

## Definition of a Minister for Federal Tax Purposes

How do you know if an individual qualifies for a housing allowance and to otherwise be treated under the law as a minister for tax purposes?

The Tax Court has ruled that the following five factors must be considered when determining if an individual qualifies to be treated as a minister for tax purposes:

- Is the individual “ordained, commissioned, or licensed”,
- Do they administer the sacraments,
- Do they conduct worship services,
- Do they perform services in the “control, conduct, or maintenance of a religious organization” under the authority of a church or church denomination, and
- Are they considered to be a “spiritual leader” by the related religious body?

The first factor listed above is mandatory and required in all cases (the individual must be ordained, commissioned, or licensed and formally recognized as such by their current employer, meaning the ordination or licensing certificate of a prior employer or denomination is not always sufficient to prove the point). Of the remaining four factors, not all need be present for a person to be considered a minister for tax purposes. Unfortunately, the Tax Court did not say how many of the remaining four factors must be met. It merely observed that “*failure to meet one or more of these factors must be weighed...in each case.*” The court emphasized that the test for ministerial status “*is not an arithmetical test but a balancing test. Failure to meet one or more of these factors must be weighed by the court in each case.*”

A “senior” pastor serving in a local church almost always qualifies as a “minister” for tax purposes. Associate and assistant pastors, and other church staff, could easily find their status in jeopardy however, since some of them do not administer the sacraments or conduct worship services. Even greater scrutiny is necessary to determine the eligibility of staff who are only commissioned or licensed. Ministers serving in a non-church setting generally cannot have their wages treated as “ministerial” without first meeting certain, specific conditions.

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