



God is still speaking

TO: Justice & Witness Ministries (A Covenanted Ministry of the United Church of Christ)

FROM: Office of General Counsel

RE: Consequences of Losing Tax-Exempt Status

Date: March 15, 2016

Churches are encouraged to exercise their rights to be involved in the electoral process in significant and meaningful yet nonpartisan ways. The United Church of Christ Our Faith Our Vote Campaign provides a wealth of information on how churches can get involved without jeopardizing their tax-exempt status. Please visit <http://www.ucc.org/ourfaithourvote> for further information. If a church engages in political campaign intervention, the church may lose its tax-exempt status, with the following consequences:

- Charitable donors to the church would no longer be able to claim an income tax deduction for their gift to the church.
- The church would have to notify current and planned gift donors of its change in charitable status, and that donor's loss of tax benefits for their giving.
- The church would have to terminate long-term planned gifts that it is no longer eligible to maintain due to loss of tax-exempt status.
- The church may lose the ability to be listed in the UCC Yearbook and Directory.
- The church would not be able to hold itself out to be a charitable entity. The church must begin paying annual corporate income tax at a federal rate of 15-38% and up to 12% at the state and local level.
- The church must modify its governing documents to reflect for-profit corporation status.
- The church would have to adopt a structure, elect shareholders and corporate officers, and ensure that all necessary documents are filed with the specific secretary of state.
- The church would have to file IRS Form 1120 or 1120S every year, file Form K-1 for each of the church's shareholders, and file state and local taxes.

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