



Zakat Chicago

Council of Islamic Organizations of Greater Chicago

Local Collection
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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 zakatchicago.com.

Some of the same information, as explained by the Chicago-area Imams and scholars, is available in short videos at youtube.com/zakatchicago.

*****Please note that we made a significant change this year concerning Zakat on the Restricted Funds, based on input from several scholars.*****

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. It is to be paid to people who are in need, as it is their right under their circumstances.

Unlike the other Pillars of Islam, such as the belief in Allah (SWT) and Prophet Muhammad (S) as His Messenger, Prayers, 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 the 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 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 “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 when withdrawn are Zakatable as follows: calculate the Zakat on the total amount minus the penalty, taxes, and fees you would have to pay if you were to withdraw the money. This is the preferred opinion of many scholars. There is a differing opinion that states that this kind of wealth is not Zakatable when it is subject to a penalty.
- If you have loaned money out, Zakat is due on that amount if you expect the loan to be repaid within the lunar year. Zakat need not be paid if you do not expect the loan to be repaid within that time frame.
- 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 does 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 (S) 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 their circumstances. Zakat recipients must be informed 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 (S) instructed Muadh bin Jabal (R) about Zakat, “you shall collect from their rich and distribute to their poor” (Bukhari).

“Whatsoever good you send before you for your souls, you 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 (S) 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

