The Clergy Act:
What PCA Ministers Need to Know

*Prepared by Geneva Benefits Group

Important Note: Nothing below is legal, tax, or financial advice – ministers with questions about their individual situation should consult a qualified tax professional.

What is the Clergy Act?

Currently, when a minister chooses to opt out of Social Security and Medicare, this is an irrevocable decision. However, the **Clergy Act** (H.R. 227) will allow ministers who previously opted out of Social Security and Medicare a two-year window to 'revoke' that decision and re-enter these programs beginning in 2029.

Who does this affect?

This Act addresses financial hardships faced by clergy who opted out early in their careers and later regretted the decision. It applies to all ministers who filed IRS Form 4361 and were approved to opt out of Social Security and Medicare. The Clergy Act aims to address the financial vulnerability faced by some clergy members who may not have fully understood the implications of their initial decision to opt out, and others who may not have opted out for the right reasons and feel ethically bound to revoke their decision.

How would opting back into Social Security and Medicare benefit me?

This new act provides a significant opportunity for ministers to regain access to Social Security benefits by addressing financial vulnerabilities that have arisen from earlier choices. Opting back in would not restore a minister to the same benefit levels as a minister who paid into the program his entire career, but it will open the door for him to earn the required 40 Quarter Credits for permanent benefits (and free Medicare Part A premiums for him and his spouse for life). Depending on your situation, re-entering the system and resuming self-employment income tax payments should significantly increase your future monthly Social Security income in retirement. And, in about five years after re-entering the system, it may also provide you with access to additional Social Security Disability coverage.

Should I opt back into Social Security?

This is certainly something you should pray about and seriously consider. Opting back in could substantially help address financial vulnerabilities. And, if you believe that you may have opted out for the wrong reasons,*** opting back in might be a good way to resolve those ethical concerns. Both are excellent reasons to opt back in. Since there are no guarantees that this opportunity will be offered again, you should make this opportunity a matter of prayer.

****(On IRS Form 4361* (https://www.irs.gov/pub/irs-pdf/f4361.pdf) *all who opted out 'certified' that the only reason they were opting out was because they were opposed to the acceptance of public insurance payments as a minister – opposed to receiving Social Security or Medicare payments in retirement. And they also 'certified' that they had already spoken to their Presbytery about their views on this matter.)*

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How would this interact with my Geneva Benefits 403(b)(9) retirement plan?

Employer Retirement Plans like the Geneva 403(b)(9) were intended to 'dovetail' with Social Security benefits. If properly funded, your Geneva 403(b)(9) was designed to replace only about 50% of your salary in retirement. That's our target when encouraging you to save 10-12% of your salary annually for 35-40 years. Why only 50%? Because, roughly speaking, Social Security and Medicare were designed to replace the other 40-50%.

So, if you have no Social Security benefits, then you're missing about half your needed retirement income, not to mention necessary medical coverage. Though many who opted out have some benefits from prior work or through their spouse, those partial benefits may not be sufficient to fill the remaining income gap.

Opting back in to the Social Security system could significantly help fill that gap, or at least provide some level of Social Security income for those who currently lack any benefits.

If I opt back in, will I owe back taxes for the years I was exempt?

No, there are no required tax repayments. Ministers revoking their exemption and opting back in would only be required to pay Social Security Self-Employment (SECA) taxes on income earned in the year of revocation and for all other earning years moving forward.

Will opting back in change how much I pay in taxes going forward?

Yes. You can estimate how much additional tax you might owe by multiplying your Salary + Housing Allowance by 14.13%. For example, annual SECA taxes for a call package which includes a $100k Salary + Housing Allowance would be roughly $14,130 dollars. Child tax credits could offset some of those taxes, but SECA taxes are not insignificant. (And yes, housing allowance and the provision of a manse are taxable for Social Security purposes.)

That said, Medicare and Social Security retirement benefits are also significant. Our calculations suggest that the additional benefit you receive by opting back in will very likely outweigh the cost of the additional tax.

What should I do right now?

If you or someone you know filed Form 4361 and is curious how this might affect you, it may be worth a conversation with one of our Financial Planners to get counsel on your specific situation.

Where can I follow updates on the Bill's progress?

Geneva Benefits Group is committed to helping you navigate the opportunities and considerations associated with enrolling in Social Security under this new legislation. Additional updates and resources will be posted on our website at genevabenefits.org/clergyact as more information becomes available.

For a more detailed overview of the legislation, please visit Congress.gov.

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What do I do to reenroll?

At present, the precise mechanisms for re-enrollment have not been determined. When such information is available, we will publicize that information and update this FAQ.

Who can I contact with questions?

If you have questions about retirement planning, Social Security, or how this legislation may impact you, our experienced Financial Planners are here to help. Schedule a free consultation to receive personalized guidance and answers tailored to your unique situation.