

September 16, 1964

Unordained Denied
Tax-Free Allowance

NASHVILLE (BP)--The Internal Revenue Service has ruled that unordained staff members of churches and agencies in the Southern Baptist Convention cannot qualify for income tax-free housing allowances by becoming "commissioned ministers."

Ordained ministers who are pastors or who fill posts which involve "the control, conduct and maintenance of religious organizations" are permitted to receive part of their salaries as rental or housing allowances. This allowance does not have to be reported each year as income in filing individual returns.

In Southern Baptist churches and agencies, the allowance ranges generally from \$1500 to \$2000 of the annual salary of each individual.

The Internal Revenue Service reached its decision after a three-year study. The question was carried to the government agency after the 1961 session of the SBC adopted a resolution. This resolution recognized as "commissioned ministers" unordained people serving as full-time ministers of education and ministers of music, and in other professional capacities in churches and Baptist agencies.

However, ordained ministers serving as secretaries, clerks and caretakers cannot qualify for the tax free housing allowance.

Most affected by the ruling are unordained staff members of the 33,500 churches affiliated with the SEC, according to Porter Routh, Nashville, executive secretary of the Convention's Executive Committee. The ruling was addressed to Routh, since the Executive Committee dealt with Internal Revenue Service concerning the 1961 SBC resolution.

Routh said he believes the ruling can be appealed. However, the decision on appealing it will have to be made by the Executive Committee as a whole, he continued.

"This decision nullifies what the 1961 resolution sought to accomplish," Routh said. "It is in line with previous IRS rulings." However, a tax ruling for another denomination, which seemed to change the direction of tax decisions, was what prompted the 1961 SBC resolution.

This ruling, for the other denomination, gave tax-exempt status to housing allowances for certain unordained employees declared by that denomination to be commissioned ministers. "I do not know how the ruling in our case will affect anyone in the other denomination," Routh said.

Prior to 1961, the SBC secured tax free, commissioned minister status for unordained foreign missionaries. Routh said he did not feel the 1964 Internal Revenue Service action destroys the exempt status for the missionaries.

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(full text of ruling follows)

Following is the text of the letter informing Porter Routh of the Internal Revenue Service's action on housing allowances for commissioned minister.

Washington, D. C.
Sept. 9, 1964

Dear Doctor Routh:

We are extremely sorry for the delay in replying to your request for a ruling that individuals commissioned as ministers of the gospel pursuant to a resolution adopted by the Southern Baptist Convention qualify as ministers of the gospel for purposes of Sections 107 and 1402 of the Internal Revenue Code of 1954.

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The questions presented by you have undergone extensive study in this office and since our ruling will have an effect on the status of many religious workers the delay was unavoidable.

On May 24, 1961, the Southern Baptist Convention approved a resolution which read as follows:

"Therefore, be it resolved: That we declare the fact, in order to clarify the status of those serving as ministers of education, ministers of music, and those serving in the administration and maintenance of religious organizations and their integral agencies who have been ordained, commissioned, or licensed by a church as such, or who have been commissioned by a denominational Convention or its integral agencies to serve in an administrative capacity or as missionaries for and in that Convention and who are deemed to be serving in the capacities as stated above, that they shall be recognized as commissioned ministers of the gospel."

Section 107 of the 1954 Code provides that, in the case of a minister of the gospel, gross income does not include the rental value of a home furnished to him as part of his compensation or the rental allowance paid to him as part of his compensation.

The term minister of the gospel as used in section 107 of the 1954 Code means an individual who is duly ordained, commissioned, or licensed to the pastoral ministry by action of a religious body constituting a church or church denomination and invested with the authority to conduct religious worship, to perform sacerdotal functions and to administer ordinances or sacraments in accordance with the prescribed tenets and practices of such church or church denomination.

In cases where a church or church denomination ordains some ministers of the gospel and licenses or commissions other ministers, in every respect the licensing or commissioning of an individual as a minister of the gospel must establish a status that is the equivalent of ordination and is so recognized by the church. That is, the individual, upon being licensed or commissioned must be invested with the status and authority of an ordained minister, fully qualified to exercise all of the ecclesiastical duties of his denomination.

The 1961 resolution, which is quoted above, does not confer any ecclesiastical duties upon commissioned ministers nor does it provide that the authority of commissioned ministers is substantially equivalent to the authority of ordained ministers.

Accordingly, the evidence that you have presented does not establish that the act of commissioning the individuals bestows a status that is the equivalent of ordination and therefore, religious workers commissioned pursuant to the resolution would not qualify as ministers of the gospel for purposes of Section 107.

Likewise, the individuals in question may not be regarded as "duly ordained commissioned, or licensed ministers of a church," for purposes of Section 3121 (B) (8) (A) of the Federal Insurance Contributions Act, Section 1402(E) of the Self-Employment Contributions Act, as amended, or Section 3401 (A) (9) of the 1954 Code relating to the collection of income tax at source on wages.

Very truly yours,

John Littleton
Director, tax rulings division

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Southern Foundation
Gets New Executive

(9-16-64)

LOUISVILLE (BP)--Paul G. Kirkland, former pastor, denominational worker and fund-raising officer, has been named executive director of the Southern Seminary Foundation here.

The foundation is an incorporated subsidiary of Southern Baptist Theological Seminary.

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Kirkland will counsel with people who wish to make gifts to the seminary or to the foundation, or who wish to make them beneficiari s in their wills. He will also supervise investment of endowment funds for the seminary.

A former pastor at Rantoul, Ill., and Clarksville, Tenn., he came to the semi-nary staff from vice-presidency of a professional fund-raising corporation. He once served as a member of the Southern Baptist Convention Sunday School Board.

The Sunday School Board also employed him at one time in its church archi-tecture department.

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Baltimore To Birmingham

(9-16-64)

BIRMINGHAM (BP)--Padgett Cope, pastor of Middle River Baptist Church, Baltimore, Maryland's largest Baptist church, has resigned to accept the call of Wylam Baptist Church here. Cope is vice-president of the Pastors' Conference of the Southern Baptist Convention. Cope was formerly pastoral missionary for the greater Phila-delphia area, working under the auspices of the SBC Home Mission Board.

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NEWS SERVICE OF THE SOUTHERN BAPTIST CONVENTION
WATCH FOR THE (BP) CREDIT LINE

Cutlines

September 16, 1964

Baptist Press Photo

DIRECTS FOUNDATION--Paul G. Kirkland has been named executive director of the Southern Seminary Foundation, subsidiary of Southern Baptist Theological Seminary, Louisville. Kirkland will counsel with people who wish to make gifts to the seminary, and will supervise investment of endowment funds. (BP) Photo

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