

January 2017

INFORMATION FOR READERS

Minister Tax Category:

Readers in branch Churches of Christ, Scientist, and Christian Science societies, as well as ordained, commissioned, or licensed ministers in other denominations, are included in a special tax category which is described on page 4 of IRS **Publication 517** (“Social Security and Other Information for Members of the Clergy and Religious Workers”). See also attached copy of a letter to The Mother Church from the Social Security Administration dated September 13, 1955 which states that Readers have the same status of “ministers,” are elected by the members of the branch church they serve, and are ordinarily paid a salary.

Readers’ earnings are treated the same as ministers’ earnings and are subject to self-employment tax for Social Security and Medicare purposes. Nevertheless, the Readers are classified as employees.

For federal **income tax purposes**, Reader income is viewed as earnings from employment and should be reported on a Form W-2. Your church should not withhold federal income tax on those earnings unless specifically asked to do so by the Reader, filing with your church a Form W-4, and should not withhold Social Security taxes (FICA) under any circumstances. When determining a Reader’s income tax obligation on his or her tax return, the Reader will need to list the gross amount earned as shown on his or her Form W-2.

For **Social Security and Medicare purposes**, Reader income is viewed as self-employment income that must be reported on Schedule SE for purposes of calculating the self-employment tax, unless the Reader decides to claim the exemption described below.

Application for Exemption from Self-Employment Tax:

Readers may qualify to claim exemption from self-employment tax on income received as a Reader. The basic requirement for claiming this exemption is that the Reader must be conscientiously opposed, based on religious considerations, to the acceptance of Social Security and Medicare benefits arising from income as Reader.

This does not necessarily mean that the Reader is opposed to Social Security and Medicare as a whole nor is it viewed as inconsistent by the IRS to oppose receiving Social Security and Medicare benefits on Reader income but not to oppose receiving Social Security and Medicare benefits as a result of other employment or receiving a spouse's benefits. Claiming the exemption simply indicates that the applicant has concluded, based on religious considerations, that he or she is conscientiously opposed to accepting Social Security or Medicare benefits which would accrue as a result of compensation received for religious work, which would be the applicant's services as a Reader.

The Mother Church neither encourages nor discourages the claiming of this exemption. It is entirely an individual choice.

Claiming exemption from the self-employment tax does not jeopardize a Reader's right to Social Security or Medicare coverage and benefits which he or she is entitled to receive as a result of paying Social Security and Medicare taxes on earnings from employment other than reading, nor does claiming exemption from the self-employment tax jeopardize benefits the Reader would be entitled to receive as an eligible dependent or survivor of another insured individual based upon the latter's earnings records.

Once this exemption has been claimed it is permanent and cannot be revoked, nor does an application need to be renewed each year. It will apply to Reader earnings throughout one's career as a Reader (including future terms).

A Reader may file a completed IRS Form 4361 "Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioner" at any time prior to the deadline. The deadline for claiming this exemption is the same due date as the Reader's income tax return for the second year in which net self-employment earnings are \$400 or more (any part of which may come from services as a Reader).

A Reader and his or her tax preparer may find it helpful to review IRS **Publication 517** ("Social Security and Other Information for Members of the Clergy and Religious Workers") and the Instructions for IRS Form 4361. If there are questions about completing Form 4361, you are welcome to call the General Counsel's Office at the number given below.

Although a tax savings may result from claiming exemption from self-employment tax on Reader-generated income, it may not be financially advantageous for all Readers. We strongly recommend that you obtain advice from a qualified tax professional before applying for this exemption to help you determine whether to do so is financially

advantageous in view of the totality of your circumstances.

It takes several weeks for the exemption to be processed and granted. Because it is made retroactive to the date the readership began, a Reader can file an amended return to obtain a refund of self-employment tax paid based on Reader income which was earned prior to the granting of the exemption.

There is a similar exemption available for *Journal*-listed Christian Science practitioners. In the context of Christian Science practice and the Church of Christ, Scientist, the services of Readers (under the tax category of “Ministers”) and Christian Science practitioners (which is a separate category) are the only services for which payment may be exempted from self-employment tax.

We have learned from talking with staff at the IRS’ ministerial unit that once you apply for and receive approval of a Form 4361 application for exemption from self-employment taxes as a Christian Science practitioner, it applies to a later role as a Reader, and vice versa. In fact, we know of instances in which the subsequent application for exemption was declined by the IRS as unnecessary. While that is the IRS’ current administrative practice, the administrative interpretation of a rule can be subject to change in the future.

Expense Deductions:

Expenses incurred as a Reader are deductible only on IRS Form 2106 as unreimbursed employee business expenses.

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IRS forms and publications can be accessed online at www.irs.gov.

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