

Social Security

1. NON-Minister church employees are covered under FICA Social Security.
2. Ministers (as defined by the IRS) are self-employed for Social Security
3. Social Security Rates:
 - A. 12.4% Social Security Tax + 2.9% Medicare Tax = 15.3% Total
 - B. FICA -- Employee pays half (7.65%) -- and -- Employer pays half (7.65%)
 - C. SECA -- Self-employed individuals pay full 15.3%
 - Amount subject to SECA is reduced by 7.65% before computing the 15.3%
 - Income subject to Income Tax is reduced by an amount equal to 1/2 the SECA tax

4. SOCIAL SECURITY EQUIVALENT FOR MINISTERS

A church may pay a minister a Social Security Equivalent to offset the higher rate of Social Security paid by the minister. This equivalent must be included in taxable income reported on the W-2 Form. It is subject both to income tax and SECA tax for the minister.

Recommended: An amount equal to 7.65% of compensation (salary + housing). This equals what a church would pay as employer if a minister were not treated as “self-employed” for Social Security.

5. Generally, most SBC ministers do NOT qualify to opt out of Social Security.
*Newly ordained/licensed ministers may have an option to apply for exemption from Social Security on their ministerial income if conscientiously opposed to **receiving** Social Security benefits based on their ministerial compensation. Southern Baptist ministers generally do NOT qualify for this exemption.*
6. SECA tax can be pre-paid through voluntary income tax withholding.
A minister's income is exempt from required withholding [IRC 3401(a)(9)]. However, as an employee for income tax, a minister may request that income tax be withheld from salary under voluntary withholding provisions. This may include added withholding to cover amounts due for self-employment social security. If not prepaid through withholding, a minister will generally make quarterly estimated payments
7. SECA must be paid on a Minister's housing.
Although a minister's housing may be free of income tax, it is subject to Self Employment Social Security. This includes the Fair Rental Value of a parsonage, church paid utilities, and any housing allowance.
8. IRA contributions are subject to social security tax. A minister's contributions to the Church Retirement Plan are not subject to self-employment social security.
IRA contributions may be income tax deductible. They are NOT deductible for Social Security purposes. A minister's Church Retirement Plan contributions are exempted in computing SECA tax.
9. Social Security Issues During Retirement
 - A. Earned income during retirement is still subject to SECA.
 - B. From ages 62 to full retirement age, social security benefits may be reduced if earned income exceeds specified limits. Church Retirement Plan contributions are not included when calculating those social security earnings limits.
 - C. Money received from pensions is not “earned income” for social security. Therefore, Church Retirement Plan Benefits are generally NOT subject to SECA for **retired** ministers.