

Please note: This paper was originally presented to an audience of church planters in Pennsylvania. Please refer to your state government's website for correct local state information.

The ABC's of the Legal Organization of your *New Church*

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1. Board of Directors formed
 - a. Decide what legal organizational form to take
 - b. Recommend 4 members on BOD: to insure quorum (use provisional session members, if available)
 - c. Use the same board members as officers: Pr, VP, Tr, Sec (VP not req'd in PA, but recommended)

2. Articles of Incorporation filed
 - a. Must be filed in Harrisburg to be of record: *The Dept of State Corporation Bureau, 308 N. Office Bldg, Harrisburg, PA 17120-0029* Or call (717) 787-1057 Cost: \$125
 - b. State will review and either approve or reject
 - c. Include IRS charitable language and paragraph for "Liability and Indemnification of Directors, Officers, Employees and Agents" to ward off lawsuits
 - d. *Why incorporate?* Reduces personal liability and exposure. Receive tax benefits. Takes care of property distribution in the event of dissolution. Cheaper rates of insurance. More respected in community among vendors.

3. Church Name approved by state
 - a. To check name availability in PA visit:
<https://www.corporations.state.pa.us/corp/soskb/csearch.asp>
 - b. Shouldn't use name until State approves
 - c. Consider filing a "fictitious name" to allow alternative uses (for e.g. "First Baptist Church, Inc.," "First Baptist Church Center Valley," "First Baptist Church"); not required however.
 - d. Get this done early, before someone takes name, or someone with the same name already exists and can prove damages.

4. Record/Accounting System established
 - a. A protocol should be established for keeping all your official records (such as BOD minutes, financial reports, etc) organized and properly stored.
 - b. Establish written, board-approved, financial and internal management policies and procedures is essential too.

5. EIN # assigned by IRS
 - a. You need this before opening a bank account

¹ Disclaimer: I am not a licensed Pennsylvania attorney.

- b. This number identifies your business account, for tax returns, bank deposits, employee forms and withholding, record keeping, etc.
 - c. Request EIN # (a/k/a Taxpayer ID #) by filling out SS-4 form.
 - d. You need this number to apply for IRS 501(c)(3) status.
6. Bylaws drafted
 - a. The bylaws set forth how the church is governed, how officers and directors are elected, their roles, and additional “business-related” provisions.
 - b. These are NOT filed in Harrisburg for everyone to see.
 - c. It is advisable to include “confidentiality,” “biblical counseling,” “Conflict Resolution,” and biblical arbitration/mediation provisions.
7. Guidelines for Church Discipline drafted
 - a. Along with the bylaws, these guidelines are helpful for spelling out to every future church member, officer, director, employee and agent what procedures the church will take in resolving conflict.
 - b. Peacemakers ministry has forms available for use. Their sample guidelines may cover subjects not addressed (or clarified) in the Book of Church Order.
 - c. Members, by nature of taking oaths of faithfulness to the church, are generally bound to comply with these guidelines.
8. First Meeting of the Board of Directors held
 - a. The first meeting of the Board (after it was recognized by the state via the Articles of Incorporation) is held to accept the Articles, elect officers, approve the bylaws and (if desired) any Guidelines for Church Discipline incorporated into Bylaws, open the bank account, and file for 501(c)(3) recognition.
9. IRS 501(c)(3) application filed with IRS
 - a. You must apply for a determination letter ... either directly from the IRS (long wait) or via your denominational hdqtrs to come under their umbrella (shorter wait)
 - b. Application should be made within 15 months of church’s existence. Call 1.800.829.FORM or visit www.irs.ustreas.gov to get IRS 1023 form.
 - c. Once approved, donations are considered “tax deductible” to donors. (Before this recognition, most donations cannot be construed as tax deductions under the IRS code.)
 - d. And you are recognized as a “non-profit” for federal taxation purposes (as long as you don’t meander beyond “non-profit” activities).
10. Bank Account opened.
 - a. Signature cards are required, and must be signed by person(s) designated by the BOD.
 - b. Recommend 2 signatories. Pastors should not be signatories.
11. State Sales Tax Exemption Application filed and approved

- a. After you are incorporated, you can apply for a sale tax exemption status which allows you to apply for “tax free” benefits from vendors like Sam’s Club, grocery chains, Christian bookstores, and others.
- b. In Pa, contact: PA Dept of Revenue, Tax Forms Service Unit, 711 Gibson Rd, Harrisburg, PA 17104-3200, and request form REV-72. Or visit:
http://www.revenue.state.pa.us/portal/server.pt/community/forms_for_businesses/14773

12. Unemployment compensation - register

- a. All nonprofit organizations must participate in an unemployment comp program (several to choose from).
- b. To learn more, contact: Office of Employment Security, Bureau of Employer Tax Operations, Labor and Industry Bldg, 7th and Forester Streets, P.O. Box 60849, Harrisburg, PA 17106-0849.

13. General Liability Insurance purchased

- a. You should get this as soon as you can after becoming a corporation. Even if you do everything right, you can still get sued. If you are insured, the insurance carrier will defend you and cover all costs (assuming you are covered under the policy).
- b. Purchase “D/O Liability,” and any coverage you can for acts or words of omission and commission by leaders in the church.
- c. This is also a reminder to create and enforce policies and background checks for sensitive areas.

14. EE Taxes – withheld

- a. ERs are req’d to withhold their EE’s FIT and FICA/MED taxes and submit these to the IRS regularly. Failure to do so can land you some nasty fines/penalties (in addition to personal liability).
- b. Visit www.irs.ustreas.gov to receive forms.

15. Annual Corporate Meeting held

- a. For as long as the church exists, you need to conduct an annual corporate meeting at least once a year to maintain your corporate status.
- b. Minutes must be taken and recorded, and all “corporate” protocols followed.
- c. Many churches neglect this after the first few years. Sharp lawyers who bring suit will likely attempt to “pierce the corporate veil” of churches that fail to comply with corporate expectations, thereby exposing everyone to personal liability.

16. OPTIONAL: Corporate activities

- a. Obtain nonprofit bulk mail permit from US Postal Service. Requires annual renewal
- b. Establish personnel policies to govern hiring and firing of EEs and volunteers.