

## **IRS BUSINESS MASTER FILE FOR EXEMPT ORGANIZATIONS UPDATE POLICY**

### **Application**

This policy applies to all United Church of Christ Local Churches included in the United Church of Christ federal group tax exemption. This policy is updated to account for the IRS's recent review of its guidance on the matter and to clarify the difference between the IRS Business Master File for Exempt Organizations and the Tax Exempt Organization Search Tool.

### **Policy**

This policy sets forth the response to requests by Local Churches that the National Setting contact the IRS and instruct it to update the IRS Business Master File for Exempt Organizations (EO BMF) to include a specific Local Church in the IRS Business Master File for Exempt Organizations.

It is the policy of the National Setting to deny these requests.

### **Rationale**

In 2006, the IRS notified the United Church of Christ National Setting: "Because you are a church organization, you are not required to submit the annual updates to your subordinate listing." At that time, the National Setting ceased providing to the IRS updates to its list of group exemption members, including Local Churches.

A Local Church typically requests the EO BMF be updated because it wants its information to appear in the Tax Exempt Organization Search Tool (TEOST), an online, publicly available IRS database. Updating the EO BMF does not result in a Local Church's information being listed in the TEOST. Only organizations that file a 1023 or 1023 EZ are listed in the TEOST. This is per [IRS policy](#) as of April 8, 2024. Also see IRS information on [Other Eligible Donees](#), updated April 9, 2024, stating specifically that TEOST is based on "information received in applications seeking recognition of exemption under Internal Revenue Code section 501(c)(3)," and "[s]ubordinate units that are included in group exemption letters are not listed separately in Tax Exempt Organization Search (Pub. 78 data)." The only way a Local Church can be listed in TEOST is to file a 1023 or 1023-EZ, application for recognition of exempt status, and leave the group exemption.

A Local Church may be asked to prove its tax-exempt status. This request may come from a donor, who in compliance with Internal Revenue Code Section 170 may deduct contributions to 501(c)(3) organizations; from a vendor, who may offer special benefits to tax-exempt organizations; from a grantor who awards grants to tax-exempt organizations; or in connection with any other program available to tax-exempt organizations.

The IRS provides specific guidance on how to verify whether an organization is a member of a group exemption in [Publication 4573, Group Exemptions](#):

**How do I verify that an organization is included as a subordinate in a group exemption ruling?**

The central organization that holds a group exemption (rather than the IRS) determines which organizations are included as subordinates under its group exemption ruling. Therefore, you can verify that an organization is a subordinate under a group exemption ruling by consulting the official subordinate listing approved by the central organization or by contacting the central organization directly. You may use either method to verify that an organization is a subordinate under a group exemption ruling.

**How do donors verify that contributions are deductible under Section 170 with respect to a subordinate organization in a Section 501(c)(3) group exemption ruling?**

Subordinate units that are included in group exemption letters are not listed separately in Tax Exempt Organization Search (Publication 78 data). Donors should obtain a copy of the group exemption letter from the central organization. The central organization's listing in Tax Exempt Organization Search will indicate that contributions to its subordinate organizations covered by the group exemption ruling are also deductible, even though most subordinate organizations are not separately listed in Tax Exempt Organization Search or on the Exempt Organizations Business Master File. Donors should then verify with the central organization, by either of the methods indicated above, whether the particular subordinate is included in the central organization's group ruling. The subordinate organization need not itself be listed in Tax Exempt Organization Search or on the EO Business Master File. Donors may rely on central organization verification about deductibility of contributions to subordinates covered in a Section 501(c)(3) group exemption ruling.

In compliance with the IRS's guidance above, the Office of General Counsel provides a letter to active Local Churches, upon request, that affirms their membership in the group exemption and their tax-exempt status, along with the original IRS determination letter for the denomination. In nearly all cases, this letter is sufficient for a Local Church to prove its tax-exempt status. Under the law, churches are automatically tax-exempt and need not have recognition of their tax-exempt status by the IRS. On occasion, a grantor or vendor policy may require more, but that is a function of private policy and not law. There is no action the United Church of Christ National Setting can take on behalf of a Local Church to list the Local Church in the TEOST.

When a Local Church requests that the National Setting contact the IRS to include it in the IRS's EO BMF as a group exemption member, staff become responsible for communicating with the IRS on the Local Church's behalf and following up with the IRS when the request is not processed in a timely manner. Additionally, staff become responsible for tracking the status of the Local Church and requesting that the IRS remove it from the EO BMF should the church become inactive or leave the denomination. Because of the notification by the IRS in 2006, those processes do not exist.

The polity of the United Church of Christ provides for the financial and legal autonomy of Local Churches. If a Local Church wants to apply for independent recognition of tax-exempt status by filing Form 1023 with the IRS, and therefore be included in the TEOST to the extent it complies with the IRS's rules for being listed, that is a decision the Local Church may make without affecting its standing as a Local Church of the United Church of Christ. Local Churches are

encouraged to consult with their tax and legal professionals as to the tax and legal effects of that decision.