

- ✓ Disability insurance in case of disability
- ✓ Social Security applicable to old age
- ✓ Guaranteed annuities that use life insurance to provide fixed retirement benefits
- ✓ Medical/health insurance
- ✓ Workers' Compensation in case of disability

4. What types of insurance are allowed?

- ✓ You may have liability insurance for injuries or property damage to others.
- ✓ Insurance covering the property of an exempt individual is allowed by the IRS tax code. However, your religious group's teachings may differ from the tax code.

5. How does the exemption affect my finances?

- ✓ If you are self-employed, you do not need to pay the 15.3% self-employment tax (a combination of Social Security and Medicare taxes).
- ✓ If you work for someone with an approved 4029, your wages are exempt from Social Security and Medicare taxes.
- ✓ If you live in Pennsylvania or several other qualified states, you can and should elect out of Workers' Compensation.

6. What other ways does it affect me and my family?

- ✓ You will not receive any Social Security or Medicare benefits.

- ✓ Your spouse and children under the age of 17 will not qualify for Social Security survivor benefits.
- ✓ You and your family will not qualify for disability payments from Social Security in case of a long-term disability.
- ✓ Your spouse will not be eligible to receive benefits based on your earning history.

7. Is a retirement plan allowed if I have a 4029 exemption?

The IRS tax code allows you to have the following retirement plans under one condition—the plans cannot be invested in any insurance policy or product:

- ✓ IRA - Individual Retirement Account
- ✓ SEP - Simplified Employee Plan
- ✓ SIMPLE - Savings Investment Match Plan for Employees

8. How does the exemption work for employers and employees?

The answer to this question depends on the type of business entity and the exemption status of each business owner and partner.

Here are the key facts employers and employees should know:

- ✓ **For a sole proprietorship, partnership, or SMLLC not taxed as a corporation:**
Each owner and each member, including

minority partners, must have an approved 4029 exemption before any employee can be exempt. This rule applies even if an employee has a valid 4029 exemption.

- ✓ **For corporations:** The exemption does not apply. Social Security and Medicare taxes must be paid even if the owner and employees have valid 4029 exemptions.
- ✓ **For exempt employees:** If you work for a company that is not exempt, you will need to pay Social Security and Medicare taxes. The only exception would be if the company uses a qualified leasing company to pay you.
- ✓ **For exempt employers:** If you hire employees who are not exempt, you will need to withhold Social Security and Medicare taxes from their pay and contribute your employer portion, which is currently 7.65% of gross wages.

—*The Gehman Tax Team*



Gehman
Business Advisors™
Inspiring Confidence™

717.354.8288 • gehmanaccounting.com
office@gateam.com