



**Policy Title: Minister FICA Exemption Policy**

**Policy Number:**

**Date Issued: June 1, 2020**

**Responsible Executive: Director of Payroll Services**

**Date Last Revised: July 7, 2023**

**Responsible Office: Payroll Office**

## **Minister Federal Insurance Contributions Act (FICA) Exemption Policy**

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### **Policy Statement**

This policy covers when ministers employed by Baylor University (“Baylor” or the “University”) are required to be exempted from federal FICA tax withholding.

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### **Reason for the Policy**

Per Internal Revenue Service (IRS) regulations, ordained, commissioned, or licensed ministers engaged in ministerial duties are exempt from Federal Insurance Contributions Act (FICA) tax withholding. They are instead treated as self-employed for social security purposes unless they have made an irrevocable exemption election with the IRS. This policy provides the rules covering when ministers employed by Baylor University are exempt from FICA withholding.

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### **Individuals/Entities Affected by this Policy**

- Ministers performing Ministerial Services, which may include directly conducting religious worship as a substantial part of employment at the University, or teaching religion and/or administrative duties in the Seminary, Department of Religion, or the Office of the Provost or President
- Ministers not conducting religious worship as a substantial part of employment at the University or teaching religion and/or administrative duties in the Seminary, Department of Religion, or the Office of the Provost or President

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### **Related Documents and Forms**

[IRS Publication 517](#)

[26 CFR § 1.1402\(c\)-5 Ministers and members of religious orders](#)

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## Forms and Tools

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### Ordained Minister FICA Withholding Exemption Form (Appendix A)

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## Definitions

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These definitions apply to terms as they are used in this policy.<sup>1</sup>

<b>FICA</b>	The Federal Insurance Contributions Act (FICA) tax is withheld from most employee wages, with employer matching, to fund Social Security and Medicare programs.
<b>Minister</b>	An individuals who is duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination with authority to perform the duties of a Minister and as recognized by Baylor University. Anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained Minister.
<b>Ministerial Services</b>	The services a Minister performs in the exercise of ministry, including performing sacerdotal functions; conducting religious worship; and being involved in the control, conduct, or maintenance of a religious organization (including an integral agency of such organization) that is under the authority of a religious body that is a church or church denomination. A Minister is considered to be involved in the control, conduct, and maintenance of a religious organization if he or she directs, manages, or promotes the organization's activities.
<b>Self-Employment Tax</b>	Self-employment tax is a combination of the social security tax and the Medicare tax. In accordance with the Self-Employment Contributions Act (SECA) it is applied to the earnings from the Ministerial Services of a covered Minister, unless the covered Minister is exempt from the self-employment tax. To be covered under the Self-Employment tax provisions, individuals generally must be citizens or resident aliens of the United States and meet specific IRS requirements.

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## Contacts

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<b>Subject</b>	<b>Contact</b>	<b>Telephone</b>	<b>Office email/web site</b>
<b>Policy Questions</b>	Director of Payroll Services	254-710-8564	<a href="https://payroll.web.baylor.edu/">https://payroll.web.baylor.edu/</a>
	Human Resources	254-710-2000	<a href="https://hr.web.baylor.edu/">https://hr.web.baylor.edu/</a>

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## Responsibilities

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<b>Employee</b>	An employee who is a Minister must provide certificate of ordination, license or commission, job description, and Appendix A to the Payroll Office annually.  Refer to IRS Publication 517 for additional details.
<b>Payroll Office</b>	The Payroll Office will review documentation provided by the employee and determine if the minister is exempt from FICA tax withholding.

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<sup>1</sup> This policy definition of 'minister' and associated language is limited for FICA purposes and based on the IRS guidance. It does not limit, restrict, or bind the definition of 'minister' for other purposes such as, without limitation, the Free Exercise Clause of the First Amendment to the United States Constitution.

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## **Principles**

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Baylor University requires Covered Employees who are Ministers and who are engaged in Ministerial Services to be exempt from FICA tax withholding. This policy provides important guidance to employees who are to be treated as exempt from FICA tax withholding.

Covered Employees:

Employees who are Ministers engaged in Ministerial Services, which includes teaching and who have been exempted from FICA tax withholding by Baylor as of December 31, 2018, shall continue to be exempt from FICA tax withholding as long as their job duties do not change.

Employees who are Ministers and;

1. engaged in Ministerial Services of conducting religious worship as substantial part of employment, or
2. teaching religion and/or
3. engaged in administrative duties in the Seminary, Department of Religion, or the Office of the Provost or President, shall be exempt from FICA tax withholding.

Ministers not directly involved in conducting religious worship as substantial part of employment, or teaching religion and/or administrative duties in the Seminary, Department of Religion, or the Office of the Provost or President, are not exempt from FICA tax withholding.

If a Covered Minister has earnings that aren't from qualified Ministerial Services in addition to FICA exempt earnings, those non-exempt earnings are subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general.

### **Examples of Ministers exempt from FICA tax withholding**

- A Minister is employed by Baylor as a professor and/or in an administrative function in the Department of Religion.
- A Minister is employed by Baylor in a teaching and/or in an administration function at Truett Seminary.
- A Minister is employed by Baylor as an Associate Chaplain.

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## **Procedures**

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### **Employee**

Each employee will submit the Ordained Minister FICA Withholding Exemption form (Appendix A) along with a copy of his or her ordination certificate or license and job description to the Payroll Office. If the employee is licensed or commissioned, he or she

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should have the authority to perform substantially all religious functions of an ordained minister.

### **Payroll Office**

1. The Payroll Office will request proof each year that a Minister is identified as or continues to be a Covered Employee. The Payroll Office will review the documentation to determine if the employee is a Minister engaged in Ministerial Services, in accordance with the Principles delineated above.
2. If the FICA tax withholding exemption is deemed inapplicable, a notification of the action with justification will be provided to the employee.
3. If the exemption from FICA tax withholding is deemed applicable, the Payroll Office will update the employee's payroll record to denote the change, if any. A subsequent annual renewal form will be provided to the Minister each December to be completed and returned to the Payroll Office to be kept on file.
4. If an employee's covered status changes at any point throughout the year, the Payroll Office should be informed for possible FICA exemption change.

**Appendix A. Ordained Minister FICA Exemption Form**

Name:

Baylor ID#:

Position Held at Baylor:

Please check all applicable boxes:

- I certify that I am an ordained, commissioned, or licensed minister of a church denomination recognized by Baylor. In addition, I have provided a job description.
- I certify that I pay self-employment tax (SECA) on my earnings; or
- I certify that I have opted out of payment of SECA self-employment tax by properly complying with IRS requirements.
- I certify that I will notify the Payroll Office immediately if the above circumstances change.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Review:

The Payroll Office has reviewed the Minister's FICA Exemption Certification Form for conformity with the University's *Minister FICA Exemption Policy* and \_\_\_\_ approves \_\_\_\_ denies the requested exemption.

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Payroll Office