

Legal Issues

Tax Status & Exemptions

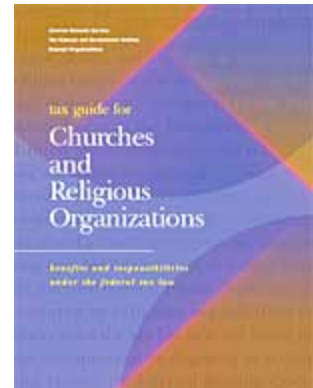


Evangelical Lutheran Church in America
God's work. Our hands.

Tax Information for Congregations


The Internal Revenue Service (IRS) has a procedure by which a parent organization (in this case the Evangelical Lutheran Church in America) can establish for its subordinate organizations group ruling tax exempt status for federal income tax purposes.

Exemptions from sales and real estate taxes are determined by each individual state. The IRS exempt status is primary to securing other tax exemptions.



- [Federal tax exemption](#)
- [State tax exemption](#)
- [Local real estate tax issues](#)
- [How do I apply for ELCA Group Tax Exemption?](#)
- [Does our congregation need to file an IRS form 990 or 990T?](#)

IRS Resources:

- [IRS Tax information for Churches and Religious Organizations](#)
- [IRS Tax Guide for Churches and Religious Organizations](#) 

Federal Income Tax Exemption

In order to be included in the annual ELCA filing, an affiliated organization must meet the following criteria:

- It must have authorized its inclusion in writing;
- It must have a nine-digit Federal Employer Identification number (EIN);
- It must NOT have received its individual letter of determination from the IRS, as a consequence of having filed an application on IRS Form 1023;
- It must be "controlled or supervised" by ELCA; and
- It must, in its governing documents, contain appropriate clauses that establish its character as a public charity. These clauses include prohibition against any of the assets income inuring to the benefit of private persons, and provision that upon dissolution of the organization its assets will go to another organization qualifying as tax exempt under 501(c)(3) of the Internal Revenue Code.
- The certification letter issued by the ELCA General Counsel confirms that a subordinate organization has been included in the ELCA Group Exemption


filing. Please go through our email processing at 501c3@elca.org to secure this certification.

- **This Federal Income Tax Exemption letter may be requested in any of the these additional situations:**
- Application for a [Post Office Bulk Mailing Permit. U.S. Post Office Publication 417](#), Nonprofit and Other Qualified Organizations. An additional resource for information is provided by the Alliance of Nonprofit Mailers .
- Application for state sales tax exemption; (Exemption from state and local sales and other taxes does not automatically follow because one has exempt status from federal income tax purposes; however, in many states proving exempt status from federal income tax is a prerequisite for applying for exemption from sales and other local taxes.)
- Application seeking a grant or matching funds from some other 501(c)(3) organization (e.g., a fraternal life insurance company).
- Settlement of an estate where money has been left to an affiliated organization named as a charity.
- Donations are tax deductible. How can I explain to potential donors that my congregation (or other organization) is exempt from federal income taxes because the ELCA holds a group ruling exemption from the IRS?

State Sales Tax Exemption

In many states an application form is required. It is often necessary to show proof of exemption from federal income taxes. (The proof that the church organization is a 501(c)(3) entity) Some additional requirements will often include an application form and proof of incorporated status. Once a state sales tax exemption is granted, it is important that the congregation monitor its use. The authorized user will often need to present to the merchant a copy of the letter issued from the appropriate state authority or the state tax exempt identification number. It is certainly proper for the congregation to use the exemption for purchases of church supplies, foodstuffs, and other materials used directly for church purposes. However, it is important that all staff and members understand that it is illegal to use the tax exemption for personal purchases.

Resources

- [IRS Tax information for Churches and Religious Organizations](#)
- [IRS Tax Guide for Churches and Religious Organizations](#) 

Local Real Estate Tax

Exemption from real estate taxes is governed by state law. Application for exemption from real estate tax may vary from county to county within the same state. In some states, what the local tax assessor/collector says or thinks the state law is, controls. Check with the local taxing authorities or a local tax professional to find out whether the congregation will lose its real estate tax exemption if it leases property.

Group tax exemption procedures for the congregations, synods and agencies of Evangelical Lutheran Church in America

The Internal Revenue Service (IRS) has the Group Ruling exemption procedure by which a parent organization (in this case ELCA) can establish for its affiliated organizations tax exempt status for federal income tax purposes.

Even though an affiliated organization is listed in the ELCA Yearbook, they also must have been included in one of the filings to IRS made by ELCA annually. In order to be included in the ELCA's group ruling, an affiliated organization must meet and substantiate the following criteria:

1. Must have authorized its inclusion in writing by completing; (Form No. 1 for congregations; Form No. 2 for other affiliated organizations);
2. Must have a nine-digit Federal Employer Identification number (EIN);
3. Must not have received an individual letter of determination from the IRS, as a consequence of having filed an application on IRS Form 1023;
4. Must be "controlled or supervised" by the ELCA; and
5. Must, in its governing documents, contain appropriate clauses that establish its character as a public charity. These clauses include prohibition against any of the assets income inuring to the benefit of private persons, and provision that upon dissolution of the organization its assets will go to another organization qualifying as tax exempt under 501(c)(3) of the Internal Revenue Code.

The advantage of compliance with this group exemption procedure is that an affiliated organization can then obtain a certification letter from the ELCA General Counsel indicating that the affiliated organization has been included in ELCA's group exemption filing. This letter is comparable in effect to a determination letter issued to organizations that file application for exempt status on IRS Form 1023. The certification letter issued by the ELCA General Counsel confirms that an affiliated organization has been included in the ELCA Group Exemption filing. This letter could be requested and used in any of the following situations:

- Application for a bulk mailing permit issued by a U.S. Post Office;
- Application for state sales tax exemption; (Exemption from state and local sales and other taxes does not automatically follow because one has exempt status from federal income tax purposes; however, in many states proving exempt status from federal income tax is a prerequisite for applying for exemption from sales and other local taxes);
- Application seeking a grant or matching funds from another 501(c)(3) organization (e.g., a fraternal life insurance company);
- Settlement of an estate or receipt of a gift where money has been left to a subordinate organization; or
- On occasion, the donor to an affiliated organization will request proof of the donee's organization tax exempt status. Affiliated organizations are included in the ELCA's annual filings with IRS under one of these specific categories:
 - Churchwide Organizations

- o Synods
- o Other National Organizations
- o Other Synod Related Organizations
- o Seminaries
- o Colleges and Schools
- o Social Ministry Organizations
- o Camps and Conference Centers
- o Campus Ministry Organizations
- o Continuing Education Centers
- o Coalitions
- o Congregations, Multi-point Ministries, and Other Ministries Under Development
- o Synodical Women's Organizations
- o Synodically Authorized Worshiping Communities/Chapels
- o Supporting Organizations
- o Congregation Related Organizations

How to Contact Us Regarding a Certification Letter*

To initiate the Group Ruling Exemption process for your congregation or other ELCA entity*, please send an email to 501c3@elca.org with the subject line: Tax Exempt Status.

We prefer that any requests be sent from your church email address.

You will receive an automatic reply which states: "Please provide your entity name, address, city, state, as well as the 9-digit Federal Employer Identification Number (EIN) currently used for filing wage statements or quarterly reports with the IRS."

This information will be verified with the group ruling to be sure our records are current. If there is no change, we will send the certification letter and attachments by PDF to your email location. If there are any changes with the information currently in the group ruling, we will request documentation.

We strongly prefer to send all our replies to a church email address. If that is not possible, please explain why there is no church email address that can be used.

*Please note that new inclusions for social ministry organizations, congregations under development, synodically authorized worshiping communities and campus ministries need to contact the Congregational and Synodical Mission unit of the churchwide organization to start the process.

Forms: 

[Form 1 for congregations](#)

[Form 2 for other ELCA affiliated organizations](#)

Does my congregation have to file the IRS Form 990 or 990T to report income?

ELCA congregations are not required to file IRS Form 990. [IRS Publication 1828](#) explains this on page 22:

Exceptions to file Form 990, 990-EZ and 990-N

The following is a list of some of the organizations that are not required to file Form 990, 990EZ or 990-N:

- Churches (as opposed to “religious organizations,” defined earlier)
- Inter-church organizations of local units of a church
- Mission societies sponsored by or affiliated with one or more churches or church denomination, if more than half of the activities are conducted in, or directed at, persons in foreign countries
- An exclusively religious activity of any religious order

See the form instructions for a list of other organizations that are not required to file.

Some congregations that have unrelated business income must file a IRS Form 990 T to report unrelated business income tax (UBIT).

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