Becoming a Licensed Minister at The Austin Stone

Document Outline

1. Licensing verses Ordination
2. Who we License
3. Our Licensing Process
4. Decisions to Make Regarding Tax Status

Licensing verses Ordination

Licensing

Licensing is the church’s approval for minister to serve until he has proved himself qualified for ordination by ASCC, or for a minister to serve in preparation for being sent to another church/church plant and considered for their ordination. In licensing, ASCC is confirming a pursuit of preparation and calling to the work of ministry, and confidence in their candidacy to be ordained by ASCC or another church through a process of preparation, examination, and confirmation.

Licensing as a minister is also an administrative designation that gives recognition to the IRS for tax purposes of the individual’s engagement through the church in pastoral leadership. Licensing may or may not be associated with candidacy for ordination to a biblical office of deacon or elder within The Austin Stone.

However, an individual’s reason for seeking licensure must be driven by theological reasons rather than economic ones. It is not necessarily true that a church worker will be “better off” for tax purposes by becoming a minister. In many cases, a person actually will pay more taxes after being ordained, licensed, or commissioned. By becoming a minister, one will have the “benefit” of a housing allowance exclusion in computing his federal income taxes. On the other hand, the Social Security tax rate increases from 7.65% (the employee’s share of FICA
taxes) to 15.3% (the self-employment tax). In other words, whether or not he or she will be "better off" for tax purposes depends on whether the housing allowance exclusion offsets the additional Social Security taxes. As a result, church workers should not assume that they automatically will be "better off" for tax purposes if their church ordains, commissions, or licenses them. In many cases, they will not be.

Ordination
Ordination is, in summary, the public recognition of confirmation in both qualification and calling to the office of deacon or elder in service to the local body of The Austin Stone. Ordination follows a process of preparation, examination, and confirmation.

Who we License

**The Austin Stone will consider a request for licensing if the individual:**

- Is engaged in the work of pastoral ministry in a context related to The Austin Stone
- Has been confirmed in character qualification through the Austin Stone character qualification assessment.
- Understands and agrees with the [theological reasoning](#) and implications for becoming licensed as a minister
- Understands that they are responsible for determining and properly reporting their own tax status to the IRS according to the tests the IRS uses to determine if a taxpayer is a minister for tax purposes (See notes below)
- **Has already been licensed by another like-minded church body.** In this case, ASCC is agreeing with the prior confirmation and confidence that the previous church leadership has had for the individual in proving himself qualified for ordination by ASCC, or for a minister to serve in preparation for being sent to another church/church plant and considered for their ordination.

Resources

- [Baptists General Guidelines for Licensing and Ordination](#)
- Performing Weddings State of Texas
  - [A potential alternative to ASCC licensing](#)
  - Related [Texas Family Code](#) (see section 2.202)
  - Perform the wedding under the supervision of an elder of ASCC. [updated 12.8.2015]

What about licensing residents?

- Right now, no.
- Criteria #1: it's more clear when the resident role is not directly engaged in the work of pastoral ministry
• For those who may be engaged in pastoral ministry as part of their training, look to criteria #2:
• By nature of your participation in the internship being for the purpose of growing your character and skill in pastoral ministry, we cannot already confirm your qualification in these without experience with you.
• Prefer to start in the black and move to grey rather than the other way around

Our Licensing Process

• Request licensing
• Operational Elder Approval (DB, TE, and Robbie Wright)
• We present a signed certificate of license

Decisions to Make Regarding Tax Status

Decision 1
Whether or not to elect 'Minister' status. If so:
• Request housing allowance form from the finance department
• Complete next income tax return as "Minister for tax purposes"

Decision 2
If you say yes to Decision 1, the next question is whether or not to opt-out of Social Security. You can reference this site for more details on that. If you do opt out, then:
• Fill out IRS form 4361
• Send off the form to the IRS

Notes & Resources

• Opting Out of Social Security by Russell Moore

• The Theology of the Welfare State by Gary North

EXCERPT
What test will the IRS use to decide if a taxpayer is a minister for tax purposes?
The IRS may use the "Wingo" test. The U.S. Tax Court approved this test in Wingo v. Commissioner, 89 T.C. 922 (1987). The court said that a person is a minister for tax purposes if all of the following questions can be answered "yes:"
Is there another test the IRS could use?
The IRS could use the "Knight" test; however, it has recently been using the Wingo test. In *Knight v. Commissioner*, 92 T.C. 12 (1989), the U.S. Tax Court held that a licensed minister of the Cumberland Presbyterian Church was a minister for tax purposes. The court used this five-part balancing test: Under the Knight test, the person must be licensed, commissioned, or ordained. If the person is licensed, commissioned, or ordained, then the answers to the other four questions are balanced. One factor is not necessarily more important than another.

1. Is the person licensed, commissioned or ordained?
2. Does the person perform sacerdotal functions?
3. Does the person conduct religious worship?
4. Does the person maintain and control a religious organization?
5. Is the person licensed, commissioned, or ordained?
6. Does the person perform religious worship?
7. Does the person administer the sacraments?
8. Does the person have management responsibilities in the church or denomination?
9. Is the person considered to be a religious leader?

- 5 tax rules, with court precedence for Minister status for income tax purpose

SUMMARY
(1) the person must be ordained, commissioned, or licensed; (2) administration of sacraments; (3) conduct of religious worship; (4) management responsibilities in the local church or a parent denomination; (5) considered to be a religious leader by the church or parent denomination.

In general, the IRS and the courts require that a minister be ordained, commissioned, or licensed, and then they apply a "balancing test" with respect to the other four factors. The more of them that a person satisfies, the more likely that he or she will be deemed to be a minister for tax reporting purposes.

EXCERPT
It is not necessarily true that a church worker will be "better off" for tax purposes by becoming a minister. In many cases, a person actually will pay more taxes after being ordained, licensed, or commissioned. By becoming a minister, one will have the "benefit" of a housing allowance exclusion in computing his federal income taxes. On the other hand, the Social Security tax rate increases from 7.65% (the employee’s share of FICA taxes) to 15.3% (the self-employment tax). In other words, whether or not he or she will be "better off" for tax purposes depends on whether the housing allowance exclusion offsets the additional Social Security taxes. As a result, church workers should not assume that they automatically will be "better off" for tax purposes if their church ordains, commissions, or licenses them. In many cases, they will not
• Guidestone’s, Ministerial Tax Issues

EXCERPT

**Question:** Should a church ordain, commission or license someone so the church can designate a housing allowance for that person?

**Answer:** A church should never ordain, commission or license anyone in an effort to make that person eligible for a minister’s housing allowance. Churches should ordain, license or commission clergy for theological reasons, not tax reasons. Remember that the IRS doesn’t automatically consider someone a Minister for Tax Purposes simply because that person is ordained, commissioned or licensed.