

Publication 517

Social Security and Other Information for Members of the Clergy and Religious Workers

For use in preparing
2023 Returns)

Volume 1 of 2



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Future Developments

For the latest information about developments related to Pub. 517, such as legislation enacted after this publication was published, go to [IRS.gov/Pub517](https://www.irs.gov/pub517).

What's New

Temporary 100% deduction of the full meal portion of a per diem rate or allowance. The 100% deduction allowed for

certain business meals paid or incurred after 2020 and before 2023 has expired. See Pub. 463 for more details.

Standard mileage rate. The business standard mileage rate for 2023 is 65.5 cents per mile.

Earnings subject to social security tax. For 2023, the maximum wages and self-employment income subject to social security tax has increased to \$160,200.

Modified adjusted gross income (AGI) limit for traditional IRA contributions. For 2023, you may be able to take an IRA deduction for your contributions if you were covered by a retirement plan at work and your modified AGI is:

- Less than \$136,000 if married filing jointly or qualifying surviving spouse;
- Less than \$83,000 if single or head of household; or

- Less than \$10,000 if married filing separately.

If you file a joint return and either you or your spouse wasn't covered by a retirement plan at work, you may be able to take an IRA deduction if your modified AGI is less than \$228,000.

Modified AGI limit for Roth IRA

contributions increased. For 2023, you may be able to contribute to your Roth IRA if your modified AGI is:

- Less than \$228,000 if married filing jointly or qualifying surviving spouse;
- Less than \$153,000 if single, head of household, or married filing separately and you didn't live with your spouse at any time during the year; or
- Less than \$10,000 if married filing separately and you lived with your spouse at any time during the year.

Earned income credit (EIC). For 2023, the maximum amount of income you can earn and still claim the EIC has increased. See *Earned Income Credit*, later.

Reminders

Credits for self-employed persons. The refundable credits for certain self-employed persons impacted by the coronavirus have expired.

Self-employed tax payments deferred in 2020. If you elected to defer the payment of certain social security taxes in 2020, see [IRS.gov/Newsroom/How-Self-Employed-Individuals-and-Household-Employers-Repay-Deferred-Social-Security-Tax](https://www.irs.gov/Newsroom/How-Self-Employed-Individuals-and-Household-Employers-Repay-Deferred-Social-Security-Tax), for information on how to repay those taxes.

Social security information. Social security beneficiaries may quickly and easily obtain various information from the Social Security Administration's (SSA) website with a my

Social Security account, including getting a replacement Form SSA-1099 or SSA-1042S. For more information, go to [SSA.gov/myaccount](https://www.ssa.gov/myaccount).

Photographs of missing children. The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](https://www.ncmec.org). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

Three federal taxes are paid on wages and self-employment income—income tax, social security tax, and Medicare tax. Social security and Medicare taxes are collected under one of two systems. Under the Self-Employment Contributions Act (SECA), the self-employed person pays all the taxes. Under the Federal

Insurance Contributions Act (FICA), the employee and the employer each pay half of the social security and Medicare taxes. No earnings are subject to both systems.

In addition, all wages and self-employment income that are subject to Medicare tax are subject to a 0.9% Additional Medicare Tax to the extent they exceed the applicable threshold for an individual's filing status.

Medicare wages and self-employment income are combined to determine if income exceeds the threshold. A self-employment loss isn't considered for purposes of this tax. Railroad retirement (RRTA) compensation is separately compared to the threshold. Additional Medicare Tax applies to Medicare wages, RRTA compensation, and self-employment income that are more than:

- \$125,000 if married filing separately,
- \$250,000 if married filing jointly, or
- \$200,000 for any other filing status.

There is no employer match for Additional Medi-care Tax. For more information, see Form 8959, Additional Medicare Tax, and its separate instructions.

This publication contains information for the following classes of taxpayers.

- Ministers.
- Members of a religious order.
- Christian Science practitioners and readers.
- Religious workers (church employees).
- Members of a recognized religious sect.

Note. Unless otherwise noted, in this publication references to members of the clergy include ministers, members of a religious order (but not members of a recognized religious sect), and Christian Science practitioners and readers.

Table 1. Are Your Ministerial Earnings* Covered Under FICA or SECA?

Find the class to which you belong in the left column and read across the table to find if you are covered under FICA or SECA. Don't rely on this table alone. Also read the discussion for the class in the following pages.

Class	Covered under FICA?	Covered under SECA?
<u>Minister</u>	NO. Your ministerial earnings are exempt.	YES, if you don't have an approved exemption from the IRS. NO, if you have an approved exemption.
<u>Member of a religious order who hasn't taken a vow of poverty</u>	NO. Your ministerial earnings are exempt.	YES, if you don't have an approved exemption from the IRS. NO, if you have an approved exemption.
<u>Member of a religious order who has taken a vow of poverty</u>	YES, if: <ul style="list-style-type: none"> Your order elected FICA coverage for its members; or You worked outside the order and the work wasn't required by, or done on behalf of, the order. NO, if neither of the above applies.	NO. Your ministerial earnings are exempt.
<u>Christian Science practitioner or reader</u>	NO. Your ministerial earnings are exempt.	YES, if you don't have an approved exemption from the IRS. NO, if you have an approved exemption.
<u>Religious worker (church employee)</u>	YES, if your employer didn't elect to exclude you. NO, if your employer elected to exclude you.	YES, if your employer elected to exclude you from FICA. NO, if you are covered under FICA.
<u>Member of a recognized religious sect</u>	YES, if you are an employee and don't have an approved exemption from the IRS. NO, if you have an approved exemption.	YES, if you are self-employed and don't have an approved exemption from the IRS. NO, if you have an approved exemption.

* Ministerial earnings are the self-employment earnings that result from [ministerial services](#), defined and discussed later.

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This publication covers the following topics about the collection of social security and Medicare taxes from members of the clergy, religious workers, and members of a recognized religious sect.

- Which earnings are taxed under FICA and which under SECA. See Table 1.
- How a member of the clergy can apply for an exemption from self-employment tax.
- How a member of a recognized religious sect can apply for an exemption from both self-employment tax and FICA taxes.
- How a member of the clergy or a religious worker figures net earnings from self-employment.

This publication also covers certain income tax rules of interest to ministers and members of a religious order.



In the back of Pub. 517 is a set of worksheets that you can use to figure the amount of your taxable ministerial income and allowable deductions.

Note. In this publication, the term “church” is generally used in its generic sense and not in reference to any particular religion.

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can’t respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications.

Don't send tax questions, tax returns, or payments to the above address.

Getting answers to your tax questions. If you have a tax question not answered by this publication or the *How To Get Tax Help* section at the end of this publication, go to the IRS Interactive Tax Assistant page at [IRS.gov/ Help/ITA](https://www.irs.gov/help/ita) where you can find topics by using the search feature or viewing the categories listed.

Getting tax forms, instructions, and publications. Go to [IRS.gov/Forms](https://www.irs.gov/forms) to download current and prior-year forms, instructions, and publications.

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you've already sent us. You can get forms and publications faster online.

Useful Items

You may want to see:

Publication

- 54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 525** Taxable and Nontaxable Income
- 529** Miscellaneous Deductions
- 590-A** Contributions to Individual Retirement Arrangements (IRAs)
- 590-B** Distributions from Individual Retirement Arrangements (IRAs)
- 596** Earned Income Credit (EIC)

Form (and Instructions)

- SS-8** Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding

- **SS-16** Certificate of Election of Coverage Under the Federal Insurance Contributions Act
- **Schedule C (Form 1040)** Profit or Loss From Business (Sole Proprietorship)
- **Schedule SE (Form 1040)** Self-Employment Tax
- **1040-ES** Estimated Tax for Individuals
- **1040-X** Amended U.S. Individual Income Tax Return
- **4029** Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits
- **4361** Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners
- **7206** Self-Employed Health Insurance Deduction

- **8274** Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes
- **8959** Additional Medicare Tax
- **8962** Premium Tax Credit (PTC)

Ordering publications and forms. See *How To Get Tax Help*, at the end of this publication, for information about getting these publications and forms.

Social Security Coverage

This section gives information about which system (SECA or FICA) is used to collect social security and Medicare taxes from members of the clergy (ministers, members of a religious order, and Christian Science practitioners and readers) and religious workers (church employees).

Coverage of Members of the Clergy

The services you perform in the exercise of your ministry, of the duties required by your religious order, or of your profession as a Christian Science practitioner or reader are covered by social security and Medicare under SECA. Your earnings for these ministerial services (defined later) are subject to self-employment (SE) tax unless one of the following applies.

- You are a member of a religious order who has taken a vow of poverty.
- You ask the IRS for an exemption from SE tax for your services and the IRS approves your request. See *Exemption From Self-Employment (SE) Tax*, later.
- You are subject only to the social security laws of a foreign country under the provisions of a social security agreement between the United States and that country. For more information, see

Bilateral Social Security (Totalization) Agreements in Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.

Your earnings that aren't from ministerial services may be subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general. See *Ministerial Services*, later.

Ministers

If you are a minister of a church, your earnings for the services you perform in your capacity as a minister are subject to SE tax, even if you perform these services as an employee of that church. However, you can request that the IRS grant you an exemption, as discussed under *Exemption From Self-Employment (SE) Tax*, later. For the specific services covered, see *Ministerial Services*, later.

Ministers defined. Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. Ministers have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination.

If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.

Employment status for other tax

purposes. Even though all of your income from performing ministerial services is subject to self-employment tax for social security tax purposes, you may be an employee for income tax or retirement plan purposes in

performing those same services. For income tax or retirement plan purposes, your income earned as an employee will be considered wages.

Common-law employee. Under common-law rules, you are considered either an employee or a self-employed person. Generally, you are an employee if you perform services for someone who has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see Pub. 15-A, Employer's Supplemental Tax Guide.

If a congregation employs you and pays you a salary, you are generally a common-law employee and income from the exercise of your ministry is wages for income tax purposes.

However, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, aren't wages; such amounts are self-employment income for both income tax purposes and social security tax purposes.

Example. A church hires and pays you a salary to perform ministerial services subject to its control. Under the common-law rules, you are an employee of the church while performing those services.

Form SS-8. If you aren't certain whether you are an employee or a self-employed person, you can get a determination from the IRS by filing Form SS-8.

Members of Religious Orders

If you are a member of a religious order who hasn't taken a vow of poverty, your earnings for ministerial services you perform as a member of the order are subject to SE tax.

See Ministerial Services, later. However, you can request that the IRS grant you an exemption, as discussed under Exemption From Self-Employment (SE) Tax, later.

Vow of poverty. If you are a member of a religious order and have taken a vow of poverty, you are already exempt from paying SE tax on your earnings for ministerial services you perform as an agent of your church or its agencies. You don't need to request a separate exemption. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order.

Services covered under FICA at the election of the order. However, even if you have taken a vow of poverty, the services you perform for your church or its agencies may be covered under social security. Your services are covered if your order, or an autonomous subdivision of the order, elects

social security coverage for its current and future vow-of-poverty members.

The order or subdivision elects coverage by filing Form SS-16. The election may cover certain vow-of-poverty members for a retroactive period of up to 20 calendar quarters before the quarter in which it files the certificate. If the election is made, the order or subdivision pays both the employer's and employee's share of the tax. You don't pay any of the FICA tax.

Services performed outside the order.

Even if you are a member of a religious order who has taken a vow of poverty and the order requires you to turn over amounts you earn, your earnings are subject to federal income tax and either SE tax or FICA tax (including estimated tax payments and/or withholding) if you:

- Are self-employed or an employee of an organization outside your religious community; and

- Perform work not required by, or done on behalf of, the order.

In these cases, your income from self-employment or as an employee of that outside organization is taxable to you directly. You may, however, be able to take a charitable deduction for the amount you turn over to the order. See Pub. 526, Charitable Contributions.

Rulings. Organizations and individuals may request rulings from the IRS on whether they are religious orders, or members of a religious order, respectively, for FICA tax, SE tax, and federal income tax withholding purposes. To request a ruling, follow the procedures in Revenue Procedure 2023-1. To find the revenue procedure, go to IRS.gov and type "Revenue Procedure 2023-1" in the search box.

Christian Science Practitioners and Readers

Generally, your earnings from services you perform in your profession as a Christian Science practitioner or reader are subject to SE tax. However, you can request an exemption, as discussed under *Exemption From Self-Employment (SE) Tax*, later.

Practitioners. Christian Science practitioners are members in good standing of the Mother Church, The First Church of Christ, Scientist, in Boston, Massachusetts, who practice healing according to the teachings of Christian Science. State law specifically exempts Christian Science practitioners from licensing requirements.

Some Christian Science practitioners are also Christian Science teachers or lecturers. Income from teaching or lecturing is considered the same as income from their work as practitioners.

Readers. For tax purposes, Christian Science readers are considered the same as ordained, commissioned, or licensed ministers.

Coverage of Religious Workers (Church Employees)

If you are a religious worker (a church employee) and aren't in one of the classes already discussed, your wages are generally subject to social security and Medicare tax under FICA, not SECA. Some exceptions are discussed next.

Election by Church To Exclude Its Employees From FICA Coverage

Churches and qualified church-controlled organizations (church organizations) that are opposed for religious reasons to the payment of social security and Medicare taxes may elect to exclude their employees from FICA coverage. If your employer makes this election, it doesn't pay the employer's portion of the FICA taxes or withhold from your pay

your portion of the FICA taxes. Instead, your wages are subject to SECA and you must pay SE tax on your wages if they exceed \$108.28 during the tax year. However, you can request an exemption from SE tax if you are a member of a recognized religious sect, as discussed below.

Churches and church organizations make this election by filing two copies of Form 8274.

For more information about making this election, see Form 8274.

Election by Certain Church Employees Who Are Opposed to Social Security and Medicare

You may be able to choose to be exempt from social security and Medicare taxes, including the SE tax, if you are a member of a recognized religious sect or division and work for a church (or church-controlled nonprofit division) that doesn't pay the employer's part of the social security tax on wages. This

exemption doesn't apply to your service, if any, as a minister of a church or as a member of a religious order.

Make this choice by filing Form 4029. See *Requesting Exemption—Form 4029*, later, under *Members of Recognized Religious Sects*.

U.S. Citizens and Resident and Nonresident Aliens

To be covered under the SE tax provisions (SECA), individuals must generally be citizens or resident aliens of the United States.

Nonresident aliens aren't covered under SECA unless a social security agreement in effect between the United States and the foreign country determines that they are covered under the U.S. social security system.

To determine your alien status, see Pub. 519, U.S. Tax Guide for Aliens.

Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands (CNMI), and American Samoa. If you are a resident of one of these U.S. territories but not a U.S. citizen, for SE tax purposes you are treated the same as a citizen or resident alien of the United States. For information on figuring the tax, see *Self-Employment Tax: Figuring Net Earnings*, later.

Ministerial Services

Ministerial services, in general, are the services you perform in the exercise of your ministry, in the exercise of your duties as required by your religious order, or in the exercise of your profession as a Christian Science practitioner or reader. Income you receive for performing ministerial services is subject to SE tax unless you have an exemption, as explained later. Even if you have an exemption, only the income you receive for performing ministerial services is

exempt. The exemption doesn't apply to any other income.

The following discussions provide more detailed information on ministerial services of ministers, members of a religious order, and Christian Science practitioners and readers.

Ministers

Most services you perform as a minister, priest, rabbi, etc., are ministerial services. These services include:

- Performing sacerdotal functions;
- Conducting religious worship; and
- Controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination.

You are considered to control, conduct, and maintain a religious organization if you direct,

manage, or promote the organization's activities.

A religious organization is under the authority of a religious body that is a church or denomination if it's organized for, and dedicated to, carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith.

Services for nonreligious organizations.

Your services for a nonreligious organization are ministerial services if the services are assigned or designated by your church.

Assigned or designated services qualify even if they don't involve performing sacerdotal functions or conducting religious worship.

If your services aren't assigned or designated by your church, they are ministerial services only if they involve performing sacerdotal functions or conducting religious worship.

Services that aren't part of your ministry.

Income from services you perform as an employee that aren't ministerial services is subject to social security and Medicare tax withholding under FICA (not SECA) under the rules that apply to employees in general. The following aren't ministerial services.

- Services you perform for nonreligious organizations other than the services stated above.
- Services you perform as a duly ordained, commissioned, or licensed minister of a church as an employee of the United States, the District of Columbia, a foreign government, or any of their political subdivisions. These services aren't ministerial services even if you are performing sacerdotal functions or conducting religious worship. (For example, if you perform services as a chaplain in the Armed Forces of the United

States, those services aren't ministerial services.)

- Services you perform in a government-owned and operated hospital. (These services are considered performed by a government employee, not by a minister as part of the ministry.) However, services that you perform at a church-related hospital or health and welfare institution, or a private nonprofit hospital, are considered to be part of the ministry and are considered ministerial services.

Books or articles. Writing religious books or articles is considered to be in the exercise of your ministry and is considered a ministerial service.

This rule also applies to members of religious orders and to Christian Science practitioners and readers.

Table 2. The Self-Employment Tax Exemption Application and Approval Process

	Who Can Apply	
	Members of the Clergy	Members of Recognized Religious Sects
How	File Form 4361	File Form 4029
When	File by the due date (including extensions) of your income tax return for the second tax year in which you had at least \$400 of net earnings	File anytime

	from self-employment, any of which came from ministerial services	
Approval	If approved, you will receive an approved copy of Form 4361	If approved, you will receive an approved copy of Form 4029
Effective Date	For all tax years after 1967 in which you have at least \$400 of net earnings from self-employment, any of which came from	For all tax years beginning with the first year you meet the eligibility requirements, discussed later

	ministerial services	
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Members of Religious Orders

Services you perform as a member of a religious order in the exercise of duties required by the order are ministerial services. The services are considered ministerial because you perform them as an agent of the order.

For example, if the order directs you to perform services for another agency of the super-vising church or an associated institution, you are considered to perform the services as an agent of the order.

However, if the order directs you to work outside the order, this employment won't be considered a duty required by the order unless:

- Your services are the kind that are ordinarily performed by members of the order; and
- Your services are part of the duties that must be exercised for, or on behalf of, the religious order as its agent.

Effect of employee status. Ordinarily, if your services aren't considered directed or required of you by the order, you and the outside party for whom you work are considered employee and employer. In this case, your earnings from the services are taxed under the rules that apply to employees in general, not under the rules for services performed as an agent of the order. This result is true even if you have taken a vow of poverty.

Example. Pat Brown and Chris Green are members of a religious order and have taken vows of poverty. They renounce all claims to their earnings. The earnings belong to the order.

Pat is a licensed attorney. The superiors of the order instructed Pat to get a job with a law firm. Pat joined a law firm as an employee and, as requested, the firm made the salary payments directly to the order.

Chris is a secretary. The superiors of the order instructed Chris to accept a job with the business office of the church that supervises the order. Chris took the job and gave all earnings to the order.

Pat's services aren't duties required by the order. Pat's earnings are subject to social security and Medicare tax under FICA and to federal income tax.

Chris' services are duties required by the order. Chris is acting as an agent of the order and not as an employee of a third party. Chris doesn't include the earnings in gross income, and they aren't subject to income tax withholding or to social security and Medicare tax under FICA or SECA.

Christian Science Practitioners and Readers

Services you perform as a Christian Science practitioner or reader in the exercise of your profession are ministerial services. Amounts you receive for performing these services are generally subject to SE tax. You may request an ex-emption from SE tax, discussed next, which applies only to those services.

Exemption From Self-Employment (SE) Tax

You can request an exemption from SE tax if you are a member of the clergy (minister, member of a religious order, or Christian Science practitioner or reader) or a member of a recognized religious sect.



Generally, members of religious orders who have taken a vow of poverty are already exempt from paying SE tax, as discussed earlier under Members of Religious Orders under Social Security

Coverage. *They don't have to request the exemption.*

Who can't be exempt. You can't be exempt from SE tax if you made one of the following elections to be covered under social security. These elections are irrevocable.

- You elected to be covered under social security by filing Form 2031, Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners, for your 1986, 1987, 2000, or 2001 tax year.
- You elected before 1968 to be covered under social security for your ministerial services.

Requesting exemption. Table 2 briefly summarizes the procedure for requesting exemption from the SE tax. More detailed explanations follow.



If you are a minister, member of a religious order, or Christian Science practitioner, an approved exemption only applies to earnings you receive for ministerial services, discussed earlier. It doesn't apply to any other self-employment income.

Members of the Clergy

To claim the exemption from SE tax, you must meet all of the following conditions. • You file Form 4361, described below under Requesting Exemption—Form 4361.

- You are conscientiously opposed to public insurance because of your individual religious considerations (not because of your general conscience), or you are opposed because of the principles of your religious denomination.
- You file for other than economic reasons.
- You inform the ordaining, commissioning, or licensing body of your church or order

that you are opposed to public insurance if you are a minister or a member of a religious order (other than a vow-of-poverty member). This requirement doesn't apply to Christian Science practitioners or readers.

- You establish that the organization that ordained, commissioned, or licensed you, or your religious order, is a tax-exempt religious organization.
- You establish that the organization is a church or a convention or association of churches.
- You didn't make an election, discussed earlier under *Who can't be exempt*.
- You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed on the statement.

Requesting Exemption—Form 4361

To request exemption from SE tax, file Form 4361 in triplicate (original and two copies) with the IRS.



The IRS will return to you a copy of the Form 4361 that you filed indicating whether it has approved your exemption. If it's approved, keep the approved copy of Form 4361 in your permanent records.

When to file. File Form 4361 by the date your income tax return is due, including extensions, for the second tax year in which both of the following are true.

1. You have net earnings from self-employment of at least \$400.
2. Any part of those net earnings was from ministerial services you performed as a:
 - a. Minister,

- b. Member of a religious order, or
- c. Christian Science practitioner or reader.

The 2 years don't have to be consecutive tax years.



The approval process can take some time, so you should file Form 4361 as soon as possible.

Example 1. Rev. Taylor Jaeger, a member of the clergy ordained in 2023, has net self-employment earnings as a minister of \$450 in 2023 and \$500 in 2024. Rev. Jaeger must file their application for exemption by the due date, including extensions, for their 2024 income tax return. However, if Rev. Jaeger doesn't receive IRS approval for an exemption by April 15, 2025, their SE tax for 2024 is due by that date.

Example 2. Rev. Casey Wolfe has only \$300 in net self-employment earnings as a minister in 2023, but earned more than \$400 in 2022

and expects to earn more than \$400 in 2024. Rev. Wolfe must file their application for exemption by the due date, including extensions, for their 2024 income tax return. However, if Rev. Wolfe doesn't receive IRS approval for an exemption by April 15, 2025, their SE tax for 2024 is due by that date.

Example 3. In 2021, Rev. Riley Moss was ordained a minister and had \$700 in net self-employment earnings as a minister. In 2022, Rev. Moss received \$1,000 as a minister, but their related expenses were over \$1,000. Therefore, they had no net self-employment earnings as a minister in 2022. Also in 2022, Rev. Moss opened a bookstore and had \$8,000 in net self-employment earnings from the store. In 2023, they had net self-employment earnings of \$1,500 as a minister and \$10,000 net self-employment earnings from the store.

Rev. Moss had net earnings from self-employment in 2021 and 2023 that were \$400 or more each year, and part of the self-employment earnings in each of those years was for their services as a minister. Thus, Rev. Moss must file their application for exemption by the due date, including extensions, for their 2023 income tax return. However, if Rev. Moss doesn't receive IRS approval for an exemption by April 15, 2024, their SE tax for 2023 is due by that date.

Death of individual. The right to file an application for exemption ends with an individual's death. A surviving spouse, executor, or administrator can't file an exemption application for a deceased clergy member.

Effective date of exemption. An approved exemption is effective for all tax years after 1967 in which you have \$400 or more of net earnings from self-employment and any part of those earnings is for services as a member

of the clergy. Once the exemption is approved, it is irrevocable.

Example. Rev. Hayden Austin, ordained in 2020, had \$400 or more in net self-employment earnings, in both 2020 and 2023, part of which was from their services as a minister. Rev. Austin files an application for exemption on February 19, 2024. If an exemption is granted, it is effective for 2020 and the following years.

Refunds of SE tax. If, after receiving an approved Form 4361, you find that you overpaid SE tax, you can file a claim for refund on Form 1040-X. Generally, for a refund, you must file Form 1040-X within 3 years from the date you filed the return or within 2 years from the date you paid the tax, whichever is later. A return you filed, or tax you paid, before the due date is considered to have been filed or paid on the due date.

If you file a claim after the 3-year period but within 2 years from the time you paid the tax, the credit or refund won't be more than the tax you paid within the 2 years immediately before you file the claim.

Members of Recognized Religious Sects

If you are a member of a recognized religious sect, or a division of a recognized religious sect, you can apply for an exemption from payment of social security and Medicare taxes on both your self-employment income and the wages you earn from an employer who also has an exemption.

Exception. If you received social security benefits or payments, or anyone else received these benefits or payments based on your wages or self-employment income, you can't apply. However, if you pay your benefits back, you may be considered for exemption. Contact your local SSA office to find out the amount you must pay back.

Eligibility requirements. To claim this exemption from SE tax, all of the following requirements must be met.

1. You must file Form 4029, discussed later under Requesting Exemption—Form 4029.
2. As a follower of the established teachings of the sect or division, you must be conscientiously opposed to accepting benefits of any private or public insurance that makes payments for death, disability, old age, retirement, or medical care, or provides services for medical care.
3. You must waive all rights to receive any social security payment or benefit and agree that no benefits or payments will be made to anyone else based on your wages and self-employment income.

4. The Commissioner of Social Security must determine that:
 - a. Your sect or division has the established teachings as described in (2) above;
 - b. It is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their dependent members in a manner that is reasonable in view of the members' general level of living; and
 - c. The sect or division has existed at all times since December 31, 1950.

Requesting Exemption—Form 4029

To request the exemption, file Form 4029 in triplicate (original and two copies) with the SSA at the address shown on the form. The

sect or division must complete part of the form.



The IRS will return to you a copy of the Form 4029 that you filed indicating whether it has approved your exemption. If it is approved, keep the approved copy of Form 4029 in your permanent records.

When to file. You can file Form 4029 at any time.

If you have an approved exemption from SE tax and for some reason that approved exemption ended, you must file a new Form 4029 if you subsequently meet the eligibility requirements, discussed earlier. See Effective date of exemption, next, for information on when the newly approved exemption would become effective.

If you have a previously approved exemption from SE tax, you are considered to have met the requirements for exemption from social

security and Medicare taxes on wages and don't need to file a new Form 4029.

Effective date of exemption. An approved exemption from SE tax is generally effective for all tax years beginning with the first year you meet the eligibility requirements discussed earlier. (For example, if you meet the eligibility requirements in 2021, file Form 4029 in 2022, and the IRS approves your exemption in 2023, your exemption is effective for tax year 2021 and all later years.)

The exemption will end if you fail to meet the eligibility requirements or if the Commissioner of Social Security determines that the sect or division fails to meet them. You must notify the IRS within 60 days if you are no longer a member of the religious group, or if you no longer follow the established teachings of this group. The exemption will end for the tax year in which you or your sect/division first fails to meet the eligibility requirements.

Refunds of SE tax paid. To get a refund of any SE tax you paid while the exemption was in effect, file Form 1040-X. For information on filing this form, see *Refunds of SE tax* under *Requesting Exemption—Form 4361*, earlier.

Exemption From FICA Taxes

Generally, under FICA, the employer and the employee each pay half of the social security and Medicare tax. Both the employee and the employer, if they meet the eligibility requirements, discussed earlier, can apply to be exempt from their share of FICA taxes on wages paid by the employer to the employee.

A partnership in which each partner holds a religious exemption from social security and Medicare tax is an employer for this purpose.



If the employer's application is approved, the exemption will apply only to FICA taxes on wages paid to employees who also received an approval of identical applications.

Information for employers. If you have an approved Form 4029 and you have an employee who has an approved Form 4029, don't report wages you paid to the employee as social security and Medicare wages.

If you have an employee who doesn't have an approved Form 4029, you must withhold the employee's share of social security and Medicare taxes and pay the employer's share.

Form W-2. When preparing a Form W-2, Wage and Tax Statement, for an employee with an approved Form 4029, enter "Form 4029" in box 14, "Other." Don't make any entries in box 3, 4, 5, or 6.

Forms 941, 943, and 944. If both you and your employee have received approved Forms 4029, don't include these exempt wages on the following forms. Instead, follow the instructions given below.

- Form 941, Employer's QUARTERLY Federal Tax Return: check the box on line 4 and

enter "Form 4029" in the empty space below the checkbox.

- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees: enter "Form 4029" on the dotted line next to the lines 2 and 4 entry spaces.
- Form 944, Employer's ANNUAL Federal Tax Return: check the box on line 3 and enter "Form 4029" in the empty space below the checkbox.

Effective date. An approved exemption from FICA becomes effective on the first day of the first calendar quarter after the quarter in which you file Form 4029. The exemption will end on the last day of the calendar quarter before the quarter in which the employer, employee, sect, or division fails to meet the requirements.

Self-Employment Tax: Figuring Net Earnings

There are two methods for figuring your net earnings from self-employment as a member of the clergy or a religious worker.

- Regular method.
- Nonfarm optional method.



You may find Worksheets 1 through 3 helpful in figuring your net earnings from self-employment. Blank worksheets are in the back of this publication.

Regular Method

Most people use the regular method. Under this method, figure your net earnings from self-employment by totaling your gross income for services you performed as a minister, a member of a religious order who hasn't taken a vow of poverty, or a Christian Science practitioner or reader. Then, subtract

your allowable business deductions and multiply the difference by 92.35% (0.9235). Use Schedule SE (Form 1040) to figure your net earnings and SE tax.

If you are an employee of a church that elected to exclude you from FICA coverage, figure net earnings by multiplying your church wages shown on Form W-2 by 92.35% (0.9235). Don't reduce your wages by any business deductions when making this computation. Use Schedule SE (Form 1040), to figure your net earnings and SE tax.



If you have an approved exemption, or you are automatically exempt, don't include the income or deductions from ministerial services in figuring your net earnings from self-employment.

Amounts included in gross income. To figure your net earnings from self-employment (on Schedule SE (Form 1040)), include in gross income:

1. Salaries and fees for your ministerial services (discussed earlier);
2. Offerings you receive for marriages, baptisms, funerals, masses, etc.;
3. The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience;
4. The fair rental value of a parsonage provided to you (including the cost of utilities that are furnished) and the rental allowance (including an amount for payment of utilities) paid to you; and
5. Any amount a church pays toward your income tax or SE tax, other than withholding the amount from your salary. This amount is also subject to income tax.

For the income tax treatment of items (2) and (4), see *Income Tax: Income and Expenses*, later.

Example. Pastor Leslie Adams receives an annual salary of \$39,000 as a full-time minister. The \$39,000 includes \$5,000 that is designated as a rental allowance to pay utilities. Their church owns a parsonage that has a fair rental value of \$12,000 per year. The church gives Pastor Adams the use of the parsonage. Pastor Adams isn't exempt from SE tax and must include \$51,000 (\$39,000 plus \$12,000) when figuring their net earnings for SE tax purposes.

The results would be the same if, instead of the use of the parsonage and receipt of the rental allowance for utilities, Pastor Adams had received an annual salary of \$51,000 of which \$17,000 (\$5,000 plus \$12,000) per year was designated as a rental allowance.

Overseas duty. Your net earnings from self-employment are determined without any foreign earned income exclusion or the foreign housing exclusion or deduction if you are a U.S. citizen or resident alien serving abroad and living in a foreign country.

For information on excluding foreign earned income or the foreign housing amount, see Pub. 54.

Example. You were the minister of a U.S. church in Mexico. You earned \$35,000 in that position and were able to exclude it all for income tax purposes under the foreign earned income exclusion. The United States doesn't have a social security agreement with Mexico, so you are subject to U.S. SE tax and must include \$35,000 when figuring net earnings from self-employment.

Specified U.S. territories. The exclusion from gross income for amounts derived from American Samoa or Puerto Rico doesn't apply in figuring net earnings from self-

employment. Also see *Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands (CNMI), and American Samoa*, earlier, under *U.S. Citizens and Resident and Nonresident Aliens*.

Amounts not included in gross income.

Don't include the following amounts in gross income when figuring your net earnings from self-employment.

- Offerings that others made to the church.
- Contributions by your church to a tax-sheltered annuity plan set up for you, including any salary reduction contributions (elective deferrals) that aren't included in your gross income.
- Pension payments or retirement allowances you receive for your past ministerial services.

- The rental value of a parsonage or a parsonage allowance provided to you after you retire.

Allowable deductions. When figuring your net earnings from self-employment, deduct all your expenses related to your ministerial services performed as a self-employed person. These are ministerial expenses you incurred while working other than as a common-law employee of the church. They include expenses incurred in performing marriages and baptisms, and in delivering speeches. Deduct these expenses on Schedule C (Form 1040), and carry the net amount to line 2 of Schedule SE (Form 1040).

Wages earned as a common-law employee (explained earlier) of a church are generally subject to self-employment tax unless an exemption is requested, as discussed earlier under *Exemption From Self-Employment (SE) Tax*. Subtract any allowable expenses from those wages, include the net amount on line 2

of Schedule SE (Form 1040), and attach an explanation. Don't complete Schedule C (Form 1040).

Employee reimbursement arrangements.

If you received an advance, allowance, or reimbursement for your employee expenses, how you report this amount and your employee expenses depends on whether your employer reimbursed you under an accountable plan or a nonaccountable plan. Ask your employer if you aren't sure if it reimburses you using an accountable or a nonaccountable plan.

Accountable plans. To be an accountable plan, your employer's reimbursement arrangement must include all three of the following rules.

- Your expenses must have a business connection—that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.

- You must adequately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.

The reimbursement isn't reported on your Form W-2. Generally, if your expenses equal your reimbursement, you have no deduction. If your expenses are more than your reimbursement, you can deduct your excess expenses for SE tax and income tax purposes.

Nonaccountable plan. A nonaccountable plan is a reimbursement arrangement that doesn't meet one or more of the three rules listed under *Accountable plans* above. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan.

- Excess reimbursements you fail to return to your employer.
- Reimbursement of nondeductible expenses related to your employer's business.

Your employer will combine any reimbursement paid to you under a nonaccountable plan with your wages, salary, or other compensation and report the combined total in box 1 of your Form W-2. Because reimbursements under a nonaccountable plan are included in your gross income, you can deduct your related expenses (for SE tax and income tax purposes) regardless of whether they are more than, less than, or equal to your reimbursement.

For more information on accountable and nonaccountable plans, see Pub. 463, Travel, Gift, and Car Expenses.

Married Couple Missionary Team

If both spouses are duly ordained, commissioned, or licensed ministers of a church and have an agreement that each will perform specific services for which they are paid jointly or separately, they must divide the self-employment income according to the agreement.

If the agreement is with one spouse only and the other spouse isn't paid for any specific duties, amounts received for their services are included only in the self-employment income of the spouse having the agreement.

Earnings Subject to SE Tax

For 2023, the maximum net earnings from self-employment subject to social security (old age, survivors, and disability insurance) tax is \$160,200 minus any wages and tips you earned that were subject to social security tax. The tax rate for the social security part is 12.4%. In addition, all of your

net earnings are subject to the Medicare (hospital insurance) part of the SE tax. This tax rate is 2.9%. The combined self-employment tax rate is 15.3% (12.4% social security tax + 2.9% Medicare tax).

Additional Medicare Tax. A 0.9% Additional Medicare Tax applies to Medicare wages, RRTA compensation, and self-employment income that are more than:

- \$125,000 if married filing separately,
- \$250,000 if married filing jointly, or
- \$200,000 for any other filing status.

Medicare wages and self-employment income are combined to determine if income exceeds the threshold. A self-employment loss isn't considered for purposes of this tax. RRTA compensation is separately compared to the threshold. For more information, see Form 8959, Additional Medicare Tax, and its separate instructions.

Nonfarm Optional Method

You may be able to use the nonfarm optional method for figuring your net earnings from self-employment. In general, the nonfarm optional method is intended to permit continued coverage for social security and Medicare purposes when your income for the tax year is low.

You may use the nonfarm optional method if you meet all of the following tests.

1. You are self-employed on a regular basis. You meet this test if your actual net earnings from self-employment were \$400 or more in at least 2 of the 3 tax years before the one for which you use this method. The net earnings can be from either farm or nonfarm earnings or both.
2. You have used this method less than 5 prior years. (There is a 5-year lifetime

limit.) The years don't have to be consecutive.

3. Your net nonfarm profits were:
 - a. Less than \$7,103; and
 - b. Less than 72.189% of your gross nonfarm income.

If you meet all three tests, use Table 3 to figure your net earnings from self-employment under the nonfarm optional method.

Table 3. **Figuring Nonfarm Net Earnings**

IF your gross nonfarm income is	THEN your net earnings are equal to ...
\$9,840 or less	two-thirds of your gross nonfarm income.
more than \$9,840	\$6,560.

Actual net earnings. Multiply your total earnings subject to SE tax by 92.35% (0.9235) to get actual net earnings. Actual net earnings are equivalent to net earnings under the “Regular Method.”

More information. For more information on the nonfarm optional method, see Pub. 334, Tax Guide for Small Business, and the Instructions for Schedule SE (Form 1040).

Income Tax:

Income and Expenses

Some income and expense items are treated the same for both income tax and SE tax purposes and some are treated differently.

Note. For purposes of this section, references to members of the clergy are only to ministers or members of a religious order.

Income Items

The tax treatment of offerings and fees, outside earnings, rental allowances, rental

value of a parsonage, earnings of members of religious orders, and foreign earned income is discussed here.

Offerings and Fees

If you are a member of the clergy, you must include in your income offerings and fees you receive for marriages, baptisms, funerals, masses, etc., in addition to your salary. If the offering is made to the religious institution, it isn't taxable to you.

Outside Earnings

If you are a member of a religious organization and you give your outside earnings to the organization, you still must include the earnings in your income. However, you may be entitled to a charitable contribution deduction for the amount paid to the organization. For more information, see Pub. 526.

Exclusion of Rental Allowance and Fair Rental Value of a Parsonage

Ordained, commissioned, or licensed ministers of the gospel may be able to exclude from income tax the rental allowance or fair rental value of a parsonage that is provided to them as pay for their services. Services include:

- Ministerial services, discussed earlier;
- Administrative duties and teaching at theological seminaries; and
- The ordinary duties of a minister performed as an employee of the United States (other than as a chaplain in the Armed Forces), a state, territory, political subdivision, or the District of Columbia.

This exclusion applies only for income tax purposes. It doesn't apply for SE tax purposes, as discussed earlier under Amounts included in gross income under *Self-Employment Tax: Figuring Net Earnings*.

Designation requirement. The church or organization that employs you must officially designate the payment as a housing allowance before it makes the payment. It must designate a definite amount. It can't determine the amount of the housing allowance at a later date. If the church or organization doesn't officially designate a definite amount as a housing allowance, you must include your total salary in your income.

If you are employed and paid by a local congregation, a resolution by a national church agency of your denomination doesn't effectively designate a housing allowance for you. The local congregation must officially designate the part of your salary that is a housing allowance. However, a resolution of a national church agency can designate your housing allowance if you are directly employed by the national agency.

An official designation of an amount as a housing or rental allowance may be shown in an employment contract, in the minutes of a church or qualified organization, in a budget, or in any official action taken in advance of payment of the allowance. A designation is sufficient if it permits a payment to be identified as a payment of a rental or housing allowance as distinguished from salary or other remuneration.

Informal discussions don't amount to an official designation. However, the facts and circumstances of a designation may demonstrate that the designation was official.



A church or employing organization may report the rental allowance or fair rental value of the parsonage (and utilities) in box 14 of Form W-2.

Rental allowances. If you receive in your salary an amount officially designated as a rental allowance (including an amount to pay

utility costs), you can exclude the allowance from your gross income if:

- You use the amount to provide or rent a home, and
- The amount isn't more than reasonable pay for your services.

The amount you exclude can't be more than the fair rental value of the home, including furnishings, plus the cost of utilities.

Fair rental value of parsonage. You can exclude from gross income the fair rental value of a house or parsonage, including utilities, furnished to you as part of your earnings. However, the exclusion can't be more than the reasonable pay for your services. If you pay for the utilities, you can exclude any allowance designated for utility costs, up to your actual cost.

Example. Rev. Layne Baker is a full-time minister. The church allows Rev. Baker to use a parsonage that has an annual fair rental

value of \$24,000. The church pays them an annual salary of \$67,000, of which \$7,500 is designated for utility costs. Their actual utility costs during the year were \$7,000.

For income tax purposes, Rev. Baker excludes \$31,000 from gross income (\$24,000 fair rental value of the parsonage plus \$7,000 from the allowance for utility costs). Rev. Baker will report \$60,000 (\$59,500 salary plus \$500 of unused utility allowance).

However, their income for SE tax purposes is \$91,000 (\$67,000 salary + \$24,000 fair rental value of the parsonage).

Home ownership. If you own your home and you receive as part of your salary a housing or rental allowance, you may exclude from gross income the smallest of:

- The amount actually used to provide a home;
- The amount officially designated as a rental allowance; or

- The fair rental value of the home, including furnishings, utilities, garage, etc.

Excess rental allowance. You must include in gross income the amount of any rental allowance that is more than the smallest of:

- Your reasonable salary,
- The fair rental value of the home plus utilities, or
- The amount actually used to provide a home.

Include this amount in the total on Form 1040 or 1040-SR, line 1h. On the dotted line next to line 1h, enter “Excess allowance” and the amount.



You may deduct the home mortgage interest and real estate taxes paid on your home even though you pay all or part of those expenses with funds you get through a tax-free rental or parsonage allowance. However, you can only deduct

these expenses as itemized deductions on Schedule A (Form 1040).

Retired ministers. If you are a retired minister, you can exclude from your gross income the rental value of a home (plus utilities) furnished to you by your church as a part of your pay for past services, or the part of your pension that was designated as a rental allowance. However, a minister's surviving spouse can't exclude the rental value unless the rental value is for ministerial services they perform or performed.

Teachers or administrators. If you are a minister employed as a teacher or administrator by a church school, college, or university, you are performing ministerial services for purposes of the housing exclusion. However, if you perform services as a teacher or administrator on the faculty of a nonchurch college, you can't exclude from your income a housing allowance or the value of a home that the college provides to you.