



## TAX INFORMATION ON STARTING A CHURCH OR NON-PROFIT ORGANIZATION (e.g. 501(C)(3) )

For IRS purposes, there is more than one way to form a Church or 501(c) (3) non-profit organization. This is intended to help understand a few principles of formation and is not intended to constitute legal advice. You should consult an attorney on the legal responsibilities of forming and operating any church or non-profit organization.

**Church Formation:** Forming a Church is relatively easy. Start by filing Form SS-4 with the IRS to obtain a Federal ID Number as a Church. Once you obtain the Federal ID Number you have the automatic right to operate as a Church.

-It is recommended that you take the additional step of filing Form 1023 or Form 1023 EZ with the IRS as you may receive relief from property taxes and other potential benefits. Typically, it may take up to 18 months to receive a determination letter from the IRS. However, immediately upon filing the Form 1023/ 1023EZ the applicant may operate under the assumption of approval from the IRS until it is notified otherwise.

-No annual tax filings of Form 990/ 990 EZ are required of a church under normal circumstances.

**Forming a Ministry or other Non-Profit Organization under Sec. 501(c) (3):** It is recommended that you obtain an attorney and file Articles of Incorporation with the Department of State as a not-for-profit. The Articles must include a Dissolution Clause stating that upon dissolution that all remaining assets are to be distributed or donated to another non-profit organization.

-The organization must list the Board of Directors names, addresses, and titles.

-File Form 1023 or Form 1023 EZ with the IRS (a lengthy application) requesting non-profit status.

-Typically, it may take up to 18 months to receive a determination letter from the IRS. However, immediately upon filing the Form 1023/ 1023EZ the applicant may operate under the assumption of approval from the IRS until it is notified otherwise.

-If the organization has under \$50,000 annual receipts from all sources it must annually file Form 990N online with the IRS. Form 990N ("postcard filing") is a limited questionnaire about the non-profit.

-If the organization has greater than \$50,000 annual receipts it must file Form 990 or Form 990 EZ with the IRS each year to maintain non-profit status.

**Payroll and Form 1099 requirements:** Each Church or Non-Profit must comply with filing any and all Payroll forms as required for employees. This may entail Quarterly or Monthly payment responsibilities and form filing. Annual W2 Forms, etc. must be furnished timely. Forms 1099 must also be furnished to non-employees paid \$600 or more in a given year.

**What We Can Do For You:** We can assist you in obtaining a Federal ID Number (Form SS-4). We can assist you in all Payroll matters (Registrations; filing Quarterly Taxes; printing paychecks, W2 Forms, etc.). We may or may not be able to help in filing Form 1023 or Form 1023 EZ to obtain non-profit status, depending on the complexity and time available for us. We can file the Form 990N for smaller non-profits each year. We do not prepare Forms 990 or 990 EZ for non-profits. We do not perform any audits for any company or non-profit organization. If these are required of your organization, you must obtain these services from another firm that provides them.

It is highly recommended to keep track of each donor and donations and furnish a receipt at year end to donors. Each donation of \$250 or more requires an individual listing or acknowledgement.