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April 13, 2022

Re: Global Methodist Church Affiliated Churches –Tax-Exempt Status Under IRC §501(c)(3)

To Whom It May Concern:

This law firm provides legal counsel to the Transitional Leadership Council of the Global Methodist Church (“Council”). We write this letter at the request of the Council to confirm the tax exempt status under Internal Revenue Code (“IRC”) §501(c)(3) of bona fide churches, their integrated auxiliaries, and district and annual conferences that affiliate with the Global Methodist Church.

Pursuant to the IRC and its relevant regulations, certain categories of nonprofit organizations – including in particular “churches” – are excepted from the normal requirement that an organization obtain recognition from the Internal Revenue Service (“IRS”) to be treated as a tax exempt public charity under IRC §501(c)(3). *See generally Tax Guide for Churches and Religious Organizations: Benefits and Responsibilities Under the Federal Tax Law* (Rev. 8-2015), <http://www.irs.gov/pub/irs-pdf/p1828.pdf>, at page 2. Specifically, IRC §508(c)(1)(A) provides “[m]andatory exceptions” from the exemption recognition requirement for “churches, their integrated auxiliaries, and conventions or associations of churches.” *See also* IRC §6033(a)(2) (mandatory exemption from filing annual Form 990 returns for “churches, their integrated auxiliaries, and conventions or associations of churches”). Such organizations are *not required* to file an application (IRS Form 1023) with the IRS to qualify as tax exempt under IRC §501(c)(3), contributions to which are eligible for tax deduction pursuant to IRC §170(b)(1)(A) (assuming the church is organized in the United States).

While some local churches choose to obtain IRS recognition of §501(c)(3) status, and others are included in a group exemption obtained by their denomination, many churches in the United States have chosen to rely on the automatic exemption for qualifying churches pursuant to IRC §508. A church relying on automatic §501(c)(3) status may at any time in the future become part of a group exemption or choose to apply for its own IRS recognition of tax exempt status.

We have assisted the Council with the preparation and submission to the IRS of its Form 1023 application for IRS recognition of tax exempt status, and its application is now pending with the IRS. Assuming recognition of exemption is granted (and we know of no reason why it would not be granted), such recognition will be retroactive to the incorporation date of the Council, March 18, 2022. Contributions to the Global Methodist Church and its affiliated individual churches, their integrated auxiliaries, and district and annual conferences described in IRC §501(c)(3) and organized in the United States are tax deductible pursuant to IRC §170(b)(1)(A).

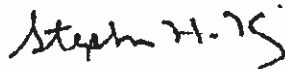
While at the present time the IRS is not accepting new applications for group exemptions (pending finalization of new regulations), our understanding is that, as soon as possible, the Council intends

to apply for a group tax exemption under which its affiliated churches would qualify as subordinate tax exempt organizations. To preserve the opportunity to be included in a group exemption granted to the Global Methodist Church in the future, local churches should not file for separate application for recognition of §501(c)(3) status but instead should rely on the automatic exemption pursuant to IRC §508(c)(1)(A).

This letter may be provided to Global Methodist Church donors and others as evidence that local churches, their integrated auxiliaries, and district and annual conferences that satisfy the requirements for §501(c)(3) status and are affiliated with the Global Methodist Church are tax exempt under IRC §501(c)(3) even though not seeking IRS recognition of tax exempt status.

We trust that this information is sufficient for your purposes. If you have any questions or if we may be of further assistance, please let us know.

With kind regards,

A handwritten signature in black ink that reads "Stephen H. King". The signature is written in a cursive, slightly slanted style.

Stephen H. King



Tax Exempt and Government Entities

EXEMPT ORGANIZATIONS

501(c)(3)

**Tax Guide for
Churches & Religious
Organizations**

Tax-Exempt Status

Churches and religious organizations, like many other charitable organizations, qualify for exemption from federal income tax under IRC Section 501(c)(3) and are generally eligible to receive tax-deductible contributions. To qualify for tax-exempt status, the organization must meet the following requirements (covered in greater detail throughout this publication):

- the organization must be organized and operated exclusively for religious, educational, scientific or other charitable purposes;
- net earnings may not inure to the benefit of any private individual or shareholder;
- no substantial part of its activity may be attempting to influence legislation;
- the organization may not intervene in political campaigns; and
- the organization's purposes and activities may not be illegal or violate fundamental public policy.

Recognition of Tax-Exempt Status

Automatic Exemption for Churches

Churches that meet the requirements of IRC Section 501(c)(3) are automatically considered tax exempt and are not required to apply for and obtain recognition of tax-exempt status from the IRS.

Although there is no requirement to do so, many churches seek recognition of tax-exempt status from the IRS because this recognition assures church leaders, members and contributors that the church is recognized as exempt and qualifies for related tax benefits. For example, contributors to a church that has been recognized as tax exempt would know that their contributions generally are tax-deductible.

Church Exemption Through a Central/Parent Organization

A church with a parent organization may wish to contact the parent to see if it has a *group ruling*. If the parent holds a group ruling, then the IRS may already recognize the church as tax exempt. Under the group exemption process, the parent organization becomes the holder of a group ruling that identifies other affiliated churches or other affiliated organizations. A church is recognized as tax exempt if it is included in a list provided by the parent organization. If the church or other affiliated organization is included on the list, it doesn't need to take further action to obtain recognition of tax-exempt status.

An organization that isn't covered under a group ruling should contact its parent organization to see if it's eligible to be included in the parent's application for the group ruling. For general information on the group exemption process, see Publication 4573, *Group Exemptions*, and Revenue Procedure 80-27, 1980-1 C.B. 677.