate (or, if you did not receive one, a letter from the governing body of your church) that establishes your status as an ordained, commissioned, or licensed minister; a member of a religious order; or a Christian Science practitioner.

Line 4. If you are a minister or belong to a religious order, enter the legal name, address, and employer identification number of the denomination that ordained, commissioned, or licensed you, or the order to which you belong. Get the employer identification number from your church or order.

You must be able to show that the body that ordained, commissioned, or licensed you, or your religious order, is exempt from Federal income tax under section 501(a) as a religious organization described in section 501(c)(3). You must also be able to show that the body is a church (or convention or association of churches) described in section 170(b)(1)(A)(i). To assist the IRS in processing your application, you can attach a copy of the exemption letter issued to the organization by the IRS. If that is not available, you can attach a letter signed by an individual

authorized to act for the organization stating that the organization meets both of the above requirements.

Privacy Act and Paperwork Reduction Act Notice. The Privacy Act of 1974 and the Paperwork Reduction Act of 1980 require that when we ask you for information we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

Our authority to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a), which require you to file a return or statement with us for any tax for which you are liable. Your response is mandatory under these sections. Section 6109 requires that you provide your social security number on what you file. This is so we know who you are, and can process your return and other papers. You must fill in all parts of the tax form that apply to you. If you fail to provide all or part of the information requested on Form 4361, your application may be denied.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as stated in section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice to enforce the tax laws, both civil and criminal, to cities, states, the District of Columbia, and U.S. commonwealths or possessions. We may also disclose this information to other countries under a tax treaty, or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

Please keep this notice with your records. It may help you if we ask you for other information. If you have any questions about the rules for filing and giving information, please call or visit any Internal Revenue Service office.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 6 min.; **Learning about the law or the form**, 19 min.; **Preparing the form**, 16 min.; **Copying, assembling, and sending the form to the IRS**, 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. Do not send the form to this address. Instead, see **Where to file** on this page.

