Knight v. Commissioner, 101 T. C. 479 (1993)

A licentiate minister, though not fully ordained, can be considered a 'duly ordained, commissioned, or licensed minister' subject to self-employment tax under section 1402(c)(4) if they perform ministerial duties.

Summary

John G. Knight, a licentiate minister in the Cumberland Presbyterian Church, contested self-employment tax assessments for 1984 and 1985. The court examined whether Knight, who was not ordained and could not perform all ministerial functions, was still a 'duly ordained, commissioned, or licensed minister' under section 1402(c)(4). The court applied a five-factor test from Wingo v. Commissioner and determined that Knight's duties, such as conducting worship and ministering to the congregation, made him liable for self-employment tax despite not being able to administer sacraments or participate in church governance.

Facts

John G. Knight was a licentiate in the Cumberland Presbyterian Church (CPC), a position he attained in May 1981. In February 1984, Shiloh Cumberland Presbyterian Church contracted Knight's services as a 'licentiate minister' for $15,600 per year, plus a parsonage and heat bill payment. During 1984 and 1985, Knight served at Shiloh, where he preached, conducted worship services, visited the sick, performed funerals, and ministered to the needy. However, as a licentiate, Knight could not administer sacraments, moderate or vote in the session, solemnize marriages, or participate in higher church governance. Knight did not file a timely exemption from self-employment tax and reported his income on Schedule C. The Commissioner assessed deficiencies in self-employment tax for these years.

Procedural History

The Commissioner determined deficiencies in Knight's self-employment tax for 1984 and 1985. Knight petitioned the Tax Court, which consolidated the cases for hearing. The Tax Court reviewed the case and rendered a decision in favor of the Commissioner, holding Knight liable for the self-employment tax.

Issue(s)

1. Whether a licentiate minister, who is not fully ordained and cannot perform all ministerial functions, is considered a 'duly ordained, commissioned, or licensed minister' subject to self-employment tax under section 1402(c)(4).

Holding

1. Yes, because the court found that Knight's duties and functions as a licentiate minister, including conducting worship services and ministering to the

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congregation, met the criteria for a ‘duly ordained, commissioned, or licensed minister’ under the five-factor test established in Wingo v. Commissioner.

Court’s Reasoning

The court applied the five-factor test from Wingo v. Commissioner to determine Knight’s status as a minister for self-employment tax purposes. The factors include administering sacraments, conducting worship services, participating in church control and maintenance, being ordained, commissioned, or licensed, and being recognized as a spiritual leader. Although Knight did not meet all five factors (he did not administer sacraments or participate in church governance), the court found that the three factors he did meet (conducting worship services, being licensed, and being recognized as a spiritual leader) were sufficient to classify him as a minister subject to self-employment tax. The court emphasized that the test is a balancing one, not an arithmetical one, and that the absence of ordination or the inability to perform all functions does not preclude ministerial status. The court also noted that the statutory phrase ‘ordained, commissioned, or licensed’ allows for variation in religious terminology and practice, supporting a broader interpretation of ministerial roles.

Practical Implications

This decision clarifies that the scope of ‘duly ordained, commissioned, or licensed minister’ for self-employment tax purposes extends beyond fully ordained ministers to include licentiates and similar roles, provided they perform significant ministerial functions. Attorneys advising religious workers should consider this ruling when assessing self-employment tax liability, particularly for those in non-ordained ministerial positions. The case also underscores the importance of timely filing for exemptions from self-employment tax. Subsequent cases and IRS guidance may further refine the application of the Wingo factors, impacting how religious organizations structure and classify their ministry positions.

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