



*Dear Muslims, Assalamu alaikum.*

*Zakat Chicago is pleased to bring you some basic information about Zakat. It is a part of our effort to educate the community about this third pillar of Islam. Further information on Zakat is available at [www.zakatchicago.com](http://www.zakatchicago.com).*

*Some of the same information will be available in short videos, as explained by the Chicago area Imams and scholars, inshallah.*

*Sincerely, The CIOGC Zakat Chicago Team*

## ZAKAT BASICS

### WHAT IS ZAKAT

Zakat is one of the five pillars of Islam. Paying Zakat is a requirement for all Muslims who are blessed with wealth and possessions. Zakat is to be paid to people who are in need. It is given to them as their right under their circumstances.

Unlike the other pillars of Islam, such as the belief in Allah (SWT) as the only one worthy of worship and Prophet Muhammad (S) as His Messenger, Prayer, Hajj, and Fasting during Ramadan, Zakat does not receive sufficient attention in the Muslim community. Efforts need to be increased to educate the community, motivate them to pay, and facilitate their payment.

### ZAKAT 101 OUTLINE

1. Importance of Zakat
2. Special Nature of Zakat
3. Benefits of Paying Zakat
4. Consequences for Not Paying Zakat
5. Personal Wealth on Which Zakat is Due
6. Zakat on Restricted Funds, Loans, and Debts
7. Who is Eligible to Receive Zakat
8. Can Zakat be Given to Relatives
9. Etiquette of Paying Zakat
10. Zakat Payment – When and Through Who
11. Calculation of Zakat Due

Points of information on each of the above topics are listed on the following pages.

## 1. Importance of Zakat

- Zakat is one of the five pillars of Islam, as a Hadith says, "Islam is built on five pillars: Testifying that no one is worthy of worship except Allah and Muhammad is His messenger, performing the prayers, giving the Zakat, fasting in Ramadan and performing Hajj if able" (Hadith – Muslim).
- Zakat is a specified portion of an individual's wealth that needs to be given in charity every year.
- Allah (SWT) has called it "an ordinance from Allah" (Quran 9:60).
- It is a criterion for being counted among Muslims (Quran 9:11) and
- Allah (SWT) has joined it with prayer at numerous places in the Quran [e.g., 2:43].

## 2. Special Nature of Zakat

- Zakat is a special kind of charity connected to wealth rather than income.
- Zakat seeks to establish a positive relationship between the giver and receiver of charity.
- A portion of one's wealth is required to be set aside even before knowing who needs the charity.
- The Zakat is given as a right to people in need. There is no sense of favor generated in the giver nor a sense of obligation in the receiver.

## 3. Benefits of Paying Zakat

- Allah (SWT) describes immense rewards for those who give Zakat in many places in the Quran, such as (2:261)
- The term 'Zakat' means cleansing and growth. Zakat cleanses the individual's wealth, heart, and mind of the baser instincts of miserliness, selfishness, greed, and materialism. It replaces them with the noble qualities of generosity, love, care, and mutual help.
- Zakat seeks to establish a positive relationship between the giver and the receiver of charity. There is no sense of favor generated in the giver nor a sense of obligation in the receiver.

## 4. Consequences for Not Paying Zakat

- Allah (SWT) warns of consequences for those who 'greedily cling on' to the wealth (Quran 3:180).
- Allah (SWT) warns of severe punishment in the Fire of Hell (Quran 9:34-35).
- "To one who was blessed with wealth but did not pay Zakat, his wealth will appear on the Day of Judgment as a bald serpent with two horns, enwrapping and squeezing him the entire day. Then it will seize him by the lips and tell him, "I am your wealth, your treasure that you hoarded" (Hadith – Bukhari).

## 5. Personal Wealth on Which Zakat is Due

- Cash in various accounts that is beyond the need for everyday expenses
- Gold and Silver
- Jewelry (only the gold and silver content)
- Stocks
- The lowest value of the above assets over the past twelve months needs to be included.
- Zakat applies to the net rental income from real estate owned.
- See 'Zakat on restricted funds, loans, and debts'
- See details elsewhere on 'Business, farm, and other kinds of wealth.'

## 6. Zakat on Restricted Funds, Loans, and Debts

- Monies held in restricted funds, such as 401(k) that are subject to a penalty and/or taxes are zakatable as follows: calculate the Zakat on the total amount minus the penalty, taxes, and fees you would have to pay. One opinion is this money is not zakatable when it is subjected to a penalty.
- If you have loaned money out, Zakat is due on that amount if you expect the loan to be repaid. Zakat need not be paid if you do not expect the loan to be repaid.
- However, if it is repaid unexpectedly, Zakat will be due for one year.
- Debt – Short Term: If you borrowed money, you can subtract it from your wealth and calculate Zakat on the balance of wealth.

- Debt – Long Term: If you have a mortgage on real estate, car, etc., and you have a payment plan, then the monthly payments can be taken as your expenses, but the entire mortgage amount cannot be deducted from your wealth for Zakat calculation purposes.

## 7. Who is Eligible to Receive Zakat

- Quranic verse 9:60 specifies the people and causes that are eligible to receive Zakat.
- The poor (fuqara'): Those who cannot support themselves. The wealth of the recipient should not reach the level of nisab.
- The needy (masakin): Those who cannot adequately support themselves, and are reluctant to ask for help.
- Those employed to collect, distribute, and administer Zakat (al-'amilin).
- Those individuals who have been recently reconciled to the Truth (Mu'allafat-al-Qulub): This category includes new Muslims or those who are willing to support the Muslim State but need compensation.
- Freeing of those in bondage (fi-al-riqab): This can be interpreted to include individuals who, due to excessive debt, do not have hope of ever standing on their own feet.
- Those in debt (al-gharimin): Zakat money may go to those who are in debt for them to pay off their debt or a part thereof.
- In the cause of Allah (fi-sabil-Allah): Zakat money may go to those who work in the cause of Allah.
- The wayfarer (ibn-al-sabil): Travelers who require help during their travels.

## 8. Can Zakat Be Given to Relatives

- Zakat cannot be given to parents or children, because their support is the responsibility of the Zakat-giver.
- Zakat can be given and is preferred to be given to relatives other than the above.
- Those belonging to the family of the Prophet ﷺ are not eligible to receive Zakat.

## 9. Etiquette of Paying Zakat

- Zakat is normally given unannounced. It can be announced if that encourages others to give.
- Zakat giver should give Zakat to the person in need respectfully. The receivers of charity accept it as their right under the circumstances.
- Zakat recipients must be advised that they are receiving Zakat.

## 10. Zakat Payment – When and Through Whom

- Zakat should be collected and distributed centrally. A strong indication of this is the fact that Allah SWT included administrators of Zakat among those on whom Zakat money can be spent.
- An Islamic government would collect and distribute Zakat.
- Muslims living in a non-Islamic government should also endeavor to give Zakat centrally or through their local Masjid.
- Zakat collected in a community should be distributed to the needy in the community. Prophet Muhammad (ﷺ) instructed Muadh bin Jabal (R) about Zakat, "you shall collect from their rich and distribute to their poor" (Bukhari).

*“Whatsoever good ye send before you for your souls, ye will find it with Allah, better and greater in the recompense. And seek forgiveness of Allah. Lo! Allah is Forgiving, Merciful.”* [Quran 73:20]

*Narrated by Abu Huraira (R) The Prophet (pbuh) said, "Every day two angels come down from Heaven and one of them says, 'O Allah! Compensate every person who spends in Your Cause,' and the other (angel) says, 'O Allah! Destroy every miser.'"*  
(Sahih Bukhari, Chapter 24,522)

## Zakat Calculation Form

1	Amount of cash saved (Note 1)	\$ _____
2	Current value of owned gold, silver and jewelry	\$ _____
3	Cash value of stocks, shares, etc. (Note 1)	\$ _____
4	Penalty free value of retirement plans projected after tax (e.g., IRA, 401k, etc.) (Note 2)	\$ _____
5	Net rental income	\$ _____
6	Value of trade inventory, cash and receivables, minus payables from business	\$ _____
7	<b>Gross Total Amount (Add lines 1-6)</b>	\$ _____
8	Personal net debt (Loans payable this year, minus loans expected to be repaid to you this year)	\$ _____
9	<b>Net Amount (Subtract line 8 from line 7)</b>	\$ _____
	Compare line 9 with "Nisaab" = \$5,025 as of March 31, 2020 (see Note 3). If line 9 is less than Nisaab, enter zero on line 10 and end the calculation.	
10	<b>Zakat for this year (Only if line 9 is more than Nisaab, multiply line 9 by 0.025)</b>	\$ _____
11	Zakat payments already made this year, if any	\$ _____
12	<b>Net Zakat Balance Due (Subtract line 11 from line 10)</b>	\$ _____

### Notes and Workspace

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**Note 1:** You may use the current value for ease of calculation or use the minimum amount during the last twelve months.

**Note 2:** Alternatively, you may use the value that could be available if you were to withdraw after paying the penalty, fees (if any) and taxes.

**Note 3:** Nisaab is taken as the value of 3 ounces of gold. Since the gold price fluctuates, you may update it with the current value.

For further explanations please visit <https://zakatchicago.com/zakat-faqs/>

You may pay your Zakat to your local Masjid or to Zakat Chicago or share with both.

**ONLINE PAYMENTS ARE PREFERRED, ESPECIALLY DURING THE COVID-19 PANDEMIC.**

zakatchicago.com -- Zakat Chicago (CIOGC) -- 231 South State Street, #300, Chicago IL 60604