

Does your church pay half of the minister's Social Security tax?

According to Internal Revenue Service Publication 517, *Social Security and Other Information for Members of the Clergy and Religious Workers*, most ministers are considered employees of the church for **income tax** purposes. These same ministers are always considered self-employed for **Social Security tax** purposes.

These means that the two types of church employees are being treated differently. Secretaries, custodians, musicians, teachers and other non-ministerial positions (under FICA method of Soc. Sec.) pay only 7.65% of their compensation towards their Social Security taxes. The church is **required** by law to pay an additional 7.65%, for a total of 15.30%.

Each minister employed by the same church must pay (under SECA method of Soc. Sec.) the entire Social Security tax of 15.30% (*A complicated formula reduces this to a net of 14.13%*). The church is **not** required to pay any portion of the minister's Social Security tax.

Many churches recognize the unfairness of treating the two types of employees unequally. In order to equalize the amounts paid, the church simply adds 7.65% (of the minister's salary and housing allowance) to the amount of the salary.

The chart below illustrates that the **cost to the employing church** and the **net taxable income** for their employee is balanced by adding this 7.65%.

Comparison of Social Security taxes for church employees:

	<u>Non-minister</u> (FICA)	<u>Minister</u> (SECA)
Gross salary	\$10,000.00	\$10,765.00
Employee's share of Fica/Medicare or SE tax	<u>(765.00)</u>	<u>(1,521.00)</u>
Net salary, (after Soc. Sec. taxes)	\$ 9,235.00	\$ 9,244.00
Employer's share of Fica/Medicare	\$ 765.00	0.00
Employer's total cost	\$10,765.00	\$10,765.00
1/2 SE tax (deducted from gross income on Form 1040)	<u>0.00</u>	<u>(761.00)</u>
Employee's taxable income	\$10,000.00	\$10,004.00

Please contact us for more information. *We can help.*

Would Your Church Benefit From A Tax Seminar At Your Location?

We are currently in the early stages of scheduling tax seminars with churches and church related organizations in various areas of our country.

For example, trips to Florida, Minnesota, and Texas are being considered for later this year or early next year. It would be an excellent opportunity for your church to have Tom Burbrink meet with your church treasurer, financial leaders, ministers and staff. Since we will be coming near your location, the fee for a seminar would be less due to reduced travel expense.

We are willing to conduct a tax seminar for churches in your area, and on the same trip, meet separately with your church leaders to examine your payroll procedures, budgeting and accounting systems.

Since Tom has "retired" from a full-time preaching ministry, we are willing and able to travel to your area at a time that is convenient for you and your people.

Please contact us for more information. *We can help.*