

## **UM CHURCHES GROUP FEDERAL TAX EXEMPTION**

All Western North Carolina churches are covered by the general exemption of the United Methodist Church.

Periodically local churches may need evidence of their exempt status for postal permits or by person making gifts to the church.

Therefore, you may obtain from the Conference Treasurer or GCFA a photocopy of the actual October 16, 1974 letter for your use.

## Memorandum

To: Interested Persons

From: GCFA Legal Department

Date: January 1, 2000

Re: United Methodist Church Group Federal Income Tax Exemption Ruling Letter

As a service to United Methodist organizations, the General Council on Finance and Administration administers the United Methodist Church Group Federal Income Tax Exemption Ruling, which is contained in the attached ruling letter ("Group Ruling Letter") issued by the Internal Revenue Service to the Council on October 16, 1974. GCFA applied for the Group Ruling under the authority provided by *The Book of Discipline*. This mailing of the Group Ruling Letter and this explanation is intended as a reminder of the existence, nature and effect of the Group Ruling. Copies of this correspondence may be reproduced and distributed as necessary.

### **What Does the Group Ruling Do?**

The Group Ruling recognizes certain United Methodist organizations as exempt from payment of federal income tax under §501(c)(3) of the Internal Revenue Code. Organizations covered by the Group Ruling are not liable for taxes imposed under the Federal Unemployment Tax Act (FUTA). Covered organizations are not required to file Internal Revenue Service Form 990, unless they have received unrelated business income during the year, in which case they must file Internal Revenue Service form 990T (Exempt Organization Business Income Return).

Beginning January 1, 1984, all employees of non-profit organizations are covered by social security. (Therefore, the language in the 1974 Group Ruling Letter exempting churches from social security is out of date and should not be followed.) This change is mandatory and there are no exceptions.

A copy of the Group Ruling Letter may be used as initial proof of the tax-exempt status of covered organizations. Persons or corporations making gifts to United Methodist churches and other covered organizations under the Group Ruling may request evidence that the recipient of the gift is a tax-exempt organization. A copy

of the Group Ruling Letter may be furnished upon request in such cases. Requests for such letters of certification should be sent to the attention of the GCFA Legal Department. The Group Ruling Letter also may be used in obtaining bulk mailing permits from the U.S. Postal Service.

### **What United Methodist Organizations Are Covered By The Group Ruling?**

Organizations that are covered include local United Methodist churches and local United Methodist church agencies, commissions, committees, and affiliated organizations; annual conferences and divisions and departments thereof; annual conference agencies, commissions, committees, their divisions and departments thereof, and other related organizations; the Judicial Council and the General Conference. Covered organizations need to take no further action to acquire exemption from federal income tax. Copies of the Group Ruling Letter may be furnished as evidence of the covered organization's status. (Despite the 1974 issuance date, this remains in force and effect.)

Certain documents were filed by GCFA in its original application for the Group Ruling back in the early 1970's. These documents are updated annually and contain the names of the organizations that are automatically included within the Group Ruling. The principal listing documents are:

1. The most recent edition of The United Methodist Directory;
2. A computer printout, based on the information most nearly current as of the filing date, which lists the names and addresses of all charges and churches within the denomination and located in the United States;
3. A roster of organizations not included in the above categories, that have been accepted upon application to GCFA for inclusion within the Group Ruling.

The following types of institutions and organizations are **excluded** from coverage within the Group Ruling:

1. Hospitals, nursing homes, other health-care facilities and children's homes;
2. Universities, colleges and other educational institutions;
3. Non-denominational organizations headquartered in local churches, such as day-care centers, extended care facilities, and senior citizen

organizations, where such organizations are not an integral part of the local church in which they are located;

4. Certain recreational facilities and summer camps;
5. Ecumenical groups, such as a community food pantry operated by local churches of different religious denominations.

#### How Does An Organization Not Already Included Apply For Inclusion Within The Group Ruling?

Please forward any requests for inclusion within the Group Ruling to the General Council on Finance and Administration, 1200 Davis Street, Evanston, Illinois, 60201-4193, to the attention of the Legal Department. You may also fax requests to the Legal Department at (847) 425-6568. Such questions should not be referred directly to the Internal Revenue Service, which has designated GCFA as the administrator of the Group Ruling. Each inquiry will be considered on its individual facts and circumstances. If it is clear that the organization in question qualifies to be tax-exempt as a religious organization under §501(c)(3) of the Internal Revenue Code, GCFA will then make the determination whether or not the organization qualifies for inclusion within the Group Ruling.

Any affiliated United Methodist organization seeking to be added to the roster for inclusion within the Group Exemption Ruling (that is, a United Methodist organization that is not automatically covered) should submit to GCFA the following documents in support of its request.

1. A statement giving written authorization to GCFA to add the organization to the roster on file with the IRS;
2. A statement that the organization is not, in its opinion, a private foundation as defined in §509(a) of the Code;
3. A copy of the Articles of Incorporation of the organization, if any;
4. A copy of the bylaws of the organization, if any;
5. If there are no articles or bylaws, then similar “structure” documents, such as a mission statement, charter, standing rules, and/or explanation structure;
6. A statement setting forth the source and nature of the funding of the organization;

7. The Employer Identification Number (EIN) of the organization.

**IMPORTANT:** Organizations must have their own EIN. If you do not have an EIN, you **must** obtain one from the Internal Revenue Service by filing Internal Revenue Service form SS-4 with their Internal revenue Service District Office. The EIN functions as a taxpayer identification number for organizations just as a social security number functions in a similar manner for individuals. The number is to be used when churches and other organizations pay employee withholding tax and social security taxes. Inclusion in the Group Ruling is **not** the same as, and does **not** take the place of, having an EIN. Every church organization must have its own EIN!

Organizations seeking to be added to the roster should be aware that the annual filing is made September 30 of each year, which is 90 days prior to the close of the GCFA's fiscal year, in accordance with the Internal Revenue Service's requirements under the Group Ruling. All such requests for additions to the roster should be made in enough time for documents to be submitted and reviewed prior to the annual filing.

Organizations not qualifying for inclusion under the Group Ruling may, nevertheless, qualify for exemption via an individual ruling of tax exemption. In such cases, our recommendation is for the organization to seek an individual ruling directly from the Internal revenue Service.

### **What Is The Group Exemption Number (GEN) And How IS It Used?**

The Group Exemption Number (GEN 2573) is used within the Internal Revenue Service to identify the United Methodist Group Federal Income Tax Exemption Ruling. This number is to be used (1) by GCFA when it communicates with the Internal Revenue Service, relative to the Group Ruling, of (2) as a part of the IRS SS-4 form for obtaining EINs in line 8a, of (3) by any covered organization required to file Form 990T, *Exempt Organizations Business Income Tax Return*, because it has received "unrelated business income." Form 990T has no specific place for the entry if the GEN, It is to be entered in appropriate Internal Revenue Code §501(c)(3) on Box D at the upper right-hand section of Form 990T. The Group Exemption Number (GEN 2573) should not be used except in these three cases. **The GEN is not and must not be used as an Employer Identification Number!**

In all other cases, the Group Ruling should be referred to as follows:

The United Methodist Church Group Federal Income Tax Exemption Ruling Ruling Letter dates October 16, 1974

General Council on finance and Administration

**To Whom Should Questions And Requests On The Group Ruling Be Directed?**

GCFA, as part of its connectional responsibilities, is proud to be able to protect the legal interests of the denomination by maintaining the Group Ruling Exemption.

There may be other issues or concerns about the Group Ruling or about federal regulations that require non-profits to make records related to the tax exemption available for public inspection. Additional questions and requests for information should be directed to the General Council on Finance and Administration, 1200 Davis Street, Evanston, Illinois, 60201-6530 or fax us at (847) 425-6568. Please do not refer questions concerning the denominational Group Federal Income tax Exemption Ruling to any office of the Internal Revenue Service without previously discussing the matter with GCFA, which has been charged with administration of the Ruling by the Internal Revenue Service.

Attachment: 1974 IRS Group Ruling Letter

The following is a transcription taken from The Internal Revenue Service  
T:MS:EO:R:1-2 ruling dated October 16,1974:

Internal Revenue Service  
Washington, DC 20224  
October 16, 1974 T:MS:EO:R:1-2  
Council on Finance and Administration  
Of the United Methodist Church,  
A/k/a/ the United Methodist Church  
And Its Affiliated Organizations  
1200 Davis Street  
Evanston, Illinois 60201

Attn: R. Bryan Brawer

Dear Applicant:

This refers to the information submitted for use in determining your status and the status of your affiliated religious organizations, on the list you submitted, as being exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

For the purposes of this group ruling, your affiliated religious organizations include The General Conference, Judicial Council; General Agencies, Commissions, Committees, their divisions and departments thereof, and, other related organizations; Jurisdictional Conferences and Affiliated Agencies, Commissions, and other organizations; Annual Conference Agencies, Commissions, Committees, and affiliated organization; Local Churches and Local Church Agencies, Commissions, Committees, and other affiliated organizations.

Based on the information supplied, we rule that you and your affiliated religious organizations, on the list you submitted, are exempt from Federal income tax under section 501(c)(3) of the Code.

We have further determined that you and the affiliated religious organizations you operate, supervise, or control, and which are covered by notification to us, are not private foundations within the meaning of section 509(a) of the Code, because you and your affiliated religious organizations are organizations described in sections 170(b)(1)(A)(I) and 509(a)(1) of the Code.

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Organizations.

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, they are not automatically exempt from other Federal excise taxes.

You and your affiliated religious organizations are not required to file the Return for Organizations Exempt From Income Tax, Form 990, as you come within the exception contained in section 6033(a) (2) (A) (i) of the Code.

You and your affiliated religious organizations are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you or your affiliated religious organizations are subject to this tax, you must file an income tax return on Form 990-T. In this letter we are not determining whether any of your present or proposed activities, or those of your affiliated religious organizations, is unrelated trade or business as defined in section 513 of the Code.

You and your affiliated religious organizations are not liable for social security (FICA) taxes unless you file a waiver of exemption certificate as provided in the Federal Insurance Contributions Act. You and your affiliated religious organizations are not liable for the taxes imposed under the Federal Unemployment Tax Act (FUTA).

Donors may deduct contributions to you and to your affiliated religious organizations as provided by section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to or for your use, or to or for the use of your affiliated religious organizations, are deductible for Federal estate and gift tax purposes under section 2055, 2106, and 2522 of the Code.

If you change your purposes, character, or method of operation, please let your key District Director know so he may consider the effect on your exempt status. Also, please keep him informed of any changes in your name or address.

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Organizations.

You should advise each of your affiliated religious organizations of the provisions of this ruling, including the requirements for filing Federal tax returns.

Each year, within 45 days after the close of your annual accounting period, please send the following to the Director, Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155, Attention: EOR Branch:

1. A statement describing any changes during the year in the purposes, character, or method of operation of your affiliated religious organizations.
2. Lists of the names, mailing addresses, including Postal Zip Codes and employer identification numbers, of your affiliated religious organizations that during the year:
  - a. changed names or addresses;
  - b. were deleted from your roster; or
  - c. were added to the roster.
3. For affiliated religious organizations to be added attach:
  - a. a statement that the information upon which your present group exemption letter is based applies;
  - b. a statement that each has given you written authorization to add its name to the roster;
  - c. a list of those to which the Service previously issued exemption rulings or determination letters; and
  - d. a statement that none of the affiliated religious organization are private foundations as defined in section 509(a) of the Code.

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Organizations.

4. If applicable, a statement that your group exemption roster did not change during the year.

This ruling supersedes our ruling letter of November 20, 1945. In addition, this ruling letter supercedes our group exemption letters to your affiliated Annual Conferences and Conferences and to the individual determination of ruling letters issued to your affiliated churches and other affiliated religious organization.

Please be sure to enter your employer identification number on all your tax returns and in your correspondence with the Internal Revenue Service.

This ruling is not applicable to your affiliated foreign religious organizations.

The Key District Director, Internal Revenue Service, Chicago, Illinois, which is your key district for exempt organization matters, will be furnished a copy of this letter. Please keep this ruling in your permanent records.

Thank you for your cooperation.

Sincerely yours,

[signed]

Milton Cerny  
Chief, Rulings Section 1  
Exempt Organizations Branch