

Topic 417 - Earnings for Clergy

For income tax purposes, a licensed, commissioned, or ordained minister is generally treated as a common law employee of his or her church, denomination, or sect. There are, however, some exceptions such as traveling evangelists who may be treated as independent contractors. If you are a minister performing ministerial services, you are taxed on wages, offerings, and fees you receive for performing marriages, baptisms, and/or funerals.

The employer will report the wages to you on [Form W-2](#) (PDF). If you itemize your deductions, you may be able to deduct certain unreimbursed business expenses related to your services. You may need to fill out [Form 2106](#) (PDF), *Employee Business Expenses*, and attach it to your [Form 1040](#) (PDF). Refer to [Topic 514](#) for information on Employee Business Expenses, and [Topic 508](#) for information on the 2% of adjusted gross income limitation. For the offerings or fees you receive for performing marriages, baptisms, and/or funerals use [Form 1040, Schedule C](#) (PDF), *Profit or Loss from Business*, or [Form 1040, Schedule C-EZ](#) (PDF), *Net Profit from Business*, to report these earnings and expenses. The gross income of a licensed, commissioned or ordained minister does not include the fair rental value of a home (a parsonage provided), or a housing allowance paid, as part of the minister's compensation for services performed that are ordinarily the duties of the minister. If you own your home, you may still claim deductions for mortgage interest and property taxes. If your housing allowance exceeds your actual expenses, you must include the amount of the excess as other income.

A minister who is furnished a parsonage may exclude from income the fair rental value of the parsonage, including utilities. However, the amount excluded cannot be more than the reasonable pay for the minister's services.

A minister who receives a housing allowance may exclude the allowance from gross income to the extent it is used to pay expenses in providing a home. Generally, those expenses include rent, mortgage interest, utilities, repairs, and other expenses directly relating to providing a home.

The minister's employing organization must officially designate the allowance as a housing allowance before paying it to the minister.

The fair rental value of a parsonage or the housing allowance is excludable from income only for income tax purposes. No exclusion applies for self-employment tax purposes. For Social Security purposes, a duly ordained, licensed or commissioned minister is self-employed. This means that your salary on Form W-2, the net profit on Schedule C or C-EZ, and your housing allowance, less your employee business expenses are subject to self-employment tax on [Form 1040, Schedule SE](#) (PDF). However, you can request an exemption from self-employment tax, if you are conscientiously opposed to public insurance for religious reasons. You cannot request exemption solely for economic reasons. To request the exemption, file [Form 4361](#) (PDF), *Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*, with the IRS. You must file it by the due date of your income tax return (including extensions) for the second tax year in which you have net earnings from self-employment of at least \$400.00. This rule applies if any part of your net earnings came from the performance of ministerial services.

For more information, refer to [Publication 517](#), *Social Security and Other Information for Members of the Clergy and Religious Workers*.