

General Tax & Contribution Questions

Is a church required to file an annual report or income tax return to the IRS?

No. As an affiliated church with the PC(USA), your ministry is automatically tax-exempted from federal income tax under the provisions of section 501(c)(3) of I. R. C. and therefore your church is not required to file federal income tax returns (Form 990) so long as your church retains a tax-exempt status.

Your church is not liable for federal or state unemployment taxes.

You are responsible for Payroll Taxes except where exempted for pastors.

Can we use the Pittsburgh Presbytery EIN for opening a bank account or to issue W-2 or Form 1099-Misc?

When can we use the Presbytery's EIN?

No. You need to have your own EIN for the purpose of W-2 or Form 1099-Misc. You should never use the Presbytery's EIN for any purpose.

Is a church liable for tax on dividend, interest, annuities, royalties and rents from real property?

Generally, those forms of income are exempted from tax on unrelated business taxable income (IRC Sec 512(b)). However, if the rental income is from Debt-Financed Property (not Mortgage-free) and less than 85 percent of the property is used for church's exempt purpose, then it constitutes unrelated business taxable income.

How does a church make a report to the IRS for unrelated business income?

Unrelated business taxes are reported on IRS Form 990-T. Unrelated business income is income from a trade or business regularly carried on, which is not substantially related to the charitable purpose of the church. If your church has \$1,000 or more gross income (less allowable deduction) from unrelated business, you must file Form 990-T. Please let me know if you have any questions on this issue

Is a church required to send an annual giving record to the donors at the end of each year?

Per IRS, your church should issue a statement of receipt either when a daily contribution exceeds \$250, or Quid Pro Quo contribution exceeds \$75.

However, for donor's convenience, it may be good for your church to issue an annual giving statement at each year-end. It may be helpful for your financial planning and internal auditing purposes too.

To satisfy the IRS substantiation requirement your church needs to include the following paragraph at the end of the statement:

"No benefits were provided to you in return for your contribution other than intangible religious benefits. Please retain this letter for your tax records, since it fulfills the substantiation requirements that must be met in order to deduct your contribution." (Title XIII of OBRA '93 P.L. 103-66)