501(c)(3)

Tax Guide for Churches & Religious Organizations
Introduction

This publication explains the benefits and the responsibilities under the federal tax system for churches and religious organizations. The term church is found, but not specifically defined, in the Internal Revenue Code (IRC). The term is not used by all faiths; however, in an attempt to make this publication easy to read, we use it in its generic sense as a place of worship including, for example, mosques and synagogues. With the exception of the special rules for church audits, the use of the term church throughout this publication also includes conventions and associations of churches as well as integrated auxiliaries of a church.

Because special tax rules apply to churches, it’s important to distinguish churches from other religious organizations. Therefore, when this publication uses the term “religious organizations,” it isn’t referring to churches or integrated auxiliaries. Religious organizations that are not churches typically include nondenominational ministries, interdenominational and ecumenical organizations, and other entities whose principal purpose is the study or advancement of religion.

Churches and religious organizations may be legally organized in a variety of ways under state law, such as unincorporated associations, nonprofit corporations, corporations sole and charitable trusts.

Certain terms used throughout this publication—church, integrated auxiliary of a church, minister and IRC Section 501(c)(3)—are defined in the Glossary.
Tax-Exempt Status

Churches and religious organizations, like many other charitable organizations, qualify for exemption from federal income tax under IRC Section 501(c)(3) and are generally eligible to receive tax-deductible contributions. To qualify for tax-exempt status, the organization must meet the following requirements (covered in greater detail throughout this publication):

- the organization must be organized and operated exclusively for religious, educational, scientific or other charitable purposes;
- net earnings may not inure to the benefit of any private individual or shareholder;
- no substantial part of its activity may be attempting to influence legislation;
- the organization may not intervene in political campaigns; and
- the organization's purposes and activities may not be illegal or violate fundamental public policy.

Recognition of Tax-Exempt Status

Automatic Exemption for Churches

Churches that meet the requirements of IRC Section 501(c)(3) are automatically considered tax exempt and are not required to apply for and obtain recognition of tax-exempt status from the IRS.

Although there is no requirement to do so, many churches seek recognition of tax-exempt status from the IRS because this recognition assures church leaders, members and contributors that the church is recognized as exempt and qualifies for related tax benefits. For example, contributors to a church that has been recognized as tax exempt would know that their contributions generally are tax-deductible.

Church Exemption Through a Central/Parent Organization

A church with a parent organization may wish to contact the parent to see if it has a group ruling. If the parent holds a group ruling, then the IRS may already recognize the church as tax exempt. Under the group exemption process, the parent organization becomes the holder of a group ruling that identifies other affiliated churches or other affiliated organizations. A church is recognized as tax exempt if it is included in a list provided by the parent organization. If the church or other affiliated organization is included on the list, it doesn't need to take further action to obtain recognition of tax-exempt status.

An organization that isn't covered under a group ruling should contact its parent organization to see if it's eligible to be included in the parent's application for the group ruling. For general information on the group exemption process, see Publication 4573, Group Exemptions, and Revenue Procedure 80-27, 1980-1 C.B. 677.
Religious Organizations

Unlike churches, religious organizations that wish to be tax exempt generally must apply to the IRS for tax-exempt status unless their gross receipts do not normally exceed $5,000 annually.

Applying for Tax-Exempt Status

Employer Identification Number (EIN)

Every tax-exempt organization, including a church, should have an employer identification number whether or not the organization has any employees. There are many instances in which an EIN is necessary. For example, a church needs an EIN when it opens a bank account, to be listed as a subordinate in a group ruling or if it files returns with the IRS (for example, Forms W-2, 1099, 990-T).

An organization may obtain an EIN by filing Form SS-4, Application for Employer Identification Number, according to its instructions. If the organization is submitting IRS Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, Form SS-4 should be included with the application.

Application Form

When applying for recognition as tax exempt under IRC Section 501(c)(3), churches and some religious organizations must use Form 1023. Smaller religious organizations may be eligible to use Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

A religious organization generally must submit its application within 27 months from the end of the month in which the organization is formed to be considered tax exempt and qualified to receive deductible contributions as of the date the organization was formed. On the other hand, a church may obtain recognition of exemption from the date of its formation as a church, even though that date may be prior to 27 months from the end of the month in which its application is submitted.

Cost of applying for exemption. The IRS is required to collect a non-refundable fee from any organization seeking a determination of tax-exempt status under IRC Section 501(c)(3). Although churches are not required by law to file an application for exemption, if they choose to do so voluntarily, they're required to pay the fee for determination.

The fee must be submitted with Form 1023; otherwise, the application will be returned to the submitter. Fees change periodically. The most recent user fee can be found at the Exempt Organizations (EO) website under the IRS Tax Exempt and Government Entities Division via www.irs.gov/eo (key word “user fee”) or by calling EO Customer Account Services toll-free at 877-829-5500.