



GENERAL BOARD OF PENSION AND HEALTH BENEFITS
OF THE UNITED METHODIST CHURCH

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Social Security Tax: To Opt-out or Not to Opt-out

Like the Shakespearean question prompting wisdom, the question of whether or not to opt out of paying Social Security taxes continues to arise among clergy as they begin their careers. Due to the Connectionalism that exists within the United Methodist Church (UMC), many feel moral obligation to participate in a public program such as Social Security. While it may seem appealing to avoid paying Social Security taxes today to reap tax savings, doing so means you will ultimately be reaching into tomorrow's pocket of retirement benefits—creating a loss down the line that may result in inadequate income and health coverage in your retirement years. For this reason, The UMC strongly urges you to pay Social Security taxes.

The following information provides points to ponder when considering the option.

As an ordained clergyperson of The United Methodist Church, you may qualify for the Social Security Self-Employment Tax Exemption if:

- 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.

Unlike certain other denominations, The United Methodist Church does not oppose Social Security or public insurance. In fact, The United Methodist Church designs its retirement and health plans based on the assumption that you will receive Social Security and Medicare benefits.

You may claim the exemption if you have:

- never received or been entitled to any benefits payable under Title II (Federal Old-Age, Survivors, and Disability Insurance) or Title XVIII (Health Insurance for the Aged and Disabled) of the Social Security Act; and
- filed *IRS Form 4029: Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits* and received tax exempt approval from the IRS. (Beginning after December 31, 1988, both the clergyperson and the employer church-organization must have approved applications for exemptions on file with the IRS.)

IRS Form 4029 is an application for exemption from Social Security taxes and also a waiver of benefits. If your application is approved, you will become exempt from paying Social Security taxes but you also will permanently waive your rights to all the benefits under the Social Security Act, including Medicare benefits and hospital insurance, disability and survivor insurance benefit payments, and you may no longer be entitled to veterans benefits. Although there have been a couple of times in the past when Congress has allowed certain clergy who have waived coverage to re-enroll, there is no law guaranteeing that there will be another such opportunity in the future. Even if you were able to re-enroll

under some possible future opportunity, your period of coverage would be reduced by your waiver period, which would probably reduce your available benefits.

For more information, consult a qualified tax advisor knowledgeable about the unique tax situations for ordained pastors. Also, read the IRS Web site publication, [Social Security and Other Information for Members of the Clergy and Religious Workers](#).