



## ICFG Guidelines for Ministers Considering Opting out of Social Security

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### History

In 1951 the government provided an option for those in non-profit organizations to participate in Social Security; prior to this it was not allowable. Shortly thereafter, a debate ensued whether a minister was an employee or self-employed. The conclusion was reached in 1955 that ministers are self-employed and responsible for self-employment tax. This means that ministers must pay the entire SECA (Self Employed Contributions Act) tax themselves. (See below, "What is SECA Tax?")

In 1968, ministers were required to enter the Social Security program, to which many denominations took opposition. They argued saying the government should not be the ones taking care of the ministers, but rather the church and God are responsible. Congress addressed these concerns by allowing the option to opt out of Social Security if certain requirements are met. It is important to note that opting out of Social Security also opts an individual out of Medicare coverage. However, it is possible to pay a premium in order to receive this benefit if desired.

### What is SECA Tax?

SECA is the tax paid to fund Social Security and Medicare by self-employed individuals. When employees pay this tax it is called FICA (Federal Insurance Contributions Act.) Employees have 50% of the FICA contribution withheld from their pay, the other 50% is paid in to the IRS (Internal Revenue Service) by their employer. A minister since they are deemed "self-employed" for Social Security and Medicare reasons, pay 100% of the SECA tax themselves. For more details on clergy compensation and the payment of this tax, please visit the [Foursquare Administrative Toolkit](#).

### Foursquare Recommendation

The International Church of the Foursquare Gospel **STRONGLY** recommends that ministers be covered by Social Security and Medicare, and highly discourages Foursquare ministers from opting out of the program. There is no provision corporately nor does the corporate structure provide the means for individual churches to provide benefits that would normally be covered by Social Security or Medicare Insurance.

### IRS Requirements for Social Security and Medicare Exemption

In addition to being a minister and being employed by a tax-exempt religious organization, the following requirements must be met in order to opt out of Social Security.

1. IRS Form 4361 must be filed by the minister by the tax return due date (including extensions) by the second year in which net earnings from services in the ministry equal or exceed \$400.
  - a. Before form 4361 is filed, the minister must notify their denomination of their opposition and decision to opt out. The purpose of this is to allow churches and denominations to consult with their ministers on this decision. Please notify your district office prior to completing form 4361.
2. The minister must be personally opposed **based on religious beliefs to accepting public insurance.**
  - a. **The minister by opting out is declaring under penalties of perjury that government assistance to him or herself, the spouse or children would violate his/her conscience or religious conviction.** This includes opposition to receiving government payments/benefits for death, disability, old age/retirement, or medical care services.
  - b. Ministers cannot simply be opposed to the payment of Social Security tax, but to accepting Social Security benefits upon retirement, disability or death. Economic reasoning is not permitted as a basis for exemption from Social Security
3. Upon receipt of Form 4361 and pending approval, the IRS will send a letter to the minister restating the reasons that a minister may be exempt from social security. The minister must sign the letter under penalties of perjury and return it within 90 days.
4. The exemption is only effective after this verification is complete and the minister receives the application back from the IRS marked approved. It is highly recommended that the paperwork associated with filing be kept permanently, in the event that the IRS loses the paperwork.
5. The decision to opt out, is irrevocable.
  - a. Many ministers choose to opt out under the belief, they can opt back in. This only happened in 1977, 1987, and 1999 through congressional relief; however, there is no discussion of this occurring again.

## Frequently Asked Questions

- **Why shouldn't I opt out if I don't believe Social Security will be around when I get to retirement age?**
  - As discussed above, exemption from Social Security may not be requested for economic reasons.
  - While Social Security certainly has its fair share of challenges, there are governmental changes that can be made including increasing taxes or reducing benefits to extend its longevity.
  - Ministers choosing to opt out do so with great plans and intentions of strong retirement planning. However, circumstances may occur that could compromise those plans, such as loss of a job, serious medical

condition, disability, college bills, etc. Since this exemption can't be revoked, the minister should think very carefully about the long term implications of this decision.

- Social Security may only provide a small monetary benefit in retirement, but the medical benefits through Medicare may significantly save the retirement funds that have been amassed. Without Social Security and Medicare, the minister will be completely dependent on the retirement funds that have been saved for living and medical expenses for the remainder of their and their spouse's life.
- **How will my secular employment be affected by opting out?**
  - If there has been any secular employment, credits have been earned for this service. The decision to opt out of Social Security for ministry work has no effect on the credits earned through secular employment.
  - The number of credits needed to qualify to receive social security benefits varies based on the year of birth. Credits are earned based on the amount of money made through wages or self-employment income in a year. If the minister has opted out for ministerial services, the earnings from ministerial work does not earn credits. The total minimum amount of credits at retirement age must be achieved to receive Social Security retirement benefits. As these requirements may change, information regarding the current credits requirements can be obtained by visiting the [Social Security Administration website](#).
- **Can I opt out of Social Security and Medicare for my secular employment?**
  - No. Form 4361 (the exemption application for ministers) specifies: "You must establish that the body that ordained, commissioned, or licensed you...is exempt from federal income tax...as a religious organization described in section 501(C)(3) of the Internal Revenue Code. You must also establish that the body is a church (or convention or association of churches)".
  - You are required to pay Social Security taxes on any income earned through secular employment. Thus, you may be eligible to receive Social Security based on your secular employment earnings.
- **May I collect from my spouse's benefits if they did not opt out?**
  - Yes, eligibility to receive Social Security can be achieved if your spouse is fully insured. However, if you have chosen to be exempt from self-employment taxes, the social security benefit could be substantially reduced if the Social Security Administration applies the windfall provision. The Windfall provision allows the Social Security Administration to reduce benefits for those who did not pay into Social Security. It is recommended that you review this with the Social Security Administration for more information.

- **If I decide to opt back in, can I?**
  - As mentioned above, the decision to opt out of Social Security is irrevocable. Congress has enacted three years of relief in the past, allowing ministers to revoke their exemption by the tax return deadline. While this occurred in 1977, 1987, and 1999, there are no current discussions of this happening again.
  
- **If I have opted out, is it still possible to purchase Medicare?**
  - As briefly mentioned above, it is possible to still receive Medicare if you have chosen to opt out of Social Security. Once you reach age 65, you must apply for coverage under Medicare Part A. Because no contribution was made through Social Security or Medicare taxes, a premium must be paid monthly. The premium amount will likely fluctuate throughout the years. Information regarding rates and eligibility can be found on the [Medicare website](#).