

Opting out of Social Security

Location: Pastors Finances

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by Crown Financial Ministries

Since Social Security has been determined by the Supreme Court of the United States not to be an insurance plan but a social welfare plan provided by the government, the decision for clergy to get out of Social Security must be a conscientious objection to government welfare based on their religious beliefs. Exemption is based on the filing with and approval by the IRS of Form 4361. The decision to withdraw must be based on the following statement of conscience contained in Form 4361.

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 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.)...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.

This application for exemption from self-employment tax must be filed by April 15 (or deadline determined by the Internal Revenue Service including extensions) of the second year in which a minister, member of religious order not under a vow of poverty, or a Christian Science practitioner had net ministerial income of \$400 or more. Furthermore, a minister, member of religious order not under a vow of poverty, or a Christian Science practitioner must certify that they will within 30 days of the date of their filing Form 4361 so inform their church, religious order, ordaining body, or religious society of their filing of form 4361.

In this a minister must certify that he or she opposes, either conscientiously or because of religious principles, the acceptance of any public insurance and/or assistance (with respect to services performed as a minister), including all forms of Social Security and/or Medicare coverage, FEMA disaster assistance, government sponsored Pell Grants for education, welfare assistance, food stamps, and so on.

Neither ministers' personal views of the soundness of the Social Security system nor their economic objections to having to pay the Social Security or self-employment tax have any relationship to the application for exemption. Objections based on religious grounds must be the only governing principle used in this decision.

Although on approval of Form 4361 by the IRS wages earned as a minister may be exempt from Social

Security, any wages earned through other sources of income other than ministry are subject to Social Security taxes. Therefore, as the law now stands, if ministers have worked outside of the ministry, earned income from outside employment, have paid Social Security taxes, and have worked the required number of quarters in a job other than one in which Social Security taxes were exempted, they should be able to qualify for some level of Social Security benefits. Nevertheless, the legality of this “have your cake and eat it too” type of provision is regularly reviewed and debated by the U.S. Congress. To date, the law still allows the “double standard.” But, opposition to allowing ministers to collect any Social Security benefits after they have opted out is growing.

After withdrawal

If ministers conscientiously object to Social Security on religious grounds and get out of the system, they need to provide financially for their families because they will be affected economically. In supplying alternate provisions, ministers need to consider the following.

- *Income replacement.* If the average minister lives for 20 years after his or her retirement, he or she will need at least \$400,000 to maintain an income of \$20,000 annually. In addition to this, adjustments for inflation must be considered.
- *Survivor's insurance.* If a minister dies under Social Security, funds are provided for the surviving spouse. To replace this coverage, a life insurance policy would need to be purchased. This could cost from \$500 to \$1500 or more annually, depending on the amount of coverage and physical condition of the applicant.
- *Disability insurance.* This is another insurance that would be necessary to ensure disability benefits. Again the costs could be as little as \$500 to as much as \$1500 or more annually, depending on the amount of coverage, provisions of the policy, and physical condition of the applicant.
- *Medicare-type medical insurance.* Medicare-A benefits (basic hospitalization) now cost between \$5,000 and \$6,000 annually and Medicare-B (major medical) costs just less than \$400 annually.

Therefore, if ministers want to opt out of Social Security, they will need at least \$30,000 to \$40,000 annually to replace the benefits they would have been eligible to receive under Social Security.

For more information regarding Social Security exemption contact the Internal Revenue Service (IRS) at (800) 829-3676 and request Publication 517 “Social Security for Members of the Clergy and Religious Works,” and Form 4361 or request the publications online from the IRS Web site at www.irs.gov.

Reversal of exemption

Many clergy who opted out of Social Security have wanted to rejoin the program, often to qualify for Medicare benefits. Normally, once the exemption has been approved, it is irrevocable. However, in December 1999, President Clinton signed the “Ticket to Work Act” into law. This act permitted clergy to revoke an exemption by filing an exemption repeal with the IRS by April 15, 2002. Although the Social Security Administration has not yet determined whether there will be any back Social Security tax liability, because of the three-year statute of limitations, the IRS very well could assess three back years of Social Security tax against ministers who nullify their original exemption.

Conclusion

Unfortunately, withdrawing from Social Security is an option available to only a very few—the American clergy; and even they cannot withdraw for any reason except exemption based on religious conviction. If

ministers opted out of the Social Security system for conscientious reasons, they need to test their motives for seeking reentrance into the system. If the original decision was one based on economic convenience, the motive was wrong and deceptive in the first place and was dishonorable to the teachings of Christ. As such, correcting the wrong should be considered. However, if by signing Form 4361 ministers asked to be removed from the Social Security system because they were religiously opposed to government welfare intervention, and they still are opposed to government welfare for conscientious reasons, then they should honor that vow, irrespective of any financial gain. *"When you make a vow to God, do not be late in paying it; for He takes no delight in fools. Pay what you vow! It is better that you should not vow than that you should vow and not pay"*(Ecclesiastes 5:4-5).
