

**APPLICATION FOR INCLUSION IN
THE UNITED METHODIST CHURCH GROUP TAX EXEMPTION RULING**

Category II Organizations

A. General Information and Instructions

A1. In 1974, the IRS issued a group tax exemption ruling (“group ruling”) to the Council on Finance and Administration of The United Methodist Church, now known as the General Council on Finance and Administration of The United Methodist Church (“GCFA”). (The IRS Group Exemption Number (“GEN”) for the group ruling is 2573.) In accordance with IRS procedures, GCFA is the “central organization” responsible for administering the group ruling.

A2. Organizations affiliated with The United Methodist Church (“Church”) may apply to be included in the group ruling, and such organizations accepted for inclusion in the group ruling are exempt from federal income tax under Section 501(c)(3) of the tax code.

A3. This application form is for Category II organizations (that is, organizations other than local churches, districts, annual conferences, jurisdictions, or general agencies) applying to be included in the group ruling. If the applying organization is a Category I organization (that is, a local church, district, annual conference, jurisdiction, or general agency), please do not use this application form. There is a separate application form for Category I organizations available through the GCFA Legal Services Department.

A4. All Category II organizations must complete this application form to be included in the group ruling. The applying organization should submit this application form as soon as possible after the organization is formed.

A5. Not all organizations affiliated with The United Methodist Church are eligible to be included in the group ruling. If an organization cannot be included in the group ruling, it must apply directly to the IRS for recognition of its tax-exempt status. As the central organization for the group ruling, GCFA has the discretion and authority to determine which organizations will be included (and continue to be included) in the group ruling.

A6. In addition to answering all the questions in this application form, the applying organization must submit certain documents with this application. Incomplete applications or applications submitted without the necessary documents will not be considered.

A7. The last section of this application form contains a “Certification and Authorization” statement that must be signed by a duly authorized officer of the applying organization.

A8. Please mail the completed application and all supporting documents to:

GCFA
Legal Services Department
1 Music Circle North
PO Box 340029
Nashville, TN 37203-0029
or, email to: legal@gcfa.org.

A9. For questions concerning this application, please contact the GCFA Legal Services Department at legal@gcfa.org or (615) 369-2334.

B. Basic Information

(Please print or type)

Name of Applying Organization:

Mailing Address:

Physical Address (if different from above):

Phone: _____ Fax: _____

Email Address: _____

Website: _____

Employer Identification Number (EIN): _____

Name of Contact Person: _____

Contact Person's Title: _____

Contact Person's Phone Number (if different than above): _____

Contact Person's Email Address (if different than above): _____

C. Separate Legal Entity

As outlined in more detail below, to be included in the group ruling, the applying organization must have a strong organizational relationship with some Category I organization (that is, a local church, district, annual conference, jurisdiction, or general agency). While the applying organization need not be separately incorporated, it must be a *separate legal entity* from its related Category I organization to be included in the group ruling under its own name. The question of whether a given organization is a separate legal entity from another organization is a question of state law. However, at a minimum, to be a separate legal entity eligible for inclusion in the group ruling under its own name, the applying organization must have its own federal Employer Identification Number (EIN) and its own “organizing documents” (see below).

If the applying organization is not a separate legal entity from a Category I organization (for example, it is simply a program, mission, fund, or activity that is a part of a Category I organization), do not submit this application. In this circumstance, the applying organization “inherits” its tax exempt status from the Category I organization, and the GCFA Legal Services Department can issue a letter certifying the inclusion of the Category I organization in the group ruling.

C1. Employer Identification Number (EIN) – To be included in the group ruling, the applying organization must have its own EIN. Specifically, the applying organization must have an EIN issued by the IRS in the name of the applying organization. The applying organization may not use an EIN belonging to another entity such as a local church, district, annual conference, jurisdiction, or general agency.

Q1. Did the IRS issue the EIN shown in Section B (above) in the name of the applying organization?

Yes ____ No ____

C2. Organizing Documents – The applying organization must have its own organizing documents stating the organization’s name, purpose, and intent to form an organization. The organizing documents must be formally approved or authorized by the applying organization. If the applying organization is incorporated, the organizing documents are the Certificate of Incorporation, Articles of Incorporation, and Bylaws. If the applying organization is not incorporated (i.e., it is an “unincorporated association”), the organizing documents are the Articles of Association, Constitution, Bylaws, or other similar documents.

Q2. Does the applying organization have its own organizing documents?

Yes ____ No ____

Q3. Are copies of all current organizing documents (approved, signed, and dated) included with this application?

Yes ____ No ____

If the answer to any of the preceding three questions, Q1 – Q3, is “No,” please do not submit this application.

D. Ineligible Organizations

The following types of organizations are not eligible to be included in the group ruling:

1. any organization that has previously been denied tax-exempt status by the IRS;
2. any organization whose tax-exempt status has been revoked by the IRS;
3. any organization the IRS has recognized as exempt under a subsection of §501(c) other than subsection 501(c)(3); *(Note: if an organization was previously issued an individual exemption letter from the IRS under subsection 501(c)(3), inclusion in the group ruling will supersede the prior individual exemption letter.)*
4. any organization already included in another group ruling;
5. any organization organized and operated in a foreign country;
6. any organization whose primary purpose is the sponsorship of donor advised funds;
7. any organization that is a successor to a for-profit entity;
8. any organization that is a Limited Liability Company (“LLC”);
9. any organization formed with for-profit entities or individuals as a joint venture, co-ownership, partnership, LLC, corporation, or other similar arrangement;
10. any organization that provides commercial-type insurance as a substantial part of its activities;
11. any organization that provides housing for low income, elderly, or handicapped individuals;
12. any organization that is an individual medical practice group, Health Maintenance Organization (“HMO”), Preferred Provider Organization (“PPO”), or hospital;
13. any organization that is a college or university (other than a seminary);
14. any organization that is a cemetery or cemetery association.

Q4. Is the applying organization an organization described in the list 1- 14 above?

Yes _____ No _____

If the answer to question Q4 is “Yes,” please do not submit this application.

E. Form of Organization

Please check one of the following:

The applying organization is incorporated _____

The applying organization is not incorporated _____

Date of Incorporation/Formation: _____

State where Incorporated/Formed: _____

F. Content of the Organizing Documents

Organizations included in the group ruling must satisfy all legal requirements to be exempt from federal income tax under Section 501(c)(3) of the tax code. The IRS requires that certain language be in the organizing documents of all Section 501(c)(3) organizations. (See Section C.2 above for a discussion of what constitutes “organizing documents.”) Moreover, additional language is required to be in the organizing documents of all organizations included in the group ruling.

F1. Purpose Clause

Sample Language:

[insert the name of the applying organization] is organized exclusively for charitable, religious, educational, or scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Q5. Do the organizing documents contain language substantially similar to the sample purpose clause given above? (Note that if the applying organization is incorporated, the purpose clause must appear in its Articles of Incorporation, not just its Bylaws.)

Yes ____ No ____

If the answer to question Q5 is “No,” please do not submit this application.

If the answer to question Q5 is “Yes,” please provide the name of the organizing document _____, page number _____ and paragraph/section number _____ where such language appears.

F2. Prohibitions and Limitations Clauses

Sample Language:

No part of the net earnings of the organization shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the organization shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the exempt purposes of the organization. No substantial part of the activities of the organization shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the organization shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision herein, this organization shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this organization.

Q6. Do the organizing documents contain language substantially similar to the sample prohibitions and limitation clauses given above?

Yes ____ No ____

If the answer to question Q6 is "No," please do not submit this application.

If the answer to question Q6 is "Yes," please provide the name of the organizing document _____, page number _____ and paragraph/section number _____ where such language appears.

F3. Related Category I Organization Clauses – To be included in the group ruling, a Category II organization (i.e., an organization other than a local church, district, annual conference, jurisdiction, or general agency) must have a strong organizational relationship to a Category I organization (i.e., a local church, district, annual conference, jurisdiction, or general agency). Specifically, the Category II organization must be controlled by a Category I organization, and exclusively support or benefit that Category I organization in carrying out its mission and ministry for the Church. In what follows, such a Category I organization shall be referred to as the "Related Category I Organization."

Q7. What is the name, address, and telephone number of the applying organization's Related Category I Organization?

The relationship between the applying organization and its related Category I organization must be explicitly contained in the organizing documents.

Sample Language:

In furtherance of its exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, the organization is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of *[insert the name of the Related Category I Organization]* and is operated, supervised or controlled by *[insert the name of the Related Category I Organization]*.

At all times, at least sixty percent (60%) of the members of the organization's *[insert the name of the applying organization's governing body, e.g., Board of Directors]* must be *[appointed or elected]* by *[insert the name of the Related Category I Organization]*, an organization required to act in accordance with *The Book of Discipline of The United Methodist Church*.

Q8. Do the organizing documents contain language substantially similar to the sample related Category I Organization clauses given above?

Yes ____ No ____

If the answer to question Q8 is "No," please do not submit this application.

If the answer to question Q8 is "Yes," please provide the name of the organizing document _____, page number(s) _____ and paragraph/section number(s) _____ where such language appears.

F4. Dissolution Clause

Sample Language:

Upon the dissolution of the organization, all assets of the organization remaining after all liabilities and obligations of the organization have been paid, satisfied and discharged, will be transferred, conveyed, and distributed to *[insert the name of the Related Category I Organization]*.

If on the date of such proposed distribution, *[insert the name of the Related Category I Organization]* is no longer in existence or does not qualify for exempt status under §501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, the assets of the organization shall be transferred, conveyed, and distributed to the United Methodist entity (the "Successor Organization") entitled under *The Book of Discipline of The United Methodist Church*, or by other General Conference, Jurisdictional Conference, Annual Conference, or District action, to receive the assets of *[insert the name of the Related Category I Organization]* upon its dissolution.

If pursuant to the preceding paragraphs, the organization's assets are to be distributed to the Successor Organization, but on the date of the proposed distribution, the Successor Organization is no longer in existence or does not qualify for exempt status under §501(c)(3) of the

Internal Revenue Code, or the corresponding section of any future federal tax code, the assets of the organization shall be transferred, conveyed, and distributed to such other United Methodist related organization(s) as may be specified in, or provided for, under a Plan of Distribution adopted by this organization; provided, however, that in any event, each such distributee organization shall be exempt under the provisions of §501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Q9. Do the organizing documents contain language substantially similar to the sample dissolution clause given above?

Yes ____ No ____

If the answer to question Q9 is "No," please do not submit this application.

If the answer to question Q9 is "Yes," please provide the name of the organizing document _____, page number _____ and paragraph/section number) _____ where such language appears.

F5. Anti-Amendment Clause

Sample Language:

Any amendments to the following provisions shall require the approval of [insert the name of the Related Category I Organization]:

Paragraph/Section [insert the Paragraph/Section number containing the Purpose Clause (F.1)],

Paragraph/Section [insert the Paragraph/Section number containing the Prohibitions and Limitations Clauses (F.2)],

Paragraph/Section [insert the Paragraph/Section number containing the Related Category I Organization Clauses (F.3)],

Paragraph/Section [insert the Paragraph/Section number containing the Dissolution Clause (F.4)], and

Paragraph/Section [insert the Paragraph/Section number containing this Anti-Amendment Clause (F.5)].

Q10. Do the organizing documents contain language substantially similar to the sample anti-amendment clause given above?

Yes ____ No ____

If the answer to question Q10 is "No," please do not submit this application.

If the answer to question Q10 is "Yes," please provide the name of the organizing document _____, page number _____ and paragraph/section number) _____ where such language appears.

G. Additional Requirements

G1. Narrative Description – Please provide a short narrative description of the specific purpose(s) of the applying organization, the activities it performs, and the manner in which it supports and benefits its Related Category I Organization. Also, please include in the narrative a short description of the applying organization's (anticipated or current) primary sources of income and expenditures.

Q11. Has the applying organization submitted a narrative description (as described above) with this application?

Yes ____ No ____

G2. Updated Information – In accordance with IRS procedures, GCFA, the central organization holding the group ruling, must maintain current information on the organizations included in the group ruling.

Q12. Does the applying organization agree to notify GCFA of any changes to its name, address, or other contact information?

Yes ____ No ____

Q13. Does the applying organization agree to notify GCFA if it changes its purpose(s), character, or method(s) of operation; changes its relationship with its Related Category I Organization; ceases to exist; or withdraws its authorization to be included in the group ruling?

Yes ____ No ____

G3. Form 990 – Most tax exempt organizations must file an IRS Form 990 (or Form 990-EZ, or Form 990-N) each year. Some religious organizations, e.g., local churches, are not required to file the Form 990. **However, inclusion in the group ruling does not automatically exempt an organization from the requirement to file Form 990.** In other words, some organizations included in the group ruling are exempt from filing Form 990, while others are required to file.

Monetary penalties can be imposed for failing to file Form 990. In addition, if an organization is required to file a Form 990, and does not do so for three consecutive years, it will automatically lose its tax exempt status. If an organization's tax exemption is automatically revoked for failing to file Form 990 for three consecutive years, it must apply to the IRS for reinstatement of its tax exempt status – it cannot reapply to GCFA for inclusion in the group ruling.

Many Category II organizations included in the group ruling do not have to file Form 990 because they fall under some statutory or regulatory exemption from filing. Unfortunately, the determination of whether a particular organization satisfies some exemption from filing Form 990 can be complicated, and requires a detailed analysis of both the amount and sources of an organization's financial support.

Therefore, we strongly recommend that all Category II organizations included in the group ruling consult with their professional tax advisers to determine whether they

must file Form 990. Please note that GCFA cannot provide legal or tax advice to individual organizations included in the group ruling, and in particular, we cannot advise your organization on whether it is or is not exempt from filing Form 990.

Q14. Does the applying organization agree to comply with all applicable IRS Form 990 filing requirements?

Yes _____ No _____

G4. Schools (*Complete this Section G.4 only if the applying organization is a school.*)

– All private schools exempt under Section 501(c)(3) of the tax code must comply with IRS Revenue Procedure 75-50 regarding racial nondiscrimination. This requirement applies to all schools, including preschools, primary, secondary, preparatory, or high schools and colleges and universities, whether operated as a separate legal entity or as an activity of a church. Failure by the school to satisfy the requirements of Revenue Procedure 75-50 may result in the loss of federal tax-exempt status of the school and the church that operates the school.

In summary, Revenue Procedure 75-50 requires the school to adopt and follow a policy prohibiting discrimination against applicants and students on the basis of race, color, and national or ethnic origin, and to maintain records documenting it has followed such a policy. Furthermore, the school must make its racial nondiscrimination policy known to the public in certain specified ways described in Revenue Procedure 75-50. Finally, the school must certify annually that it complies with Revenue Procedure 75-50. A school that files Form 990 makes its annual certification on that form. Schools that are not required to file Form 990 make their annual certification on IRS Form 5578, which is available on the IRS website.

The instructions accompanying Form 5578 describe the requirements of Revenue Procedure 75-50 in some detail, and include model language the school may use for its racial nondiscrimination policy. On Form 5578 it asks for the name, address, and EIN of the central organization holding the group exemption letter covering the school. It also asks for the Group Exemption Number. This information is given below:

General Council on Finance and Administration
of The United Methodist Church, Inc.
P.O. Box 340029,
1 Music Circle North
Nashville, TN 37203-0029

EIN 31-1813333
Group Exemption Number: 2573.

Q15. Does the applying organization (i.e., school) comply with the requirements of IRS Revenue Procedure 75-50?

Yes _____ No _____

If the answer to any of the preceding five questions, Q11 – Q15, is “No,” please do not submit this application.

H. Certification and Authorization

By my signature below, I certify that I am a duly authorized officer of the applying organization named above; that to the best of my knowledge and belief, the above information is true, correct, and complete; and that the applying organization named above hereby authorizes the General Council on Finance and Administration of the United Methodist Church to include it in the United Methodist Church Group Tax Exemption Ruling.

Signature: _____

Name: _____

Title: _____

Date: _____