Ballinger v. Commissioner, 78 T. C. 752 (1982)

A minister must file a timely application to be exempt from self-employment tax, regardless of changes in religious belief.

Summary

In Ballinger v. Commissioner, Jack M. Ballinger, a minister, sought an exemption from self-employment taxes after a change in his religious beliefs. He was ordained in 1969 and initially paid self-employment taxes. After a re-ordination in 1978 and a shift in his views on public insurance, he applied for an exemption. The court held that his application was untimely under section 1402(e)(2) of the Internal Revenue Code, as it was not filed within the required timeframe after his initial ordination and earnings as a minister. The court also found that the tax provisions were religiously neutral and did not infringe on his First Amendment rights, emphasizing the importance of maintaining a sound tax system.

Facts

Jack M. Ballinger was ordained as a minister in 1969 by the First Missionary Baptist Church of Chambers Park. He served as a minister at this church and later at the Maranatha Church in Oklahoma City starting in 1973. From 1973 to 1975, he earned over $400 annually from his ministerial services and paid self-employment taxes. In 1977, after further study of the Bible, Ballinger's beliefs changed, leading him to oppose public insurance on religious grounds. He was re-ordained by the Maranatha Church in 1978 and subsequently filed for an exemption from self-employment tax. The IRS initially approved his application but later disapproved it upon discovering the timing of his earnings and ordination.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Ballinger's federal income taxes for the years 1974 through 1978. Ballinger filed petitions with the United States Tax Court, contesting the denial of his exemption from self-employment taxes. The cases were consolidated, and the Tax Court upheld the Commissioner's position, ruling that Ballinger's application for exemption was untimely.

Issue(s)

1. Whether Ballinger filed a timely application for exemption from self-employment tax under section 1402(e)(2) of the Internal Revenue Code.
2. Whether the provisions of section 1402(e) of the Internal Revenue Code violate the free exercise of religion clause of the First Amendment.

Holding

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1. No, because Ballinger did not file his application for exemption within the time frame required by section 1402(e)(2), which was by the due date of the return for the second taxable year after 1967 in which he had net earnings from self-employment of $400 or more as a minister.
2. No, because the provisions of section 1402(e) are religiously neutral and do not infringe upon Ballinger's right to freely exercise his religion.

Court's Reasoning

The court applied the statutory requirements of section 1402(e)(2), which mandated that an application for exemption must be filed by the due date of the tax return for the second year after 1967 in which the minister had net earnings from self-employment of $400 or more. Ballinger's application was filed in 1978, well after the required deadline of April 15, 1975. The court rejected Ballinger's argument that his change in religious belief should reset the timeframe for applying for an exemption, stating that such a change does not alter the religious neutrality of the statute. The court also cited United States v. Lee, where the Supreme Court upheld the importance of maintaining a sound tax system over individual religious objections to tax payment. The court concluded that section 1402(e) was fair, reasonable, and constitutional, and did not violate the First Amendment.

Practical Implications

This decision underscores the importance of timely filing for exemptions from self-employment taxes for ministers. It clarifies that changes in religious beliefs post-ordination do not extend the statutory deadline for filing such exemptions. Practitioners advising ministers should ensure that clients are aware of the strict timelines under section 1402(e)(2). The ruling also reaffirms the constitutionality of the self-employment tax system and its exemptions, emphasizing the government's interest in maintaining a sound tax system over individual religious objections. Subsequent cases have followed this precedent, maintaining the strict interpretation of the timeliness requirement for ministerial exemptions.

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