

The Board of Pensions administers the Benefits Plan of the Presbyterian Church (U.S.A.), offering retirement, healthcare, death, and disability benefits to qualifying members. The Board also provides financial and vocational grants through the Assistance Program.

About Social Security and ministers

Historically, the Presbyterian Church (U.S.A.) has supported ministerial participation in Social Security and strongly recommends that ministerial candidates and ministers of the Word and Sacrament of the church participate in it. (For more discussion, please refer to *A Pastoral Letter to Candidates Regarding [Participation in] Social Security*, approved by the 198th General Assembly [1986] and available on pensions.org.)

Ministers of the Word and Sacrament in the PC(USA) who elect to opt out of Social Security must arrange for additional benefits coverage because the PC(USA) plan benefits alone will not provide adequate protection. For example, a disabled member's disability benefits are offset by the amount of Social Security disability benefits he or she receives. If the member has opted out of Social Security coverage, the Board reduces the member's disability benefit by the estimated Social Security benefit that the member would have received if he or she had that coverage.

In addition, the Medicare Supplement program benefits are available only to members and their beneficiaries who are eligible for and participate in Medicare coverage.

A minister may opt out of Social Security if he or she opposes the acceptance of benefits under the Social Security program (or any other public insurance system that provides retirement or medical benefits) for religious reasons.

Ministers may opt out of Social Security only because of religious convictions; they may not opt out because they think it is a bad investment or may be a lesser benefit in the future. Once a minister opts out, the decision is irrevocable.

A minister seeking to opt out of Social Security must file an application by the due date of his or her tax return for the second year in which the minister had net earnings from self-employment of at least \$400, any part of which came from ministerial income. The IRS (Internal Revenue Service) must approve the application.

Deciding whether to participate in Social Security is an important and irrevocable choice. Please seek the counsel of your presbytery and choose carefully and wisely. Your financial security, and that of your family, may depend on your choice.

Social Security taxes for ministers

Ministers must pay Social Security taxes on their ministerial income and on any income they earn from secular employment, unless they have properly followed IRS rules to opt out of Social Security. If they have opted out, they still must pay Social Security taxes on any secular income.

Ministers pay Social Security taxes at the self-employment — or SECA — rate on their ministerial income because ministers are always considered self-employed for Social Security purposes. A housing allowance is ordinarily excluded from income for federal tax purposes, but a minister must pay Social Security taxes on it.

A minister does not pay SECA taxes or current federal income taxes on contributions to the 403(b)(9) Retirement Savings Plan of the Presbyterian Church (U.S.A.) (RSP) or on other tax-deferred annuities.

If a minister receives income from secular employment, he or she may have to pay FICA taxes.

- **SECA (Self-Employment Contributions Act) refers to the tax rate that self-employed people pay toward Social Security.**
- **FICA (Federal Insurance Contributions Act) refers to the tax rate that employees and employers contribute toward Social Security.**

There are two parts to SECA and FICA taxes: Social Security tax and the Medicare tax. Rates and maximum earnings change annually. To get current information on SECA and FICA rates and maximum earnings, call the Social Security Administration at 800-772-1213 or visit the website, socialsecurity.gov.

Income taxes and Social Security

The IRS has its own rules to determine who is a minister for tax purposes, and these are not necessarily the same as the rules of the Presbyterian Church (U.S.A.). This determination is important because special tax and reporting rules apply to ministers.

For more information on determining who is a minister for federal tax purposes, you may want to start with the *Tax Guide for Ministers* that the Board of Pensions publishes annually in January.

For federal income tax purposes, most PC(USA) ministers of the Word and Sacrament working full time for a church or church agency are considered employees, rather than self-employed, and should receive a W-2 from their church or employer reporting their taxable income.

For Social Security purposes, all ordained ministers are self-employed with regard to the services they perform in the exercise of their ministry.

Churches' responsibilities

A church cannot pay FICA for a pastor. By law, pastors are always treated as self-employed for Social Security tax purposes and therefore subject to SECA for their ministerial earnings.

A church that pays FICA for its pastor is not only violating the law but risking creating confusion in the Social Security Administration's record. This could lead to incorrect benefit calculations later.

To help offset the expense of SECA, a church may give a pastor an allowance or offset; the pastor will have to pay Social Security taxes as well as income taxes on the allowance or offset.

FICA for non-ministerial employees

A church must pay FICA for non-ministerial employees unless it has elected to exempt itself. A church may not classify a non-ministerial employee as self-employed to avoid paying FICA.

To exempt itself from paying FICA on its non-ministerial employees, a church must certify to the IRS that the church is opposed for religious reasons to the payment of Social Security taxes. Few churches can meet this standard. When a church does this, it forces its non-ministerial employees to pay SECA.

Checking up on Social Security

You can check to be sure that the Social Security Administration has proper records of your earning history through your annual statement. You can use the statement to help plan for your retirement because it shows your earnings history and estimated retirement and disability income as well as benefits for your family and survivors.

Your statement is available on the Social Security Administration's website, socialsecurity.gov.

Another way to find out if the Social Security Administration has correct records of your earnings history is to call 800-772-1213 and ask for Form SSA-7004, Request for Social Security Statement.

If you do think your records are incorrect, call the Social Security Administration or take your records to your local Social Security office. Go to socialsecurity.gov to find your local office.

To correct your earnings record, the Social Security Administration needs to know your name, Social Security number, the year or years that are incorrect, and the business name and address of your employer in those years. If possible, have your Forms W-2 (or tax returns if you are self-employed) for the incorrect years available when you call or visit the Social Security Administration. This can help to correct records more quickly. The Social Security Administration may be able to search its records using information about your employer's business name and address.

If you live outside the United States and can't use the 800 telephone number, you can write to:

Social Security Administration

Office of Earnings & International Operations
P.O. Box 17775
Baltimore, MD 21235-7775
United States of America

This is not a full description of benefits and limitations of the plan. If there is any difference between the information presented here and the provisions of the Benefits Plan of the Presbyterian Church (U.S.A.), the plan terms will govern. Visit pensions.org or call the Board at 800-773-7752 (800-PRESPLAN) for a copy of the plan document.

