

Minister's Tithes How Should You Calculate the Tithe?

There seems to be some confusion on what compensation / benefits should be included when calculating a person's tithe. I was reminded of this at the recent Executive Officers Conference earlier in December. The concepts of this discussion apply to ministers and lay people alike.

Principle:

The principle of how to calculate the tithe is found in **Proverbs 3: 9** – “Honor the Lord with your capital and sufficiency [from righteous labors] and with the firstfruits of all your income” (*Amplified Bible*). We see the same principle in **Deuteronomy 14:22** – “Be sure to set aside a tenth of all that your field produce each year” (NIV).

Clearly the Lord intends – and as any good accountant will tell you – calculations to be based on gross income rather than net. So the question really becomes what items should be considered as gross income?

| Category | Discussion |
|---|--|
| Salary | Includable |
| Housing Allowance | Includable |
| Fair Rental Value of a Parsonage provided by the church | Includable – the idea is the same as the reason this is used to calculate Self-Employment taxes, it really is income to the Minister |
| Honorariums (funerals, weddings, etc.) | Includable |
| Contributions to a retirement account | Depends – the income that is contributed to a retirement account, whether directly by the church or as a pre-tax contribution by the Minister is income and is “titheable”. However, many do not pay a tithe on the contribution, but do pay their tithe on the amount they withdraw from the account when they are retired. The correct idea is that either going in or coming out the income should be part of the tithe. |
| Withdrawals from a | Depends – the above discussion pertains to this as well. If |

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| retirement account | the Minister tithed on the contribution in, only the interest / earnings portion of the withdrawal would be included in the tithe calculation. If no tithe was paid on the contribution, the entire withdrawal should be included. |
| Health Insurance premiums paid by the church | Depends – this is probably the most controversial area. Some believe that premiums paid by the church are simply compensation (albeit not taxable) paid in another way. The benefit of the arrangement is that the premiums are typically less in a group plan and the Minister does not pay tax on the premiums paid by the church. Clearly, a minister who pays their own insurance would pay tithe on their income and then pay the premiums. |
| Expenses for the ministry that are <i>not</i> reimbursed by the church | Reduction – Income could be reduced by the amounts defined by the IRS as deductible (not including tithes paid to the District Council) – the rationale is that all self-employed people reduce their income by direct expenses that have resulted in the generation of their income to determine their income from self-employment. |

A sample calculation would look like this:

| | | |
|--|---|----------|
| Salary | + | \$ _____ |
| Housing Allowance | + | \$ _____ |
| Fair Rental Value of a Parsonage provided by the church | + | \$ _____ |
| Honorariums (funerals, weddings, etc.) | + | \$ _____ |
| Contributions to a retirement account (depends) | + | \$ _____ |
| Withdrawals from a retirement account (depends) | + | \$ _____ |
| Health Insurance premiums paid by the church (depends) | + | \$ _____ |
| Expenses for the ministry that are <i>not</i> reimbursed by the church | - | \$ _____ |
| | | _____ |
| Total “titheable” Income | | \$ _____ |

If you have any questions, please do not hesitate to contact me. **Blessings!**