



MM Position Paper: FICA for Ministers

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Application: We are asked on a regular basis to discuss our opinion regarding minister's compensation packages and the payment of FICA tax (Social Security). The following is an attempt to clarify the decision-making criteria that churches may want to consider when formulating minister's compensation packages.

The standard we recommend when formulating minister's compensation is to be certain that there is a level playing field among all church staff. When paying custodians, secretaries, and other non-ordained staff, the church treats those people as "regular" employees. FICA tax of 7.65% is deducted from their paychecks, and the church is then required to match 7.65% and pay that in to the federal government with what was deducted from the employee's check.

Ordained ministers are considered "dual status" employees. They are employees for benefits purposes and self-employed for taxation purposes. We believe that the special status should not alter the amount of compensation. We further believe ministers, regardless of what they choose to do with their retirement or benefits, should be compensated on an equal basis, just like all other employees.

Although the church is not permitted to directly pay in matching FICA funds for ministers, they should be given the matching amount, just as all other employees are receiving through the mandatory matching FICA that the church pays on behalf of the employee. This would equate to a minister receiving 7.65 % of their salary and housing, as added compensation to his/her paycheck. It will be considered taxable income, but it should not be considered a part of their wage package unless the employer FICA contribution is considered a part of a secretary or custodians compensation package. The church is simply giving matching FICA tax directly to the minister instead of to the government. At this point, all staff would be treated equally.

Another commonly held opinion is that if a minister elects, for religious objection reasons, to opt out of the Social Security system, then why should the church have to give them the 7.65%?

Again, we believe that what a minister chooses to do with their personal finances is not related to the decision of treating employees equally. The minister, after receiving equal compensation, is then responsible for providing benefits and retirement income for his/her family. If they choose, for religious reasons, not to participate in the Social Security system, then it is still their responsibility to find and implement benefits and retirement income for themselves and/or their family. This decision should not impact how the church compensates them.