

## GROUP RULING FOR UNITED METHODIST CHURCHES

Pursuant to ¶ 807.7 of the 2000 Book of Discipline, the General Council on Finance and Administration ("GCFA") has the responsibility to maintain and administer The United Methodist Church Group Tax Exemption Ruling ("Group Ruling") on behalf of the denomination. The Group Ruling was issued by the Internal Revenue Service in a letter ("Group Ruling Letter") to GCFA, dated October 16, 1974. (Copies of the Group Ruling Letter are available from the GCFA Legal Department.)

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

The Group Ruling recognizes certain United Methodist organizations as exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. Organizations covered by the Group Ruling are also exempt from taxes imposed under the Federal Unemployment Tax Act (FUTA) and are not required to file Internal Revenue Service Form 990. However, if such organizations have received unrelated business income during the year, they must file Internal Revenue Service Form 990T (Exempt Organization Business Income Return). But note that beginning January 1, 1984, all employees of non-profit organizations are covered by social security. This change is mandatory and there are no exceptions. Therefore, the language in the 1974 Group Ruling Letter exempting churches from social security is out of date and should not be followed.

A copy of the Group Ruling Letter may be used as proof of the tax-exempt status of covered organizations. For example, persons or corporations making gifts to United Methodist Churches and other organizations covered 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 to such persons and upon request, this office will also furnish a letter certifying inclusion under the Group Ruling. Requests for such certification letters should be sent to the GCFA Legal Department. The Group Ruling Letter may also be used in obtaining bulk mailing permits from the U.S. Postal Service.

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

Some United Methodist organizations are explicitly included in the Group Ruling Letter, for example, all local United Methodist Churches; all annual conferences and their official agencies, commissions, and committees; the General Agencies; the Judicial Council; and the General Conference. These entities can simply refer to the Group Ruling Letter as evidence of their tax-exempt status. (Despite being issued in 1974, the Group Ruling Letter remains in full force and effect.) In addition, other organizations affiliated with one (or more) of these explicitly included entities can be covered under the Group Ruling in certain circumstances. (See the discussion below.)

In its original application for the Group Ruling Letter in the early 1970s, GCFA filed certain documents with the IRS. These documents are updated annually and contain

the names of the organizations that are currently covered by the Group Ruling. These documents are:

1. The most recent edition of The United Methodist Directory;
2. A computer printout of all local United Methodist Churches in the United States; and
3. A roster of organizations not included in the above two categories that have been accepted upon application to GCFA for inclusion within the Group Ruling.

The following types of institutions and organizations *cannot* be covered under 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; and
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 Under The Group Ruling?**

All requests for inclusion under the Group Ruling should be sent to the General Council on Finance and Administration, Legal Department, ~~1200 Davis Street, Evanston, Illinois, 60201 4193. You may also submit your request by telephone (847.425.6537), fax (847.425.6568), or e-mail (legal@gcfa.org).~~ Please do not send such requests to the Internal Revenue Service because it has designated GCFA as the administrator of the Group Ruling.

Each request 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 of whether or not the organization also qualifies for inclusion under the Group Ruling. Any affiliated United Methodist organization seeking to be included under the Group Ruling (that is, a United Methodist organization that is not already explicitly covered) should submit to GCFA the following documents in support of its request:

1. A statement giving written authorization to GCFA to include the organization under the Group Ruling;
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 of structure;
6. A statement setting forth the source and nature of the funding of the organization; and
7. The Employer Identification Number (EIN) of the organization.

GCFA will then examine all these documents to determine whether the organization qualifies for inclusion under the Group Ruling.

Organizations that do not qualify for inclusion under the Group Ruling may be able to demonstrate tax-exempt status on their own by obtaining an individual tax exemption ruling from the Internal Revenue Service.

Note: All organizations requesting inclusion under the Group Ruling must have their own EIN. If your organization does not have an EIN, you must first obtain one from the Internal Revenue Service by filing IRS Form SS-4. The EIN functions as a taxpayer identification number for organizations in the same way a social security number does for individuals. The EIN is 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.

### **Where Should Questions Regarding The Group Ruling Be Directed?**

Please direct all questions concerning the Group Ruling to the GCFA Legal Department (not the IRS).