

IRS BUSINESS MASTER FILE FOR EXEMPT ORGANIZATIONS UPDATE POLICY

Application

This policy applies to all United Church of Christ Local Churches included in the United Church of Christ federal group tax exemption.

Policy

This policy sets forth the response to requests by Local Churches that the National Setting contact the IRS and instruct it to update the IRS Business Master File for Exempt Organizations to include a specific Local Church in the IRS's Tax Exempt Organization database, so that it appears in an online search of the database.

It is the policy of the National Setting to deny these requests.

Rationale

In 2006, the IRS notified the United Church of Christ National Setting: "Because you are a church organization, you are not required to submit the annual updates to your subordinate listing." At that time, the National Setting ceased providing to the IRS updates to its list of group exemption members, including Local Churches. As a result, some Local Churches are not listed in the IRS's Tax Exempt Organization database.

The Office of General Counsel provides a letter to active Local Churches, upon request, that affirms their membership in the group exemption and their tax-exempt status, along with the original IRS determination letter for the denomination. In nearly all cases, this letter is sufficient for a Local Church to prove its tax-exempt status. Under the law, churches are automatically tax-exempt and need not have recognition of their tax-exempt status by the IRS. On occasion, a grantor or vendor policy may require more, but that is a function of private policy and not law.

When a Local Church requests that the National Setting contact the IRS to include it in the IRS's Tax Exempt Organization database as a group exemption member, staff become responsible for communicating with the IRS on the Local Church's behalf and following up with the IRS when the request is not processed in a timely manner. Additionally, staff become responsible for tracking the status of the Local Church and requesting that the IRS remove it from the Tax Exempt Organization database should the church become inactive or leave the denomination. Because of the notification by the IRS in 2006, those processes do not exist.

The polity of the United Church of Christ provides for the financial and legal autonomy of Local Churches. If a Local Church wants to apply for independent recognition of tax-exempt status by filing Form 1023 with the IRS, and therefore be included in the IRS's Tax Exempt Organization database to the extent it complies with the IRS's rules for being listed, that is a decision the Local Church may make without affecting its standing as a Local Church of the United Church of Christ. Local Churches are encouraged to consult with their tax and legal professionals as to the tax and legal effects of that decision.