

MEMORANDUM

To: Bishops, District Superintendents, Treasurers, Chancellors, Legal Advisors,
GCFA Members

From: Jack Harnish, Associate General Secretary, GBHEM
Jimmy Carr, Associate General Secretary, GBHEM
Mary Logan, General Counsel, GCFA
David A. Ullrich, Associate General Counsel, GCFA

Date: January 7, 1999

Re: Deacon IRS Private Letter Ruling

We are pleased to inform you that the Internal Revenue Service, in a Private Letter Ruling dated December 10, 1998, has found that three United Methodist deacons who are appointed at a local church are to be considered clergy (Ministers of the Gospel) for federal tax purposes. Attached to this memorandum is that Private Letter Ruling along with a Q & A on the deacon issues. The Q & A is to assist deacons and churches with deacons on staff, in addressing the issues that arise relating to federal tax treatment for deacons. We are not providing individual legal or tax advice; for any and all specific questions, you need to consult with your own individual accountants, attorneys or tax professional.

By way of brief explanation, the request for a Private Letter Ruling is a procedure whereby individual taxpayers petition the Internal Revenue Service regarding questions about tax treatment in specific fact situations. The General Council on Finance and Administration (GCFA) along with the General Board of Higher Education and Ministry (GBHEM) brought this request on behalf of three deacons on the staff at Moody Memorial United Methodist Church in Galveston, Texas. We very much appreciate the participation of all involved at Moody Memorial United Methodist Church. Our purpose in bringing this private letter-ruling request was to provide some direction and a degree of certainty for deacons as to their tax status as clergy or non-clergy.

Private letter rulings from the Internal Revenue Service are just that - private letters that are issued to specific individuals on specific facts. They are not meant to be, and are not, binding precedent on the Internal Revenue Service when dealing with any one other than the individuals named in the Private Letter Ruling. Having said that, private letter rulings are published and made available to everyone. As such, they are used as an indication of the Internal Revenue Service's position regarding similarly situated tax-payers. Therefore, while this Private Letter Ruling is not binding precedent, it does give guidance to other similarly situated deacons in The United Methodist Church on how to file for federal tax purposes.

We encourage you to closely and carefully read the Private Letter Ruling and determine how applicable the facts are to your individual situation. It is very important to note that each of the deacons involved in this Private Letter Ruling were:

1. Ordained in the Order of Deacons
2. Appointed to serve at the local church by their bishop
3. Paid a salary by the local church for performing religious work functions at the local church
4. Are considered by the local church to be integral members of the pastoral team and work with the Elder to plan the worship services, to assist with the sacraments, and to officiate at weddings and funerals. Each is required to preach at Sunday worship service.

The Private Letter Ruling lists as important factors, in addition to conducting worship and assisting in sacraments, that the deacons perform services under the control, conduct and maintenance of the church and are considered to be religious leaders.

Please feel free to disseminate this packet of information, the memorandum, the attached Q & A and the Private Letter Ruling, as you feel appropriate within the United Methodist denomination.