

# Should a Minister Opt Out of Social Security?

## This Document Addresses 3 Areas:

1. Rules regarding Opting Out
2. Ethical Consideration of Opting Out
3. Financial Consideration of Opting Out

## 1. RULES REGARDING OPTING OUT

Ministers can apply for an exemption from Social Security and Medicare taxes if they're conscientiously opposed to accepting public insurance due to religious beliefs, as stated in the Internal Revenue Code. Ministers cannot opt out because of perceived problems with Social Security that might affect their future benefits. To opt out, a minister must file Form 4361 with the IRS, which includes a statement certifying their religious opposition to accepting Social Security benefits.

Opting Out must take place by the due date of their tax return for the second year they have at least \$400 in net earnings from self-employment, any of which came from ministerial services. IRS Form 4361 is used to apply for this exemption. IRS approval is required before the exemption is effective. Once a minister opts out, they cannot revoke the decision and later elect to participate in Social Security.

*Special Note **AS OF MAY, 2025** - The Clergy Act, which allows certain clergy members a two year window to revoke their exemption from Social Security and Medicare taxes on ministerial earnings, has been reintroduced in both the House and Senate for the 119th Congress. It was introduced in the House as H.R. 227 on January 7, 2025, and in the Senate as S. 639 on February 19, 2025. Currently, both bills are in the early stages of the legislative process, having been introduced and referred to committees. For up to date information on this proposed law, simply search "The Clergy Act" on the web.*

## 2. Ethical Consideration of Opting Out

*The following addresses the ethical issue of opting out of Social Security. This was originally published as an answer to question on Dr. Russell Moore's blog on February 15, 2010 and is included here with his permission. Russell Moore was formerly president of the Ethics and Religious Liberty Commission of the Southern Baptist Convention.*

The Social Security system isn't based on voluntary "contributions," but rather on taxes. Your money does not simply go into a pool for your retirement or disability but into a large system supporting those currently drawing benefits and providing the basis for the next generation of retirees.

Now, you may agree or disagree with whether Social Security is a good idea. You may believe Social Security is economically unstable. You may be convinced it won't exist when you need it. You may think the entire project is unconstitutional and an illegitimate function of government. Whatever.

It doesn't make one bit of difference when it comes to the ethics of this situation.

The Scripture commands believers to pay "taxes to whom taxes are due" (Rom. 13:7).

Keep in mind, these taxes were commanded to be paid to a Roman government made up of polytheist dictator-worshippers. Some of the taxes given by the New Testament Christians would have gone to pay for crucifixion stakes. Some would have gone to feed wild beasts for the bloody circuses. Some would have gone to buy incense to be burned in honor of the self-proclaimed deity of the Caesar. The believers are commanded, nonetheless, to pay their taxes.

Our Lord Jesus refuses to call his followers to withhold taxes from Caesar. "Render unto Caesar that which is Caesar's," Jesus announces (Matt. 22:21). This isn't because Caesar is so monumentally important but because money is *not*. It isn't worth subverting one's witness or one's God-ordained deference to authority.

You may wonder whether Social Security will be here for long. That's debatable. Jesus clearly knew the Temple wouldn't be there for long (Lk.21:5-6). But he paid the tax to maintain the temple, all the same.

"The sons are free," Jesus tells Peter (Matt. 17:26), but he directs him to pay the tax "lest we offend them" (Matt. 17:27).

That's really important. The payment isn't because the resources are so important, necessarily, it's because they're *not*. Why would you make the distinctiveness of your kingdom identity seem to be about something as short-sighted as whether or not you pay your taxes? Mark the distinctiveness where the offense really is: the gospel of a crucified and resurrected King Jesus.

The so-called "opt out" for Social Security exists to protect the consciences of those preachers of the gospel who believe that public insurance is sinful, or who believe public insurance as it relates to ministry violates principles of the separation of church and state. I'm glad this conscience clause exists, for the same reason I'm glad there is a provision for "conscientious objectors" in our military policy even though I'm not a pacifist. These exception clauses protect religious liberty for all of us.

A Christian who believes all war is wrong, and that serving in the military would violate his conscience and Christian identity, can ethically register as a conscientious objector. A Christian who disagrees with the Iraq War as a misguided waste of American resources, should not use the "conscientious objector" provisions to avoid military service.

One might believe the decision to invade Iraq was unwise. One might believe American operations in Afghanistan are futile, because one thinks the Taliban will simply reappear once the troops leave. But one wouldn't be right to resist a draft (if there were one) for those reasons.

The provision is there to protect the consciences of those who can't fight without believing themselves to be fighting against their god. If the provision is used to allow anyone who disagrees with a particular war or with a particular military strategy to "opt out" of military service, the provision will no longer exist for anyone.

The same is true with Social Security.

There are times when Christians are called to resist the state. And there are times when Christians are right to avoid the payment of taxes. One thinks, for instance, of early American Baptists who went to jail rather than pay special taxes for the support of the established churches. In those instances, the resisters believed the payment to be a direct confrontation of obeying God or obeying men (Acts 4:19-20). And they went to jail for it.

As you make this decision, ask yourself whether you plan to preach and teach your people that participating in Social Security (as payer or recipient) is a sin against God. If the "opt out" provision were revoked, would you willingly go to prison rather than pay the tax? And, would your prison time be because you saw the choice as between Christianity and idolatry?

If the answer to these questions is "no" then you are not a conscientious objector to Social Security taxes. To then "opt out" of paying them would be to refuse to do precisely what Jesus commands us to do: pay taxes. It would also give reason for offense to the mission field you're attempting to engage with the gospel. And, by turning a protection of conscience into a political statement or a pragmatic economic benefit, it would imperil religious liberty provisions for your brothers and sisters in Christ.

Social Security may or may not be around when you retire. I don't know. I do know this: your money definitely won't be around when you're dead. So why waste your religious liberty on holding on to a little bit more of it for a little while longer?

### 3. Financial Consideration of Opting Out

Ministers who have opted out of Social Security have unique planning needs. They need to replicate the benefits provided to workers who have Social Security through private insurance and investment plans. Ministers may still be eligible for Social Security retirement benefits and Medicare if they have paid into Social Security through non-ministerial employment and fulfilled the minimum 40 quarters of service (equivalent to 10 years) or if their spouse is eligible for coverage.

Due to a minister's unique tax situation, they are subject to the 15.3% SECA tax instead of just the non-ministerial employee's share of 7.65% FICA tax. Of this amount, 12.4% pays the Social Security tax while 2.9% pays the Medicare tax. These taxes provide benefits for retired workers, disabled workers, survivors of workers, dependent beneficiaries and medical expenses at age 65 through Medicare. Unfortunately, many ministers who opt out of Social Security do not fully comprehend the long-term impact of this decision and often spend these funds to pay for current living expenses.

**Below are four critical steps you should take to replace the benefits Social Security would have provided:**

#### 1. Fill in your "retirement income gap."

Are you saving enough to cover what Social Security would have provided for you and your family? The average investor should save 10%–15% of their monthly income for retirement savings.

Ministers who have opted out of Social Security should have 20%–25% of their salary and housing allowance set aside each month for retirement. This would include both employee and employer contributions.

Project ahead and alter your current savings plan to make up for the loss of Social Security income. Adjusting your target goal to cover this "retirement income gap" will likely require an increased annual contribution to your retirement savings account.

#### 2. Plan ahead for health care costs.

Ministers who are not eligible for Medicare benefits when they reach age 65 can purchase Medicare, but it is much more expensive. In today's dollars, the average cost for Medicare is roughly \$450 monthly per individual<sup>1</sup>. Purchasing Medicare coverage for two would cost roughly \$10,000 per year. This can become a significant expense during retirement.

#### 3. Obtain disability insurance.

Obtaining disability insurance will help safeguard your family's financial well-being should an unexpected accident or debilitating injury occur that prevents you from returning to work. Avoid the "it-won't-happen-to me" fallacy by being proactive and obtaining disability insurance.

A 2013 study conducted by the Council for Disability Awareness reports the following statistics:

- Just over 1 in 4 of today's 20-year-olds will become disabled before they retire.
- Over 50% of Americans classified as disabled are in their working years - 18–64 years of age.

#### 4. Have Adequate Term Life Insurance

Ministers who opt out of Social Security lose access to survivor benefits for their spouse or dependents in the event of their death. You will need to have more term life insurance than the average person. Without social security, financial planner suggest that term life insurance should be a minimum of 8–10 times your salary, particularly if there are school-aged children in your household.