

Special Tax Provisions Apply to **MINISTERS**

Generally, an individual will be considered a minister for tax purposes if ordained, licensed, or commissioned as a minister, and the duties for which they were employed are those of a minister. Having "minister" in the position title is not sufficient. Once it is determined that a worker qualifies as a minister, special tax provisions then apply. This question often surfaces when a staff minister is initially ordained or licensed as a minister. The following chart shows the differences in tax treatment of ministers vs. non-ministers:

	NON-MINISTER Church Employees <small>(Includes staff ministers who are not ordained, licensed or commissioned)</small>	MINISTERS <small>(Ordained, licensed or commissioned ministers employed in a ministry position)</small>
Employment Status	Employee for Income Tax Purposes Employee for Social Security Purposes	Employee for Income Tax Purposes Self-Employed for Social Security
Social Security	Non-Ministers pay FICA Social Security. 7.65% of taxable compensation is withheld from the employee and the employer (church) matches that with another 7.65% for a total of 15.3%.	Ministers pay 15.3% SECA Social Security. (Most actually pay an effective rate closer to 13% due to a 7.65% reduction in the amount subject to SECA and through being able to deduct half the SECA tax from their taxable income.)
IRS Reporting	Non-Ministers should receive a regular W-2 form.	Ministers should receive a W-2 form reporting taxable income and any voluntary income tax withholding. All W-2 form boxes dealing with Social Security should be blank for a minister.
Tax Withholding	Non-Ministers are subject to regular income tax and Social Security tax withholding.	Ministers are exempt from required tax withholding. They may do voluntary "income tax withholding" which can include over- withholding of income tax sufficient to cover the SECA tax. A church should never send the IRS money for a minister that is labeled as FICA Social Security.
Housing	Non-Ministers generally do NOT qualify for tax free housing. If any housing is provided, its value is to be included with salary as taxable income.	Ministers qualify for tax free housing. While a minister's housing is tax free for federal and state income tax purposes, it is subject to Self Employment Social Security Tax.
Tax Deferred Retirement Contributions	Contributions non-ministers make to their retirement plan by salary reduction may be tax-deferred for income tax. Those contributions ARE subject to social security tax and should be reflected as such on the W-2 form.	Contributions ministers make to their retirement plan through salary reduction may be tax deferred for income tax. Those contributions are also NOT subject to Self-Employment Social Security tax. (This difference means IRA contributions for retirement may be less advantageous for a minister.)