

**Money and Theology:  
IRS and the Redefining of SDA Ministry**

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**The Established Position**

Seventh-day Adventists sprang from within a faith heritage that demanded Scriptural authority for positions it embraced. It was thus logical that when James White suggested rudimentary organization, he established Biblical rationale for positions taken.

In articles published in the Review in 1853 James emphasized that administration of the ordinances was limited to the ordained ministry.<sup>i</sup> General Conference sessions throughout 19th century Adventism consistently emphasized that "none but those who are Scripturally ordained are properly qualified to administer baptism and other ordinances."<sup>ii</sup>

Ellen White reflected the SDA understanding. While the licensed minister received a "license to preach the truth," only the ordained minister held full ecclesiastical authority. Her statement was initially published in Volume Three of her Spirit of Prophecy series and refers to the ordination of Paul and Barnabas:

"Both Paul and Barnabas had been laboring as ministers of Christ, and God had abundantly blessed their efforts; but neither of them had previously been formally ordained to the gospel ministry by prayer and the laying on of hands. They were now [after ordination] authorized by the church, not only to teach the truth, but to baptize, and to organize churches, being invested with full ecclesiastical authority."<sup>iii</sup>

The statement was republished in 1883, 1911 and 1915 in various of Ellen White's works. It illustrated a continuing

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<sup>i</sup> James White, "Eastern Tour," RH, Nov 15, 1853 and "Gospel Order," RH, Dec 20, 1853.

<sup>ii</sup> Resolution adopted at 1879 GC session. See also similar reemphasis at 1885 GC session.

<sup>iii</sup> Ellen White, Spirit of Prophecy, Vol 3, p 347.

understanding of the distinction between the ministerial license and ordination. Such distinction between the functions of the licensed and ordained ministry prevailed until the 1970s. This study seeks to exhibit the context for the modification of that position.

### **Change in the IRS Working Policy**

In 1965 the U.S. Internal Revenue Service issued a ruling that affected churches that had both licensed and ordained ministers. The licensed minister "must be invested with the status and authority of an ordained minister." They must be "fully qualified to exercise all of the ecclesiastical duties" of the ordained in order to receive parsonage allowance and other tax benefits.

October 6, 1965, the General Conference officers affirmed "This, of course, the denomination is unable to state." That meant the licensed ministry would receive about 9% less total income. This no doubt would be mollified by denominational entities making up some of the difference. The employing organization would also have to assume 50% of the social security payments formerly paid by the self-employed licensed minister.

GC president Reuben Figuhr and Secretary Walter Beach wrote to the IRS and intentionally minimized the differences between the licensed and ordained ministry, but conceded that the licensed minister did not perform all the functions of the ordained minister.

The letter described the ministry as a one-track system where "the difference lies simply in the matter of growth in experience." The duties of licensed and ordained ministers were "substantially equivalent."<sup>iv</sup>

The IRS policy remained inflexible. Since the Figuhr-Beach letter did not establish equivalency between the licensed and ordained ministry, "licensed ministers of the Seventh-day Adventist Church do not qualify as ministers of the gospel" for tax purposes.

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<sup>iv</sup> There were at the time 7 licensed women ministers in North America and by definitions of this letter as well as by actions since the 1870s when SDA women were first licensed, women were on the track for ordination.

## **New Slate of GC Administrators**

GC President Figuhr and Treasurer Chester Torrey retired at the 1966 GC session. Robert Pierson and Kenneth Emmerson were elected to those offices. Theodore Carcich, former vice president for North America, was elected a general vice president of the GC. Neal Wilson became the Vice President for North America. Robert Osborn, called as an assistant treasurer of the GC in late January 1966, became intimately involved with the IRS issue from the beginning. He retained close connection with it over the next decade. Osborn had perhaps the closest familiarity with the issue from the perspectives of both administrations.

The IRS issue was discussed in at least three meetings by these newly-elected officials at the Detroit GC session of 1966. North American leaders "informally agreed" to maintain the "status quo" on tax matters while securing legal counsel.

Osborn emphasized that the action "drastically altered the previous position taken by the officers." He represented a major difference of approach to the question by the GC treasurers and the officials of the NAD.

## **Initial Redefinitions**

In September 1966, Attorney William Donnelly of Washington, DC, suggested a new avenue. A licensed minister "who has also been ordained as an elder of a particular church of the denomination, is a 'minister of the gospel'" within the IRS definitions. Donnelly suggested that "if the Church Manual spelled out affirmatively, the authority of the ordained elder-licensed minister," IRS regulations might be satisfied.

Such redefinition of the prerogatives of the licensed minister in a "positive way" seemed to offer hope. Though there were policies that precluded the licentiate from administering ordinances as a licentiate, one could do so as an ordained elder.

By August 7, 1968, various committees had made some rather extensive redefinitions of the role of the licensed minister:

Deleted was the stipulation that the licentiate could not administer baptism or the Lord's Supper or perform the marriage ceremony. Instead the emphasis focused upon the ability to

assist in those ordinances and services. When elected and ordained as a church elder, the licentiate could "conduct the communion service and other services of the church and to preside at business meetings." Deleted was the statement "among Seventh-day Adventists, only ordained ministers are authorized to perform the marriage ceremony."

On June 19, 1970, those changes breezed right through the GC session and were later incorporated into the Manual for Ministers and Church Manual.

### **Fears of the Treasurers**

A number of meetings at the GC in 1971 reveal a continuing difference between GC treasurers and NAD leadership. In conjunction with documents discussed at one such meeting, Pierson wrote in his shorthand: "Stretched every point possible to show licensed ministers very much like ordained ministers. I'd not go further. There is and should be a difference!"

Osborn pointed out that despite changes in definition of the status of the licensed minister, it still did not satisfy the IRS policy. Yet denominational administrators continued to treat them as full ministers for tax purposes.

An emergency meeting of GC officers, union officers and some local conference presidents occurred December 21, 1971. Osborn presented a 7-page paper outlining the history of the tax issue since 1965.

Coming to recent history, Osborn referred to a September 22, 1971 observation of tax attorneys Prerau and Teitell of New York City. They stated: "We do not believe a further request [to IRS] for ruling would be helpful unless the 'licensed minister' were given entirely the same status as the 'credentialed minister.'"

In his handwritten notes on this document, Robert Pierson wrote: "6 yrs of tax exposure \$1100 per lic min per yr!" The total would be over \$5 million for 850 licensed ministers.

Osborn summarized: "Unless we are willing by amending at a General Conference Session the Church Manual and the Manual for Ministers to give our licensed ministers the same status and authority as our ordained ministers, it seems very clear that we cannot by law and IRS regulations and rules continue to consider

them as ministers of the gospel for tax purposes."

The results were hardly satisfying to the treasurers. Osborn left for a California appointment following the meeting and upon arrival sent a telex message to Emmerson, Pierson and Wilson:

"We have arrived at a regrettable day as we have departed from our traditional approach to governmental authority and now apparently are going to perpetuate this untenable six year position.

"Also to recommend change of long-standing denominational practices re authority of ministers primarily for tax considerations hardly is becoming. There should be other reasons for change or we should not amend the manuals.

"When this matter comes to GC Com or NADCA tomorrow I respectfully request you to bring my viewpoint to the group as expressed in this telex."

The next day the North American Division Committee on Administration voted to ask GC officers to "take whatever steps are necessary to secure for licensed ministers full status as ministers of the gospel."

#### **Neal Wilson Initiative, 1974**

The issue remanded in limbo over the next several years. In 1974, North American President Neal Wilson vigorously sought to resolve the issue. He initiated contacts with several U.S. Congressmen, including SDA Congressman Jerry Pettis, member of the powerful House Ways and Means Committee. In March of 1974 Wilson revealed his plan to appeal the IRS ruling. He drafted a 14-page memorandum giving the basis for the SDA appeal.

Wilson emphasized modifications formalized at the 1970 GC session that allowed the SDA conclusion that the licensed minister "who has also been ordained as an elder of a particular church" was indeed a minister of the gospel within the IRS meaning.

Wilson sent the memo to Jerry Pettis who sought advice from Minority Counsel Dick Wilbur.

The June 28 analysis by Wilbur, recently sworn in as judge

of the U.S. Tax Court, stressed that all hinged on "the nature of the services that the licensed ministers are authorized to perform." Unless the licensed minister held "coextensive authority" with the ordained ministry, "then the Service holds that the licensed ministers are not 'ministers of the gospel'" for tax purposes.

If the licensed minister could now solemnize marriages, then SDAs might "request the Service to reconsider the original ruling."

### **1975-76 Years of Decision**

GC administrators' hopes received a setback when Jerry Pettis was tragically killed in an airplane crash February 14, 1975. The issue intensified the next month. For the first time since 1966, the SDA position was openly challenged by the IRS. Branches of the IRS were making "protective assessments" for tax liabilities against various conferences.

During the 1975 Spring Meeting in April implications for SDA women in ministry were becoming evident. At this meeting women became eligible for ordination as church deaconesses and elders in North America. But what if they held the ministerial license, as in the past?

The Spring Meeting thus passed this resolution:

"[We] recommend that where Bible Instructors or other women with suitable qualifications and experience are able to fill ministerial roles, they be assigned as assistant pastors, their credentials being missionary license or missionary credential."

Women were no longer eligible for the ministerial license since the license had been redefined to allow prerogatives that were seen as off-limits for women. Another track of ministry for women was being paved.

After consultation with IRS officials in late April, GC administrators decided to officially request the IRS to review their 1966 ruling against the GC. By November, Wilson had drafted a letter and memorandum making such request. He submitted it December 30, 1975. In his covering letter, Wilson appealed for reconsideration "in light of many changes that have developed since 1966." He enclosed an 11-page "Memorandum of the Status of Licensed Ministers in the SDA Church," that formed the

basis for the 1975 appeal.

In his memo Wilson emphasized that "the role of the licensed minister has been re-defined by the Seventh-day Adventist Church." The licensed minister "can perform sacraments which are much more meaningful than the marriage ceremony--such as the holy communion, preaching the Word, baptisms, conducting funerals, etc." He stressed that the licensed minister within the SDA Church was not a separate category of minister.

In April 1976 the IRS informed Wilson that although the licensed minister could preside at any of the church ordinances, he still could not solemnize marriages. Thus "the licensing of a minister of the gospel by the Seventh-day Adventist Church does not, in every respect, establish a status that is the equivalent of ordination." Wilson's appeal was rejected.

By this time several conferences had received "final notice before seizure" of SDA property.

In June of 1976 Osborn suggested a variation within the legal line of pursuit. Rather than constantly redefine licensed ministers and their prerogatives, why not challenge the IRS ruling as being too restrictive. "Our case should not be based on trying to show how close our licensed ministers are to our ordained ministers ecclesiastically speaking--there is a gap which is not bridged until ordination." To Osborn, it was "incorrect to try to equate our licensed ministers with our ordained ministers." In another letter written in June, Osborn noted: "There is a definite detected feeling that it is hardly becoming to alter our attitude toward our licensed ministers for tax considerations in a particular country."

It soon became apparent that the Osborn approach would be rejected. Pursued instead was the decision "to re-examine the position we have taken on the licensed minister." The President's Executive Advisory reviewed a document that suggested changing the responsibility of a fully trained licensed minister. Could he be authorized "on a probationary basis to perform all of the functions of an ordained minister under the supervision of his ecclesiastical superior?" PREXAD agreed, "To ask the Presidential staff to study the suggestions for changing the authority of the licensed minister."

In August the NAD union presidents approved such a proposal and Wilson presented it to PREXAD on September 14. In his

presentation, Wilson rehearsed the history of the problem since 1965. He stressed the "considerable financial involvement," both relating to the SDA church and to the individual licensed ministers. He considered the issue not one of a moral or theological issue in the difference between the functions of the licensed and ordained ministry, but a matter of church policy. There were two alternatives to going to court against the government: [1] give in [2] change the status of the licensed minister. Besides, the functions of the licensed minister were almost identical to the ordained minister. Policy was much more restrictive than practice. The crucial phrase in the Wilson proposal read:

"A licensed minister is authorized by the Conference/ Mission Executive Committee to perform all the functions of the ordained minister in the church or churches where he is assigned." PREXAD and then PRADCO approved the proposal.

Meeting just prior to the full Annual Council session, the Home and Overseas Officers and Union Presidents made it apparent that the field outside the United States would not approve the critical phrase. Thus the action voted at the October 20 afternoon Annual Council session differed from that voted at the North American section of the Annual Council held in the evening of October 20. Interestingly, the critical phrase was not printed in the Annual Council booklets for 1976, nor in the Review listing of Annual Council actions.

December 30, Wilson explained in a Review article the reasons for the modification of the policy on the status of licensed ministers. While not giving the specifics of the change, he noted that "the process by which the church trains its ministers obviously is not a matter of theology or doctrine, but one of methodology, policy." After much prayerful discussion "with the view of preserving the unity and strength of the church," the 1976 Annual Council "voted to amend the policy governing licensed ministers to provide for appropriate latitude and flexibility within each division of the General Conference."

### **1977-78: Resolution**

In October of 1977 Wilson wrote the Commissioner of Internal Revenue about "some rather extensive ecclesiastical policy changes" taken by SDAs. He enclosed the 1976 NAD Annual Council action that authorized the licensed minister to "perform all the functions of the ordained minister" in his local church.

There was joy at church world headquarters when it received the IRS letter of September 23, 1977: "We have reviewed the changes in your church's ecclesiastical policy, and it is our view that licensed ministers in your church have, effective October 20, 1976, a recognized status that is the equivalent of ordination." After a decade, the licensed minister was again legally entitled to all tax advantages.

The 1977 NAD Annual Council added a new term to its policy book: "Associates in Pastoral Care." That phrase identified "persons who are employed on pastoral staffs but who are not in line for ordination." Women were formally placed upon a separate track within SDA ministry.

Less than a year later, in August of 1978 the IRS modified its working policy. If licensed or commissioned ministers performed "substantially" all the religious functions of the ordained minister, they were eligible for tax benefits.

By 1978 SDA women were excluded from receiving the ministerial license that they had received beginning in the 1870s. While women could once again be defined as ministerial workers, they still were not back on the track for ordination where they were before the IRS problems of the 1960s.

The inconsistency reached new dimensions in 1989 when the Annual Council voted not to recommend women to be ordained to the gospel ministry, but also allowed women ministers to "perform essentially the ministerial functions of an ordained minister of the gospel in the churches to which they are assigned."

Ironically, even though SDA church representatives decided that women ministers were "not in line for ordination," they were now defined by the IRS as eligible for the tax benefits of the ministry.

The interrelationship between money, theology, the IRS and church administrators had converged to create a moral dilemma within the Seventh-day Adventist church.