

Cardinal Stuhk College

Internal Revenue Service

Department of the Treasury

District
Director

Baltimore District

31 Hopkins Plaza, Baltimore, Md. 21201

Telephone: (410) 962-6058

Entered in PCG

JUN 01 1992

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Mr. Mark E. Chopko
General Counsel
United States Catholic Conference
3211 4th Street, N.E.
Washington, D.C. 20017-1194

Corp ruling # 0928

Dear Mr. Chopko:

In a ruling dated March 25, 1946, we held that the agencies and instrumentalities and all educational, charitable and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the Official Catholic Directory for 1946, are entitled to exemption from federal income tax under the provisions of section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1986 Code. This ruling has been updated annually to cover the activities added to or deleted from the Directory.

The Official Catholic Directory for 1992 shows the names or addresses of all agencies and instrumentalities and all educational, charitable, and religious institutions operated by the Roman Catholic Church in the United States, its territories and possessions in existence at the time the Directory was published. It is understood that each of these is a non-profit organization, that no part of the net earnings thereof inures to the benefit of any individual, that no substantial part of their activities is for promotion of legislation, and that none are private foundations under section 509(a) of the Code.

Based on all information submitted, we conclude that the agencies and instrumentalities and educational, charitable, and religious institutions operated, supervised or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the Official Catholic Directory for 1992 are exempt from federal income tax under section 501(c)(3) of the Code.

Donors may deduct contributions to the agencies, instrumentalities and institutions referred to above, as provided by section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to them or for their use are deductible for federal estate and gift tax purposes under sections 2055, 2106, and 2522 of the Code.

Mr. Mark E. Chopko

Beginning January 1, 1984, unless specifically excepted, you and your subordinates must pay tax under the Federal Insurance Contributions Act (Social Security taxes) for each employee who is paid \$100 or more in a calendar year. You and your subordinates are not liable for tax under the Federal Unemployment Tax Act (FUTA).

Next year, within 90 days before the close of your annual accounting period, or by May 31, the date established by our letter of April 28, 1975, which gave an extension of time to file the information, please send one copy of the Official Catholic Directory of 1993 for each Internal Revenue District in which one or more of your subordinates are located, with four additional copies to this office.

The conditions concerning the retention of your group exemption as set forth in our previous determination letter of August 17, 1983 remain in full force and effect.

Sincerely yours,

H. G. Hightower
H. G. Hightower
District Director

Cardinal Stritch
College

TO: Mr. Robert Anderson

FROM: *SW* Scott Wallenfelsz

DATE: September 13, 1985

RE: Tax Status

Entered in POG

Enclosed you will find a copy of the 1985 group ruling concerning the tax status of organizations mentioned in the Official Catholic Directory.

If you have any questions, feel free to call.

the Sisters
of St. Francis
of Assisi



UNITED STATES CATHOLIC CONFERENCE

1312 MASSACHUSETTS AVENUE N.W., WASHINGTON, D.C. 20005 (202) 659-6690

Office of General Counsel

Entered in PCG

July 12, 1985

FOR THE INFORMATION OF:

The Most Reverend Archbishops and
Bishops, Superiors of Religious
Orders and Institutions, Diocesan
Attorneys and State Conference
Directors

SUBJECT:

1985 Group Ruling

FROM:

Wilfred R. Caron *WR* General Counsel

Enclosed is a copy of the group ruling issued on June 18, 1985 by the United States Treasury Department, Internal Revenue Service ("IRS"), with respect to the federal tax status of organizations listed in the Official Catholic Directory ("OCD") for 1985. As explained in greater detail below, this ruling is important for establishing:

- (1) the exemption of such organizations from:
 - (a) federal income tax;
 - (b) federal unemployment tax (but see par. 3 of "Explanation" below); and
- (2) the deductibility, for federal income, gift and estate tax purposes, of contributions to such organizations.

The 1985 group ruling is the latest in a series that began with the original determination of March 25, 1946. In the 1946 document, the Treasury Department affirmed, in a single group ruling, the exemption from federal income tax of all Catholic institutions listed in the OCD for that year. Each year since 1946, in a separate letter, the 1946 ruling has been extended to the institutions listed in the current OCD. The language of these rulings has been substantially the same throughout their history, with changes from time to time to reflect intervening

modifications in the Internal Revenue Code. The 1985 group ruling is consistent with the 1984 ruling. It incorporates by reference the conditions for retaining exempt status set forth in the 1983 ruling.

The annual group rulings clarify important tax consequences for Catholic institutions listed in the OCD, and should be retained for ready reference. Rulings from earlier years are important to establish the tax consequences of transactions that occurred during those years.

EXPLANATION

1. Exemption from Income Tax. The latest ruling reaffirms the exemption from federal income tax of "the agencies and instrumentalities and educational, charitable and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the Official Catholic Directory for 1985."

2. Deductibility of Contributions. The group ruling assures donors that contributions to the institutions listed in the 1985 OCD are deductible for federal income, gift, and estate tax purposes.

3. Unemployment Tax. The group ruling establishes the exemption from federal unemployment tax of institutions listed in the 1985 OCD. However, states may impose an unemployment tax on certain nonprofit institutions, even though they are exempt from the federal tax.

4. Social Security Tax. Beginning January 1, 1984, all section 501(c)(3) organizations, including churches, were required to pay taxes under the Federal Insurance Contributions Act (FICA) for each employee who is paid \$100 or more in a calendar year. 1/

5. Form 990. Under section 6033 of the Internal Revenue Code, the following organizations are not required to file Form 990, Return of Organization Exempt from Income Tax: churches;

1/ The Deficit Reduction Tax Act of 1984 permits certain church-related organizations to make an irrevocable election to avoid payment of FICA taxes, but only if such organizations are opposed for religious reasons to payment of social security taxes. (See memo dated August 10, 1984).

integrated auxiliaries of churches ^{2/}; the exclusively religious activities of religious orders; schools below college level affiliated with a church or operated by a religious order; church-controlled organizations that finance, fund or manage church assets or maintain church retirement insurance programs, and organizations controlled by religious orders that finance, fund, ^{3/} or manage assets used for exclusively religious purposes; ^{3/} and effective for taxable years ending on or after December 31, 1982, organizations with gross receipts normally not in excess of \$25,000. ^{4/}

Organizations required to file must do so by the 15th day of the fifth month after the close of their fiscal year. The requirement for filing Form 990 became effective, for organizations required to file, for the year 1976 and subsequent years.

6. Revenue Procedure 75-50. Rev. Proc. 75-50 ^{5/} sets forth guidelines and recordkeeping requirements regarding the racially nondiscriminatory policy that must be complied with by private schools, including church-related schools, to establish and maintain exempt status under section 501(c)(3) of the Code. Under Rev. Proc. 75-50 private schools are required to file an annual certification of racial nondiscrimination with the IRS. For private schools not required to file Form 990, the annual certification must be filed on Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax. Form 5578 must be filed by the 15th day of the fifth month following the close of the fiscal year. School officials should insure that the requirements of Rev. Proc. 75-50 are met since failure to do so could jeopardize the exempt status of the

^{2/} For taxable years 1970 through 1975, organizations listed in the OCD were excused from filing Form 990 because the Treasury Department had not clarified the meaning of the term "integrated auxiliaries of a church." In January 1977, the Treasury Department promulgated final regulations defining that term. Under the regulations, organizations that are considered integrated auxiliaries include men's and women's organizations that are a part of the church structure, seminaries, mission societies, or youth groups. The following organizations are not considered integrated auxiliaries: hospitals, colleges and universities, orphanages that have a separate identity from a church, and homes for the aged.

^{3/} Notice 84-2, 1984-8 I.R.B. 15.

^{4/} Announcement 82-88, 1982-25 I.R.B. 23.

^{5/} 1975-2 C.B. 587.

school and, in the case of a school operated by a church, the exempt status of the church itself. (See mailings of September 1, 1976 and April 6, 1977, regarding Rev. Proc. 75-50 and Form 5578).

7. Legislative/Political Activities. Section 501(c)(3) of the Code states that organizations exempt under its provisions must not participate or intervene in any political campaign on behalf of any candidate for public office nor, as a substantial part of their activities, carry on propaganda or otherwise attempt to influence legislation. If you have any questions in this regard, please refer them to your attorney. (See mailing of March 9, 1984).

8. Private Foundation Status. Another important ruling is the Treasury determination letter issued to the United States Catholic Conference on December 11, 1970. It affirms the non-private foundation status of organizations listed in the OCD. This letter was distributed in the normal course. Copies are available. It is not reissued by Treasury Department because its applicability is not limited to a particular edition of the OCD. Since organizations listed in the OCD are not private foundations, they are exempt from the restrictions imposed on such organizations by the Tax Reform Act of 1969. The December 11, 1970 determination letter also assures private foundations that they may make tax free grants and terminal distributions to organizations listed in the OCD.

9. Distribution of OCD. Each year copies of the OCD have been made available to the National Office and the several district offices of the IRS to facilitate administration of the group ruling. The availability of the OCD is important to donors and others. It should be relied upon when problems arise locally.

10. Group Exemption Number. The group exemption number assigned to the United States Catholic Conference is 928 or 0928. Either number may be used, and must be included on each Form 990, Form 990-T, and Form 5578 required to be filed by any organization or institution exempt under the group ruling.

11. Responsibilities under Group Ruling. The 1985 group ruling incorporates by reference procedures outlined in the 1983 ruling that are the responsibility of the Office of General Counsel. However, Diocesan Officials who compile OCD information for transmittal to P.J. Kenedy & Sons are responsible for the accuracy of such information. (See mailing of March 16, 1984).

The Office of General Counsel will be pleased to respond to inquiries about the group ruling, and to make available on request additional copies of the ruling or this memorandum.

Enclosure