

# REPORT FROM THE CAPITAL

## BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS



The American Baptist Convention  
The Southern Baptist Convention  
The National Baptist Convention of America  
The National Baptist Convention, U.S.A., Inc.  
The North American Baptist General Conference  
The Baptist General Conference of America



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### CONFERENCE ON SOCIAL SECURITY FOR MINISTERS

On the initiative of the Washington office of the National Council of Churches of Christ an all-day conference was held recently with a number of people from Internal Revenue and from Social Security departments. The purpose of the conference was to find the problems that are involved in putting the new Social Security provisions into effect for the clergymen of America. The Director of this office was invited to participate.

The dissemination of information to the ministers must, of course, be handled by the leadership of each of the several Baptist conventions. However, certain points came out in the conference which seem to need special attention.

#### Clarifying the Time Allowed for Election

The program is voluntary, so ministers may elect to go in or to stay out. However, that choice must be made within the first two years during which the person has an annual income of \$400.00 or more from "self-employment", all or part of which comes from the exercise of his ministry as a clergyman.

a. This means that a person may not have enough income to be required to file an income tax return and yet be using up the two year period during which he is free to elect Social Security.

b. It also means that a great many seminary students will have their time for election expire before they graduate from Seminary or begin their full time service in a church. In some areas students begin to preach and work in church related positions before they have even finished their college work and should, therefore, be aware of this provision of the law lest they lose permanently their opportunity to participate in Social Security as a "self-employed" minister.

c. Since the program goes into effect January 1, 1955, those who are now in the ministry, as defined above, will have two years

after that date during which they may elect participation. Once the election is made, it is permanent.

It should also be made clear that all the earnings of a minister from the exercise of his ministry are included in the term "self-employed income" whether they are received as fees, offerings, or as salary from a church or other agency.

#### How to Elect Coverage

The choice to be included in the program as a minister, that is, on a self-employed basis, is made by the simple device of filing a certificate of intention. Forms for this purpose will be available soon from the offices of the District Directors of Internal Revenue. The certificates are to be filed at these same offices.

If a person already holds Social Security membership, that is, he has already been assigned a Social Security number, he should still file his certificate of intention so as to participate on a "self-employed" basis. However, he will use the number which has already been assigned to him. If the original card has been lost, a duplicate is available on the basis of full identification.

#### Clarification of Status for Professors and Administrators

Since the 1951 revision of the Social Security law there has been much confusion and divergence of interpretation regarding the status of ministers who are serving as professors or as denominational administrators. This resulted from the policy which permitted a wide freedom for self-determination as to whether the minister in question was earning his income "in the exercise of his ministry."

The Internal Revenue Service issued a "mimeograph No. 6633" on April 12, 1951 which defined their concept of "exercise of his ministry." However, it was impossible for the Internal Revenue Service to rule on the many and varied individual situations and, therefore, it adopted the policy of asking the denomination's offices to rule whether a particular position was an intrinsic part of the ministry of the church. In this total process it is possible that some persons were given Social Security account numbers who really were not then eligible for them.

In a number of instances it has happened that a person holding a Social Security account has had his claim for benefits rejected on the basis that it was outside the provisions of the law. The claim must be approved by the Social Security Administration, and the holding of an account in the Internal Revenue Service does not establish the claim. Any such confusion should be untangled now so that those who should legitimately be covered by the new

"self-employed" plan gain such coverage. Rulings seem to have made it quite clear that administration of denominational affairs and teaching in denominational seminaries are activities which do constitute "exercise of his ministry" on the part of a minister.

If there is uncertainty about an account, application should be made to the O.A.S.I. District Office for validation of the account. When accounts are discovered which were improperly established, the collected funds are returned to the employer and to the employee.

#### Missionaries Are Eligible

Missionaries in the employ of American employers are eligible for Social Security participation as "self-employed" ministers. This is true even though they reside abroad more than seventeen out of eighteen months and so become eligible for exemption from United States income tax. Mission Boards may obtain forms, have them signed, and file the certificates of intention for the group as a whole. Internal Revenue Code, 402 (a)(8), and Social Security Code, 211 (a)(7), deal with this topic.

#### The Determination of Average Earnings for Benefit Purposes

The "self-employed" category under Social Security is administered on the basis of annual reports covering the twelve-month period. While a person becomes eligible for benefits after six quarters of coverage (one and one-half years), at the close of that second year the divisor used for establishing the average monthly earnings will be 24, and not 18. This means that in order to get maximum benefits the person must have had an income such that it averages \$350.00 per month for each of two calendar years.

#### Sources of Information

Since the taxing or collecting aspects of the law are administered by the Treasury Department through its Internal Revenue Service, their District Offices are the standard source of information on such matters. The benefits or claims aspects are administered by the Department of Health, Education, and Welfare through its O.A.S.I. (Bureau of Old-Age and Survivors Insurance). Since O.A.S.I. maintains 517 District Offices in all parts of the nation, these offices should be found within reach. The staffs of these latter offices are available for briefing. They are equipped to explain rights, issue account numbers, process claims, etc.

Note: While O.A.S.I. issues the account numbers, the certificate of intention to participate as a self-employed minister is to be filed with the Internal Revenue Office.

A 7-page mimeographed leaflet (O.A.S.I.-1954-10) on "Social Security for Clergymen" has been prepared by the Bureau of Old-Age

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and Survivors Insurance and is being made available for distribution in reasonable numbers by the O.A.S.I. District Offices.

The Washington office of the National Council of Churches of Christ (122 Maryland Avenue, N.E.) with the Church Pensions Conference (504 Architects Building, 117 South Seventeenth Street, Philadelphia 3, Pennsylvania) have made a question-and-answer leaflet available which covers the general information. For the handling of special problems, the National Council of Churches has secured the services of a specialist in the field, Mr. Ferdinand H. Pease, whose office is part of the National Council office in New York.

The Baptist Joint Committee on Public Affairs has not viewed the administrative or educational aspects of this program as part of its function, and has not made provision for such service. The several participating Baptist conventions will need to arrange and announce their own established channels for information for their clergy and missionaries.

Since the Social Security program is now planned to provide old-age and survivors insurance for our citizens who are in the ministry, we hope that adequate information can be provided so that all our Baptist ministers can properly weigh the available benefits to themselves and to their families in the event of an early death. If they wish their 1955 earnings to be credited for Social Security, they must file their certificate of intention prior to April 15, 1956.

#### NEW INCOME TAX PROVISION FOR PARSONAGE COSTS

The new Internal Revenue Code (Section 107) makes a freer handling of the parsonage problem possible. It is well known that a home provided by a church for its minister was not counted as income under the old code. This is continued.

The new code, however, permits clergymen who are not provided with a residence or living quarters by their church to deduct the cost of such housing from their income for tax purposes.

Ministers who provide their own housing will be permitted to deduct the actual cost of it, whether it is rented, owned or being purchased. The minister's income which is to cover his cost of housing should be so designated by the church.

When the interpretations are completed, this provision will probably be approved as applying also to ministers who work for denominational institutions. Since the cost of housing is an exemption from gross income, it is also excluded from the O.A.S.I. tax for Social Security purposes.