



501(c)3 Group Designation

June 2022

As you mentioned, all RCA churches are covered by the RCA's group exemption letter. This roster is updated annually. As churches transfer out, the RCA sends out a letter to the departing church that it will be removed from the RCA's Group Exemption roster.

The Alliance has received its 501(c)(3) tax-exempt certification from the IRS. Normally, we could then file for the group exemption. However, as we've learned recently, *in 2020, the Federal Government published IRS Notice 2020-36, which contains a proposed revenue procedure that sets forth updated procedures under which recognition of exemption may be obtained on a group basis for subordinate organizations affiliated with and under the general supervision or control of a central organization. As a result, the IRS announced that it will not accept any requests for group exemption letters beginning June 17, 2020, until publication of the final revenue procedure or other guidance. To date, no final revenue procedures or other guidance has been provided by the Biden Administration.*

But this is not a concern. Here's why:

Churches are automatically considered tax exempt by the IRS. Here's the relevant language from the IRS webpage (<https://www.irs.gov/charities-non-profits/churches-integrated-auxiliaries-and-conventions-or-associations-of-churches>):

Churches (including integrated auxiliaries and conventions or associations of churches) that meet the requirements of section 501(c)(3) of the Internal Revenue Code are automatically considered tax exempt and are not required to apply for and obtain recognition of exempt status from the IRS. Donors are allowed to claim a charitable deduction for donations to a church that meets the section 501(c)(3) requirements even though the church has neither sought nor received IRS recognition that it is tax exempt. In addition, because churches and certain other religious organizations are not required to file an annual return or notice with the IRS, they are not subject to automatic revocation of exemption for failure to file.

Nevertheless, many churches do seek IRS recognition of tax-exempt status because that recognition provides reliance to church leaders, members and contributors that a church is recognized as exempt from taxation and is eligible to receive tax-deductible contributions.

So, in short . . . even if we don't obtain a group exemption anytime soon, the churches in the Alliance are still automatically tax exempt so long as they meet the requirements that follow in the next part of this document.

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):

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

Virtually every Alliance church will meet those requirements to be automatically exempt. We can't imagine an Alliance church that would not meet those requirements.

Here's another guide (Tax Guide for Churches & Religious Organizations) that is helpful: <https://www.irs.gov/pub/irs-pdf/p1828.pdf>

In other words, tax exempt status is an issue that people appropriately bring up . . . but it is only a concern if the church is not complying with the requirements that would somehow cause it to lose its automatic tax exempt status under 501(c)(3).