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June 1, 1994

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**SBC Cooperative Program gifts
for May: 16 percent above 1993**

**Baptist Press
6/1/94**

NASHVILLE (BP)--Southern Baptist Convention Cooperative Program receipts for May were up 16.36 percent above the previous year which helped push total CP receipts for the year at more than 3 percent above 1993, according to Morris H. Chapman, president and chief executive officer of the SBC Executive Committee. Gifts for May 1994 totaled \$12,956,497 compared to May 1993 of \$11,135,016, an increase of \$1,821,481 or 16.36 percent. For the eight months of fiscal year 1993-94, total gifts reached \$95,713,259, an increase of \$2,803,349 -- 3.02 percent -- over 1992-93.

For the SBC program allocation budget, gifts have surpassed the budget for the eight-month period by 3.86 percent. The monthly budget requirement for the SBC budget is \$11,519,561. The May 1994 gifts surpassed the monthly budget requirement by 12.47 percent.

Designated gifts for May 1994 totaled \$17,056,876 compared to May 1993 of \$15,498,080, or a 10.06 percent increase. For the year to date, designated gifts are at \$107,438,230 compared to the previous year of \$105,232,750 or a 2.1 percent increase.

The Cooperative Program is Southern Baptists' method of supporting missions and ministry efforts of state and regional conventions and the Southern Baptist Convention. Designated contributions include the Lottie Moon Christmas Offering for foreign missions, the Annie Armstrong Easter Offering for home missions, world hunger and other special gifts.

State and regional conventions retain a percentage of Cooperative Program contributions they receive from the churches to support work in their areas and send the remaining funds to the Executive Committee for national and international Southern Baptist ministries. The percentage of distribution is at the discretion of each state or regional convention.

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**Wolfe considering three or four;
Henry to be nominated by Graham**

**Baptist Press
6/1/94**

NASHVILLE (BP)--A Texas pastor will nominate Florida pastor Jim Henry for president of the Southern Baptist Convention while announced nominee Alabama pastor Fred Wolfe said he is considering "three or four."

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The two conservative pastors are the only two announced candidates to succeed Houston pastor H. Edwin Young as president of the nation's largest evangelical denomination.

Jack Graham, pastor of Dallas' Prestonwood Baptist Church, has announced he will nominate Henry at the SBC annual meeting in Orlando, Fla., June 14. Graham had been billed as the likely choice to nominate Henry, pastor of Orlando's First Baptist Church, who announced March 27 he would be a candidate.

Wolfe, pastor of Cottage Hill Baptist Church in Mobile, Ala., told Baptist Press he was considering "three or four" people to make his nomination speech.

"I am still praying and considering three or four," Wolfe said. In fact, Wolfe said he may not decide until the Sunday (June 12) before the convention begins. Wolfe generally has been regarded as the candidate favored by most of the former SBC presidents.

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EDITORS' NOTE: This is the first article in "The Spirit of Southern Baptists, 1845-1995" series. The Historical Commission, SBC, will release one article each month from June 1994 to May 1995. The commission will supply a logo for the series to state Baptist newspaper editors. A longer version of this article is available in the Newsroom of the Library of SBCNet under FORMED.SBC.

The SBC -- Why was
it really formed?

By Bob Terry

Baptist Press
6/1/94

NASHVILLE (BP)--The year 1844 was supposed to be a banner year for Baptists in the United States. It was the 30th anniversary of the General Missionary Convention of the Baptist Denomination in the United States for Foreign Missions or, more commonly called, the Triennial Convention. The year marked the 20th anniversary of the Baptist General Tract Society, and the American Baptist Home Mission Society celebrated its 12th anniversary.

But 1844 was anything but a year of celebration for Baptists. Even though leaders from both the North and South tried to steer the Baptist denomination away from the rocks of destruction, gale-like forces inexorably drove Baptists toward separation.

Slavery was the wind howling most fiercely in denominational sails, but it was not the only force driving the Baptist ship. Dissension over home mission efforts kept the waters turbulent. And all the while, Baptists argued about how to steer the denominational ship to best accomplish the tasks of missions, education and other benevolent activities.

All looked promising when Baptists formed their first national body in 1814. Baptists north and south, east and west united in the cause of missions. The catalyst was support for foreign missionaries Adoniram Judson and his wife Ann Hasseltine, missionaries to Burma. Thirty-three delegates, as they were then called, met at First Baptist Church of Philadelphia on May 18 and formed the Triennial Convention, so named because it met every three years.

Led by Richard Furman and W.B. Johnson of South Carolina and Francis Wayland of Massachusetts, the group adopted a convention structure which allowed for multiple activities, all responsible to the Triennial Convention. The new national body had authority to do more than foreign missions but that was its only organized task when it adjourned May 24.

The American Baptist Home Mission Society was formed in 1832 and headquartered in New York City. The constitution provided auxiliary memberships for state home mission societies as well as mission societies of associations and churches. It was an attempt to unite Baptists of the United States in home missions just as the Triennial Convention had done in foreign missions. Within 10 years, the Home Mission Society had missionaries serving throughout the United States. But more work was done in the North than in the South.

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Southern Baptists complained they were being ignored; that they were financing work in the North and not getting as much mission effort as they were paying for. One study indicates that was not the case. In 1841, receipts from states generally acknowledged as southern and southwestern states totaled \$29,093. Appropriation for mission work in those same states was \$30,842. States generally considered northern states contributed \$93,217 during that year and received appropriations of \$68,525.

Still Southerners complained of being ignored by the Home Mission Society. Calls increased for starting mission organizations exclusively for the South -- mission organizations led by people geographically closer to the mission fields than New York City and people who understood the southern way of life. Combined with the feeling of being left out of the decision making by the Triennial Convention, relationships between North and South were strained. But nothing strained the relationship like slavery.

No matter how hard leaders tried, they could not keep the winds of slavery from driving the denominational ship toward the rocks of separation. Not a single member from the South attended the meetings of foreign mission society agents in 1842 or 1843. Offerings dropped and the foreign mission society debt increased to \$20,000. Circulation of Missionary Magazine dropped from 15,000 to 5,000. Missionaries wrote pleading "not for relief but for life." Baptists north and south even sang from different hymnals and practiced different worship styles.

Slavery blew its hardest gale on the Baptist unity in 1844. Alabama Baptists decided to challenge the Triennial Convention regarding the appointment of slaveholders as foreign missionaries. On Nov. 25, Basil Manley Sr. led the state convention to adopt a resolution asking the acting board in Boston to avow "slaveholders equally eligible to all privileges enjoyed by non-slaveholders, especially with reference to the appointment of agents and missionaries."

The reply of the acting board was approved Dec. 17 but not released until after the first of the year. The board wrote that should a slaveholder present himself for appointment "and should (the candidate) insist upon retaining them as his property, we could not appoint him. One thing is certain: we can never be a party to any arrangement which would imply approbation of slavery."

With that decision, the General Missionary Convention of the Baptist Denomination in the United States for Foreign Missions was headed for breakup. Baptists of the South had been excluded from the acting boards of the foreign and home mission societies. They had received only what home mission efforts they paid for while other areas received more than they contributed. Now Southerners were told they were unworthy to be appointed missionaries. Baptists of the South could stand no more. They would separate.

On May 8, 1845, representatives from Maryland, Virginia, North Carolina, South Carolina, Georgia, Alabama, Louisiana, Kentucky and the District of Columbia met to form a new body of Baptists. Letters of support were received from Baptists in Mississippi, Tennessee, Arkansas and Florida.

But what kind of body would it be? The Home Mission Society had not refused to support slaveholders as missionaries. In fact, they had appointed a slaveholder only three months earlier in the person of Tryon. The foreign mission society was the only one which had refused to appoint slaveholders.

W.B. Johnson was appointed to chair the committee to draft a constitution for the new body. Some say Johnson already had a draft of a proposed constitution in his coat pocket. It was a constitution based on the convention plan of organization, the same kind of organization he had championed 30 years earlier at the Triennial Convention. The new body elected Johnson as its first president.

With the adoption of the new constitution the question was settled. Southern Baptists would follow the convention model. The break with the foreign mission society and the home mission society was complete. A new denomination of Baptists in the United States was now a reality.

Thus began the Southern Baptist Convention, destined to become the largest Baptist body in the world.

To receive free guidelines and to purchase resources to help celebrate the SBC's 150th anniversary, write the Historical Commission, SBC, at 901 Commerce Street, Suite 400, Nashville, TN 37203-3630, or call toll-free 1-800-966-BAPT.

IRS crackdown on self-employment
can snare ministers and churches By Keith Hinson

Baptist Press
6/1/94

WASHINGTON (BP)--Ministers and churches are being targeted by the Internal Revenue Service as part of its recent crackdown on the nation's self-employed, according to magazine articles and tax guides published in the past several months.

Forbes magazine reports ministers are one of 31 "industries" targeted for scrutiny by the IRS's "Market Segment Specialization Program." (Other targets include lawyers, mortuary and cemetery owners, truckers, pizzeria owners and people in the music industry.)

"The IRS is publishing a series of manuals, one for each of the 31 industries targeted so far," said the article in Forbes' edition of Nov. 8, 1993.

The manuals are designed to train IRS tax examiners "on how small-business people in different industries minimize their tax bills," the article said.

Interestingly, the audit manuals will be available to the public -- perhaps to help educate taxpayers in various professions about IRS expectations and to discourage "favorite tax-whittling techniques," the article said.

Although a few of the 31 manuals already have been published, no release date has been set for the audit manual for ministers, according to an IRS employee answering the phone at its Freedom of Information Reading Room in Washington. She suggested calling back monthly to check on the manual's release at (202) 622-5164.

When released, the manual must be requested in writing from: IRS FOI Reading Room, P.O. Box 795, Ben Franklin Station, Washington, DC 20044.

Another potential tax pitfall for ministers is whether they are classified as church employees or as self-employed for income tax purposes.

"The IRS is carrying out a sweeping campaign to slash the number of taxpayers permitted to be self-employed for income tax purposes," according to the 1994 edition of The Zondervan Minister's Tax & Financial Guide. "The IRS's attack has caught dozens of ministers in its web."

In fact, Insight magazine recently quoted an official of the United Methodist Church who "estimated that more than 1,000 of the church's clergymen have faced audits by the IRS concerning their employment status."

What difference does it make whether a minister is classified as an employee or self-employed? For one thing, it makes a difference as to where a minister deducts professional expenses on his or her annual tax return. (These would be such expenses as ministry-related books, seminars and mileage for which the church has not reimbursed the minister.)

Any taxpayer (including ministers) who is classified as an employee should deduct unreimbursed professional expenses as an itemized deduction on Schedule A, where the total of expenses is reduced by 2 percent of adjusted gross income.

Yet many ministers make the mistake of considering themselves as self-employed and deducting professional expenses on Schedule C where their deduction is not reduced but gains a dollar-for-dollar savings off taxable income.

In the case of an IRS audit, the minister almost always ends up being reclassified as an employee and may face "a staggering tax bill," according to the Zondervan tax guide.

The prospect of such a large tax bill is greatest for ministers who do not have enough itemized deductions to use Schedule A, according to Richard Hammar, an attorney and CPA in Springfield, Mo., and author of the Southern Baptist Annuity Board's 1994 tax guide. For those who can itemize, the difference is often minimal, said Hammar, who also is author of the annual Church and Clergy Tax Guide.

A magazine article in the Jan. 24 edition of Insight warns the "IRS is now converting almost 2,000 independent contractors (self-employed people) into employees each week."

"Generally you are an employee if your employer has the legal right to control both what you do and how you do it," says the Zondervan tax guide, "even if you have considerable discretion and freedom of action."

Hammar has a warning for ministers who are reimbursed on the "honor system" by a church that does not require the minister to provide receipts, purpose of the expenses, and other documentation. Such "honor system" reimbursements should be reported as part of the minister's wages on Form W-2.

The minister may then deduct professional expenses for which he or she has receipts on Schedule A, where the expenses are reduced by 2 percent of adjusted gross income.

A classic example would be a monthly auto allowance or car allowance, Hammar said.

Hammar pointed out reimbursements need not be reported on Form W-2 and Schedule A if the church adopts the following policies:

1) A minister will be reimbursed for only those expenses that are substantiated within 60 days. The minister must provide the church with the amount, date, place and business purpose of the expenses.

2) A minister must return excess funds within 120 days to the church. For example, if a church advances a minister \$200 for a trip to a professional seminar and the minister spends only \$160 on trip-related expenses, then he or she would be required to return \$40 to the church.

Hammar urges all churches to adopt these two policies for the following reasons: a) ministers report their business expenses to the church rather than the IRS, b) ministers avoid Schedule A's limitations on the deductibility of employee business expenses and c) ministers avoid the new rule requiring any deduction for business meals and entertainment expenses to be reduced by 50 percent on Schedule A.

Another advantage of such a plan is the so-called "Deason Rule" is avoided. Under this rule, ministers are required to further reduce their professional expense deduction on Schedule A by the percentage of their total compensation that consists of: a) housing allowance and b) "fair rental value" of a church-provided home.

For example: A minister receives a \$15,000 salary, a \$5,000 housing allowance and use of a home that would rent for \$5,000 annually. His total compensation is \$25,000. The figure of \$10,000 (the combined value of housing allowance and fair rental value) is divided by total compensation of \$25,000 for a resulting figure of 40 percent. If the minister has \$1,000 in professional expenses, he must reduce them by 40 percent to \$600, which is all that may be deducted on Schedule A.

However, if the church reimburses the minister's expenses under a policy that requires adequate receipts and the return of excess funds, then the reimbursements never show up as income to the minister on Form W-2 or anywhere else.

Other differences between employees and self-employed persons noted by the Zondervan tax manual include:

-- Employees are issued a W-2 form and report their income on Form 1040. Self-employed persons who make over \$600 should receive Form 1099-MISC and report their income on Schedule C.

-- Health and accident insurance premiums provided by an employer are taxable income to a self-employed person. Employees, on the other hand, do not incur tax liability for premiums paid by the employer.

-- Group-term life insurance of \$50,000 or less provided by an employer is taxable income to a self-employed person. Employees, on the other hand, do not incur tax liability for premiums paid by the employer. (Premiums for policies of more than \$50,000 are taxable income both to employees and the self-employed.)

Another special tax pitfall for churches is how they classify non-ministerial staff. Some employers, including churches, classify workers as "independent contractors" (or self-employed) in order to save paperwork and to avoid payment of Social Security tax.

Normally, half the Social Security tax is paid by an employee, half by the employer. But when a worker is classified as self-employed, he or she becomes liable for the entire tax, which is paid directly to the IRS in quarterly tax estimates and/or on the annual tax return.

Now the IRS is getting tough with businesses who misclassify their workers.

"Once an IRS agent announces that a company misclassified its employees (the outcome in nine of 10 audits), the company often faces a staggering tax bill," says the Insight article, "largely because the IRS forces businesses to pay taxes already paid by the independent contractors."

It makes no difference whether an employee is part-time, temporary or works only occasionally. Using a 20-point test, the IRS generally considers a worker to be an employee if the employer has a right to fire a worker and can require the worker to work certain hours, to work on the employer's premises and to perform duties in a certain way.

Whether or not the employer exercises its rights is not relevant to how to properly classify a worker. It only matters that the employer could exercise the rights.

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Ministers, churches: Check
for potential tax problems

By Keith Hinson

Baptist Press
6/1/94

NASHVILLE (BP)--Ministers are one of 31 "industries" targeted for audit by the Internal Revenue Service in its new "Market Segment Specialization Program."

Both ministers and churches should stay aware of wise tax planning and the special rules that apply to ministers.

As a way of checking your own awareness of ministerial tax law, try taking the following "true-false" tax quiz:

1. A church may shelter a small portion of a minister's salary by calling it "car allowance."

2. A church may designate all of a minister's salary as "housing allowance," particularly if the minister is part-time or bivocational.

3. A church should report the amount of housing allowance on Form W-2, along with wages.

4. The entire amount of a housing allowance is subject to Social Security tax.

5. A church may voluntarily pay a minister's Social Security taxes.

6. A minister who lives in a home provided by the church has no tax liability as a result.

7. When a church pays the moving expenses of a new minister, there is no need to report this to the IRS.

8. A minister is not taxed on personal gifts from church members.

9. A minister must pay tax on money given to him in appreciation for services rendered at a funeral or wedding.

10. Most ministers have a dual-status: self-employed for purposes of Social Security tax, employees for purposes of income tax.

Answers:

1. FALSE. The IRS does not recognize a "car allowance." Any portion of a minister's compensation that is called "car allowance" should be reported as part of his wages on Form W-2. (A minister can deduct mileage as a professional expense on Schedule A, if the church does not reimburse him for mileage.)

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2. TRUE. The IRS sets no limits on the amount of salary that may be designated as "housing allowance." However, any part of the housing allowance not spent on housing expenses must be reported as "excess housing allowance" on Form 1040 as "other income." Further, the 1994 edition of The Zondervan Minister's Tax & Financial Guide notes: "It is typically unwise for the employing church to exclude 100% of compensation unless the minister is employed part-time or receiving a very low salary. A 100% exclusion may result in very unusual reporting to the IRS that may draw unnecessary questions and an audit."

3. FALSE. The church should not report the housing allowance to the IRS. It may give the employee a written statement of the amount, but the employee is required to report the amount to the IRS on Schedule SE. (See next paragraph.)

4. TRUE. All of a minister's housing allowance is subject to Social Security tax. The entire housing allowance (with no deductions made for housing expenses) should be reported on Schedule SE. The value of any utilities paid by the church is also subject to Social Security tax and should be reported on Schedule SE.

5. FALSE. A minister must pay his or her own Social Security taxes. Some churches provide a salary supplement to help the minister pay the tax, but the supplement is subject to both income tax and Social Security tax.

6. FALSE. Ministers who live in church-provided housing should report the "fair rental value" of the housing on Schedule SE. For example, if a church-provided home would probably rent for \$400 monthly in the community where it is located, then the minister should report \$4,800 (12 months times \$400) on Schedule SE. It is important to note that the "fair rental value" of a church-provided home is not subject to income tax; it is only subject to Social Security tax and is not reported elsewhere on the tax return or on Form W-2.

7. FALSE. Moving expenses paid or reimbursed by a church are subject to income tax and should be reported on Form W-2. Moving expenses are not subject to Social Security tax and are not reported on Schedule SE.

8. TRUE. Strictly personal gifts from church members are not taxable income to the minister. However, the gifts must be given directly to the minister and not through the church. Furthermore, the gifts must not be related to the rendering of ministerial service, such as following a funeral or wedding. (See next paragraph.) Richard Hammar, a tax attorney and certified public accountant in Springfield, Mo., points out in his annual Church and Clergy Tax Guide that people who make such gifts directly to ministers are not eligible for a charitable contribution deduction.

9. TRUE. Whether funneled through a church or given directly to a minister, honoraria paid after such events as funerals and weddings are subject to both income tax and Social Security tax. Such gifts should be reported by the minister on Schedule C and Schedule SE. The gifts are not tax-deductible by the donors.

10. TRUE. Hammar, also the author of the Southern Baptist Annuity Board's 1994 tax guide, states "while most ministers are employees for federal income tax reporting purposes, all ministers are self-employed for Social Security purposes." According to Hammar, this means ministers are not subject to Social Security tax being withheld from their paychecks, even though they receive a W-2 from the church. Instead ministers pay self-employment tax, which is calculated on Schedule SE on their annual tax returns and should be paid in quarterly estimates to the IRS.

Bivocational ministers who work for so-called secular employers are subject to payroll withholding of Social Security taxes on their earnings in non-church jobs, Hammar noted.

**Pat Pattillo named executive
of new charitable foundation**

BIRMINGHAM, Ala. (BP)--Wesley M. "Pat" Pattillo, vice president for university relations at Samford University and longtime Southern Baptist public relations figure, has been named executive director of a new private charitable foundation.

Pattillo, who has been at the Birmingham, Ala., Baptist university since 1986, will head the National Foundation for Youth, effective June 20. The foundation was created by Florida philanthropists Jack and Ruth Eckerd.

Pattillo, 53, was vice president for development at Southern Baptist Theological Seminary in Louisville, Ky., 14 years prior to going to Samford. He is widely regarded as one of Southern Baptists' premier public relations experts.

The National Foundation for Youth will seek support nationwide for efforts to establish alternative rehabilitation and educational programs for troubled youth, according to officials at the Clearwater, Fla., office. It also will serve as a catalyst for school and community efforts to provide guidance to at-risk children and teenagers.

Jack Eckerd, founder of a 16-state chain of drugstores, is a Christian layman known for his involvement in a variety of activities. He served as director of the General Services Administration under President Gerald Ford and is a board member of Eckerd College in St. Petersburg, Fla.

Pattillo said the Eckerds had started and sustained a well-known alternative program that has served more than 16,000 young people over the past 26 years.

Pattillo is a former national president of the Baptist Public Relations Association and the Religious Public Relations Council. He is accredited by the National Society of Fund-Raising Executives, which tapped him as Alabama's Fund-Raising Professional of the Year in 1980, and by the Public Relations Society of America. The PRSA last year named him to its College of Fellows, a select group of 250 out of 15,000 members nationwide.

He and his wife, Zelma, are the parents of two adult children, Laura and Stephen.

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CORRECTION: In (BP) story titled "Street kids: 'Castaways' of the world's cities," dated 5/31/94, please change the figure in the last line of the 18th paragraph from 35,000 to 32,000.

CORRECTION: In (BP) story titled "Coppenger targets Baptist media as biased in coverage of issues," dated 5/31/94, please change the latter part of the second sentence in the eighth paragraph to read "... ABP is ever ready to embarrass conservatives but stunningly lethargic in pursuing stories which could inconvenience the CBF."

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