

## “Opting Out” of Social Security

If you are a member of the clergy, you may claim an exemption from self-employment tax for wages received for **ministerial services**. This exemption is **based on religious opposition** to public insurance (social security), and is **not to be viewed as an economic/financial decision**. Keep in mind that while this decision does allow you to forego paying self-employment tax, you will also forego social security dollars paid for disability or retirement. Once this decision is made, there is currently no way to “take it back.” Clergy who are truly opposed to social security for religious reasons would be wise to set aside funds now to replace these government dollars in the future.

To claim the exemption, **IRS Form 4361** must be filed *by the due date of your income tax return for the second tax year in which you had at least \$400 of net earnings from self-employment, at least partially from ministerial services*.

**Some examples of ministerial services include:** Conducting religious worship services; ministering sacerdotal functions (whether or not performed for a religious organization); or controlling, conducting, and maintaining religious organizations (including religious boards, societies, and other agencies integral to these organizations) under the authority of a church or church denomination. If your church assigns or designates you to perform services for an organization that is neither a religious organization nor an integral agency of a religious organization, you are performing ministerial services even though they may not involve conducting religious worship or ministering sacerdotal functions.

**To claim the exemption, you must file Form 4361 by the due date AND meet ALL of the following conditions:**

1. You are **conscientiously opposed to public insurance** because of your individual religious considerations (not because of your general conscience), or are opposed because of the principles of your religious denomination.
2. You file the exemption for **other than** economic reasons.
3. You establish that the organization that ordained, commissioned, or licensed you, or your religious order, is a tax-exempt religious organization.
4. You establish that the organization is a church or a convention or association of churches.
5. You did not make an election to be covered by Social Security by filing Form 2031 (Revocation of Exemption from Self-Employment...) or elected before 1968 to be covered under social security for you ministerial services.
6. You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed in the statement.

If all conditions are met, you will receive an approved copy of Form 4361 from the IRS. The exemption will be effective for all tax years after 1967 in which you have at least \$400 of net earnings from self-employment for ministerial services. If self-employment tax has been paid and reported on earnings from ministerial services prior to approval, an amended return may be filed to claim a refund, as this exemption is retroactive.

*The information provided by Imagine Solutions is general in nature and may not apply to your specific circumstances. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.*