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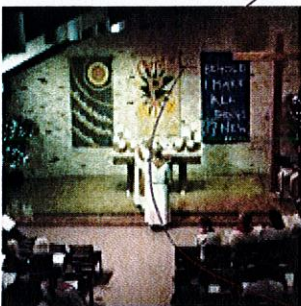
Legal Counsel for Nonprofits

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Nonprofit Law Basics: Does a church need to apply for 501(c)(3) status to be considered tax-exempt?

MAY 29, 2012 BY MOLLIE CULLINANE

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The IRS Internal Revenue Code section 508(c) sets out that churches are automatically recognized as tax-exempt under 501(c)(3), and the IRS does not require churches to apply for tax-exempt status if they meet the following criteria:

- The organization must be organized and operated exclusively for religious, educational,

scientific, or other charitable purposes,

- The 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.

Additionally, some churches with a parent organization may be tax-exempt if the parent organization has a group ruling and it includes the specific church on its list of affiliated organizations.

Why would a church want to apply for 501(c)(3) status?

While churches may be automatically recognized as tax-exempt, there are several reasons why many churches apply for tax-exemption.

- Having 501(c)(3) status allows churches the ability to guarantee that tithes, offerings, and donations are tax deductible to donors, because there is written proof from the IRS that the church is a registered charity.
- Many states do not automatically guarantee sales tax exemption without a 501(c)(3) letter from the IRS.
- Bulk mailing rates and most grants will not be extended to your church or ministry without 501(c)(3) status.

Applying for tax-exempt status may also be desirable for churches that are not affiliated with a larger denomination. In some

states, churches that have obtained 501(c)(3) status are automatically exempt from state taxes as well.

Note that as a 501(c)(3) tax-exempt entity, churches are mandated to comply with various 501(c)(3) requirements, as well.

Learn More

IRS: Tax Guide for Churches and Religious Organizations

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Photo: Lutheran Campus Ministry at UT, Austin, Texas. Mollie Cullinane is proud to work with this ELCA ministry at the University of Texas.

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About Mollie Cullinane

Mollie Cullinane is an attorney who works with nonprofits and social enterprises, from emerging local charities, professional athletes' foundations, and international organizations. She is a Texas Super