

Home), Ext. 268. Sisters of St. Elizabeth. Mother

Legal Resource Center for Religious

8812 Cameron Street • Silver Spring, Maryland 20910-4152

Tel: 301-589-8143 • Fax: 301-589-2897

MEMORANDUM

TO: TREASURERS/FINANCIAL ADMINISTRATORS
ORGANIZATIONS LISTED IN *THE OFFICIAL CATHOLIC DIRECTORY*

FROM: DANIEL J. WARD, OSB, ACTING EXECUTIVE DIRECTOR

DATE: JULY 2000

RE: 2000 GROUP RULING

The Legal Resource Center for Religious is pleased to provide you with the enclosed copy of the 2000 Group Ruling issued on June 5 by the Internal Revenue Service to the United States Catholic Conference (USCC). The Group Ruling is evidence that all organizations listed in the 2000 edition of *The Official Catholic Directory* (*The OCD*) are recognized as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

Copies of each annual group ruling letter should be kept by every exempt organization as evidence of its exempt status in each year of its operation. As you know, donors to your organization may take income tax deductions of gifts only if they can produce evidence of the organization's 501(c)(3) status. This status is proven by a copy of the annual letter for the year in which a gift is given, plus copies of both the title page of *The OCD* and the page showing the organization's listing in *The OCD* for that same year.

The cover memorandum from the USCC Office of the General Counsel points out the significance of inclusion in the group ruling and offers a detailed explanation regarding organizations listed in *The OCD*. Highlighted in this year's memorandum are: exemption from federal income tax, federal excise taxes, state/local taxes, deductibility of contributions, unemployment tax, Social Security tax, Form 990, Revenue Procedure 75-50, lobbying and political activities, private foundation status and the group exemption number.

NOTE: This is the only copy of the 2000 Group Ruling and USCC Memo to be sent to your organization. As appropriate, please make copies available to your other members and any other associated organizations.

Attachments (2)

- Serving as a locus for the integration of civil law, canon law and the spirit of religious life
- Providing legal education and consultation for Catholic religious and their professional advisors
- Providing analysis and action on legal issues affecting religious within US society and the church



In cooperation with the

- Conference of Major Superiors of Men
- Leadership Conference of Women Religious
- National Association for Treasurers of Religious Institutes

Internal Revenue Service
District Director

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: June 5, 2000

Person to Contact:
Myrna Huber #31-07276
Telephone Number:
877-829-5500
FAX Number:
513-263-3756

Ms. Deirdre Halloran
Associate General Counsel
United States Catholic Conference
3211 4th Street, N.E.
Washington, D.C. 20018-1194

Dear Ms Halloran:

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* 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 2000 shows the names and 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 2000 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 1055, 2106, and 2522 of the Code.



Office of the General Counsel

3211 4th Street N.E. Washington, DC 20017-1194 (202)541-3300 FAX (202)541-3337 TELEX 7400424

IMPORTANT GROUP RULING INFORMATION

June 23, 2000

FOR THE INFORMATION OF: Most Reverend Archbishops and Bishops, Diocesan Attorneys and Fiscal Managers, and State Conference Directors

SUBJECT: 2000 Group Ruling

FROM: Mark E. Chopko, General Counsel
(Staff: Deirdre Dessingue Halloran, Associate General Counsel)

Enclosed is a copy of the Group Ruling issued on June 5, 2000 by the Internal Revenue Service ("IRS"), with respect to the federal tax status of Catholic organizations listed in the 2000 edition of the Official Catholic Directory ("OCD")¹. 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 ¶5 of "Explanation" below); and
- (2) the deductibility, for federal income, gift and estate tax purposes, of contributions to such organizations.

The 2000 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 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 cover the institutions listed in the current OCD. The language of these rulings has remained relatively unchanged, except to reflect intervening modifications in the Internal Revenue Code ("Code"). The 2000 Group Ruling is consistent with the 1999 ruling. The 2000 OCD reflects certain changes that have been made in USCC's administration of the group exemption. Catholic organizations with independent IRS exemption determination letters are listed in the 2000 OCD with an asterisk (*), which is explained at page A-12 and indicates that such organizations are not covered by the Group Ruling.

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.

¹ A copy of the Group Ruling may also be found on the USCC website at www.nccbuscc.org/ogc.

exercise of their ministry are not considered "employment" for FICA (Social Security) purposes,^{3/} and FICA should not be withheld from their salaries. *For Social Security purposes*, diocesan priests are subject to self-employment tax ("SECA") on their salaries as well as on the value of meals and housing or housing allowances provided to them.^{4/} The Ticket to Work and Work Incentives Improvement Act of 1999 established a two-year window of opportunity for priests who previously elected not to participate in Social Security to re-enter the program. Priests wishing to re-join Social Security must file Form 2031 with IRS *no later than the due date for their federal income tax returns for the second taxable year beginning after December 31, 1999 [generally April 15, 2002].*^{5/} Neither FICA nor income tax withholding is required on remuneration paid to religious institutes for members who are subject to vows of poverty and obedience and are employed by organizations included in the Official Catholic Directory.^{6/}

7. **Form 990.** All organizations included in the OCD must file Form 990, Return of Organization Exempt from Income Tax, *unless* they are eligible for a mandatory or discretionary exception. ***There is no automatic exemption from the Form 990 filing requirement simply because an organization is listed in the OCD.*** Organizations required to file Form 990 must do so by the 15th day of the fifth month after the close of their fiscal year.^{7/} Among the organizations *not* required to file Form 990 under section 6033 of the Code are: churches; integrated auxiliaries of churches^{8/}; the exclusively religious activities of religious orders; schools below college level affiliated with a church or operated by a religious order; organizations with

³ I.R.C. § 3121(b)(8)(A).

⁴ I.R.C. § 1402(a)(8).

⁵ Form 2031 is available from your local IRS office or at the IRS website: www.irs.gov.

⁶ Rev. Rul. 77-290, 1977-2 C.B. 26.

⁷ The penalty for failure to file the Form 990 is \$20 for each day the failure continues, up to a maximum of \$10,000 or 5 percent of the organization's gross receipts, whichever is less. However, organizations with annual gross receipts in excess of \$1 million are subject to penalties of \$100 per day, up to a maximum of \$50,000. I.R.C. § 6652(c)(1)(A).

⁸ I.R.C. § 6033(a)(2)(A)(i); Treas. Reg. § 1.6033-2(h). Effective December 20, 1995, the internal support test formerly contained in Rev. Proc. 86-23, 1986-1 C.B. 564, is the sole test for determining whether an organization qualifies as an integrated auxiliary of a church. To qualify, an organization must be described in section 501(c)(3), qualify as other than a private foundation, be affiliated with a church, and qualify as internally supported. An organization will be considered internally supported *unless* it both:

- (1) Offers admissions, goods, services, or facilities for sale, other than on an incidental basis, to the general public (except goods, services, or facilities sold at a nominal charge or substantially below cost), *and*
- (2) normally receives more than 50 percent of its support from a combination of governmental sources; public solicitation of contributions (such as through a community fund drive); and receipts from the sale of admissions, goods, performance of services, or furnishing of facilities in activities that are not unrelated trades or businesses.

requirements of Rev. Proc. 75-50 are met since failure to do so could jeopardize the exempt status of the school and, in the case of a school operated by a church, the exempt status of the church itself.

9. **Lobbying Activities.** Organizations included in the OCD may lobby for changes in the law, provided such lobbying is not more than an insubstantial part of their total activities. Attempts to influence legislation both directly and through grassroots lobbying are subject to this restriction. The term "lobbying" includes activities in support of or in opposition to referenda, constitutional amendments, and similar ballot initiatives. There is no distinction between lobbying activity that is related to an organization's exempt purposes and lobbying that is not. There is no fixed percentage that constitutes a safe harbor for "insubstantial" lobbying. Please refer to your attorney any questions you may have about permissible lobbying activities.

10. **Political Activities.** *Organizations included in the Group Ruling may not participate or intervene in any political campaign on behalf of or in opposition to any candidate for public office. Violation of the prohibition against political activity can jeopardize the organization's tax-exempt status.* In addition to revoking exempt status, IRS may also impose excise taxes on an exempt organization and its managers on account of political expenditures. Where there has been a flagrant violation, IRS has authority to seek an injunction against the exempt organization and immediate assessment of taxes due. If you have any questions in this regard, please refer them to your attorney. (See OGC Memo dated February 29, 2000.)

11. **Private Foundation Status.** The latest Group Ruling affirms that organizations included in the OCD are not private foundations under section 509(a) of the Code. However, the Group Ruling does not identify the subsection of section 509(a) under which a particular organization is covered. Organizations must determine for themselves whether they qualify for such status under the provisions of section 509(a)(1), (a)(2) or (a)(3). Newly-created or newly-affiliated organizations must establish that they are not private foundations as a condition of inclusion in the Group Ruling and OCD.

12. **Group Exemption Number.** The group exemption number assigned to USCC is 928 or 0928. ***This number must be included on each Form 990, Form 990-T, and Form 5578 required to be filed by any organization exempt under the Group Ruling.***¹⁴ We recommend *against* using the group exemption number on Form SS-4, Request for Employer Identification Number, because in the past this has resulted in IRS including USCC as part of the organization's name when it enters the organization in its database.

If you have questions concerning the Group Ruling or this memorandum, please contact Deirdre Dessingue Halloran at 202-541-3300 or by e-mail at dhalloran@nccbuscc.org.

Enclosure

¹⁴

IRS has expressed concern about organizations covered under the Group Ruling that fail to include the group exemption number, 0928, on their Form 990 filings, particularly the initial filing.

Home), Ext. 268. Sisters of St. Elizabeth. Mother

Internal Revenue Service**Department of the Treasury**District
Director

Baltimore District

31 Hopkins Plaza, Baltimore, Md. 21201

▷ August 12, 1988

Telephone: (301) 962-4768

United States Catholic Conference
Ms. Deirdre Halloran
Associate General Counsel
1312 Massachusetts Avenue, N.W.
Washington, D.C. 20005

Dear Ms. Halloran:

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 1954 Code. This ruling has been updated annually to cover the activities added to or deleted from the Directory.

The Official Catholic Directory for 1988 shows the names and 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 nonprofit 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 1988 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.

AUG 26 1988