

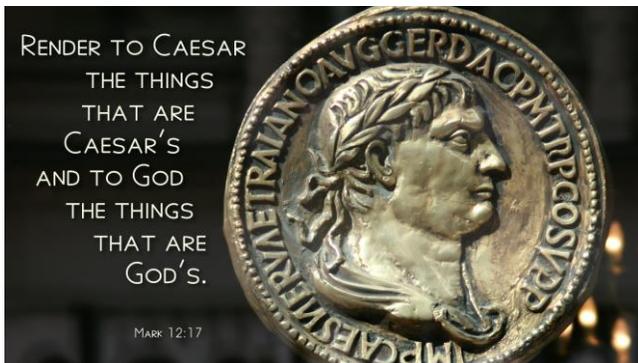
# CHURCHES AND TAX-EXEMPT STATUS

by Dr. Christian Mastilak

The 2020 Federal tax filing deadline in the United States of America has been extended to July (due to the COVID-19 pandemic). So, this month, we consider the relationship between the church and taxes.

Like other non-profit organizations, churches are exempt from Federal income taxes. This means that churches do not pay income tax on their income like profit-seeking businesses do. Tax-exempt status also means that in many states and localities, churches can avoid other taxes such as employment or property taxes, or may pay a lower tax rate. Ministers can exempt a portion of their housing expenses from their taxable income as a “parsonage exception.” (As an interesting aside, IRS Publication 517 describes ministers as “Ordained, commissioned, or licensed ministers of the gospel” — who would have guessed the IRS would mention the good news?) As another benefit, donors to churches may deduct their donations from their taxable income as a charitable contribution.

These benefits to the church are a blessing that God has granted through the governments he has appointed in the USA and the various states. As believers, we can accept these good gifts and be thankful for them, and we can take advantage of tax laws to make contributions, deduct them on our personal income tax returns, and retain our churches’ wealth to use in ministry.



However, as with other comforts of this life, these tax benefits can become distractions or even snares for the believer. We can even come to rely on or expect government’s generosity toward the Kingdom of Heaven. But we should not assume this goodness will continue indefinitely.

During the 2019 presidential primary debate season, at least one presidential candidate stated outright that he would seek to revoke the tax-exempt status of churches that hold to biblical views of marriage, sexuality and creation of humanity as male and female. Another candidate strongly implied that he would follow such a policy. As believers, we ought to be aware of these comments, and we ought to be aware that the financial benefits of tax exemption are in no way guaranteed. Losing tax-exempt status would create a financial burden on churches and believers by reducing or eliminating the benefits noted above.

Note that these candidates have not threatened the tax-exempt status of all churches. It would be legally and politically difficult to justify treating churches as a whole different from other non-profit organizations. Instead, they have specifically targeted those churches who hold to biblical positions on issues of morality, under the guise of fighting discrimination. That is, they have targeted churches based on doctrine and practice consistent with the Scriptures. This targeting is likely (in this writer’s opinion) to be more politically and legally feasible.

As believers, we now must ask: how might we respond to these threats?

First, we ought never abandon the faith once for all delivered unto the saints, whatever the financial cost (Jude 3). Our trust is to be in the Lord, not in governments that oppose him (Psalm 2) or in any of the powers of the earth, including economic powers (Psalm 20; see also the scathing prophetic rebukes of Israel for their trust in other world powers, for example in Ezekiel 23 and Jeremiah 2). A choice between maintaining faithfulness to the Lord’s teaching and retaining money is really no choice at all (Matthew 6:24; 1 Timothy 6:10; 1 John 2:15-17).



Therefore, it is time now to examine our hearts: is our trust truly in the grace and power of the Lord, or is it in the grace and power of our government? Is our only rule of faith and practice the Word of God, or is it the Constitution of the United States?

Second, if governments revoke tax benefits because of our faithfulness, we ought to rejoice (Matthew 5:10-15; Acts 5:41-42; James 1:3-4; 1 Peter 1:6-7). We know the world prefers darkness to light (John 3:19; Romans 1:28-32). And if we are light and a city on a hill, we will be hated by the world (Matthew 5:13-16; 1 Peter 4:4-5, 12-14). And, of course, we ought to pay whatever taxes the law requires (Matthew 22:15-22, Romans 13:1-7).

Third, even before the threats have gone beyond mere campaign rhetoric of marginal candidates, we would be wise to begin planning and budgeting for a change in tax policy. Churches can begin calculating what their tax burdens would be if property, employment and other taxes were increased. Pastors can begin reminding church members that God is to receive our first-fruits, not our leftovers, and that tax policy ought not determine our giving (Exodus 35:5; Acts 2:42-47; 2 Corinthians 8; 1 Timothy 5:17-18).

Finally, we ought always to pray for our leaders, that we might live lives that are quiet and godly in every way (1 Timothy 2:1-3).

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