**Church Incorporation – How to Incorporate As A Non-profit, Tax Exempt Church Corporation**

**Why Incorporate?**

There are numerous advantages in incorporating as a non-profit, tax-exempt corporation. A few major reasons are as follows:

1. It establishes the church as a separate legal entity.
2. It enables the church to receive tax-deductible gifts.
3. It limits the liability of the church leaders in the case of disaster or lawsuit.
4. It makes provision for the church to legally ordain individuals who are called by God into the ministry.

As stewards of our resources, it is important for us to take responsible legal steps to effectively expand the work of the church in this increasingly complex society. There have been cases where uninsured churches have been sued for damages, resulting in the pastor and church leaders being held personally liable. By incorporating and securing adequate insurance coverage, personal liability is limited and the pastor and other church leaders are protected from this type of tragic event.

**Where do we begin?**

You have already begun by reading this document. Now you need to ask yourself two important questions. Once you have done this, you can begin the step-by-step incorporation process outlined in this booklet. The two basic questions are:

1. Do we really need or want to incorporate?

Considering the advantages and legal protection of incorporation, the answer to this one will probably be “yes”. However, this is the kind of question that is so basic that it can be easily overlooked. Take the time to consider it, so that you can incorporate with the confidence that this is God’s leading for your fellowship.

1. Do we want to use the services of an attorney?

While there are several considerations involved in your decision about an attorney, the most important thing to remember is that the choice is yours.

You do not have to use professional legal help to incorporate. You can follow the instructions provided by the Secretary of State in your state. However, you may wish to do so because of special situations within your fellowship, your anticipations of future growth, and/or the complexity of the requirements by your Secretary of State for filing for incorporation. As you seek the Holy Spirit’s direction in making this decision, consider the pros and cons.

You may wish to delay this decision until after you have received specific instructions for incorporating from your Secretary of State. You can then evaluate the complexity of the process compared with the expertise already available to you. However, you must decide prior to beginning Step 4, which is “Fill Out Incorporation Forms and Submit with Notarized Articles of Incorporation and Bylaws” (below)

**What Documents Will Be Needed To File For Incorporation?**

The following documents will probably be necessary at various stages in order to complete the six-step process described here:

1. The Articles of Incorporation
2. The Bylaws of the Corporation
3. The forms and instructions secured from the following agencies:
4. Secretary of State
5. Internal Revenue Service
6. State Franchise Board
7. The County Tax Assessor
8. A statement of receipts, expenditures, assets and liabilities for the previous three years.
9. A budget showing expected income and expenses.
10. A brief statement of the purpose of the organization in addition to the Articles and Bylaws.
11. A brief statement describing the activities and programs of the organization.
12. A statement describing the fund raising activities of the organization.
13. A copy of all the leases and/or agreements for property usage.
14. Samples of any printed literature including advertising.

**Step-By-Step Process For Incorporating and Receiving Tax Exempt Status**

**Step 1: Obtain General Information**

Make an initial request for information and help concerning incorporation.

**Step 2: Review and Revise Articles of Incorporation and Bylaws**

In order to file for incorporation, most states require that you prepare Articles of Incorporation and a set of Bylaws. We recommend that each fellowship include in their Bylaws a provision, which allows the church to ordain pastors and other religious workers. Such a provision will enable the church to function as a completely autonomous religious organization. We also recommend that you formulate a comprehensive scope of the church’s activities when writing your Bylaws. This will reduce the possibility of a change in non-profit a status which is discussed in Step 5.

Many fellowships have found that the review, revision, and editing of these two documents has been the most time consuming step in the entire incorporation process. Although this activity demands a great deal of time and effort, it provides a practical opportunity for church leaders to develop a thoughtful, biblically sound understanding of the mission of the church as well as a clarification of the qualification for spiritual leadership within the church. To help facilitate this process, you may wish to establish a deadline for finishing the first draft. Because of the time involved in finalizing your Articles of Incorporation and Bylaws, you should begin Step 3 while working on Step 2. You can work on your Articles of Incorporation and Bylaws while correspondence involved in Step 3 is in progress. This step should take two to four weeks.

**Step 3: Write to the Secretary of State for Specific Instructions**

A representative from your church should write a letter to the Secretary of State, in your state, requesting the necessary documents and instructions needed to complete the application process and become a nonprofit, tax-exempt organization. If you are familiar with the Internet, you may be able to get the documents you will need on line.

Many states make a distinction between “churches” and ‘non-profit religious organizations” in their laws governing incorporation. This distinction usually revolves around whether the organization holds regular meetings for public worship and/or makes provision for ordination of pastors and other religious workers. If your state follows this pattern, you will need to be sure to request the forms and information needed to incorporate as a church.

You should receive this information within a few weeks depending on how quickly your state bureaucracy operates.

**Step 4: Fill Out Incorporation Forms and Submit with Notarized Articles of Incorporation and Bylaws**

Prior to beginning Step 4, you should have decided whether or not to solicit the assistance of an attorney in the incorporation process. If you choose to use professional legal help, you should select your attorney before beginning any activities associated with Step 4 as outlined in the instructions you receive from your Secretary of State.

Once the fellowship has completed its Articles of Incorporation and Bylaws following the incorporation instructions from the state authorities, it must file all necessary documents with the Secretary of State for approval. You will need to have your Articles of Incorporation notarized prior to filing for incorporation. The date of notarization will be considered by the state to be your official date of incorporation. When you receive your tax-exempt status (Step 5) it will be retroactive to the date on which your Articles of Incorporation were notarized. You can receive tax-deductible gifts only after this date. It may take as long as six to eight weeks to receive official notice of your approved incorporation from the state authorities.

You must receive this notice of approval prior to seeking your non-profit/tax exempt status. (Step 5)

**Step 5: Apply for Federal and State Tax Exempt Status**

In addition to the incorporation applications, a newly documented church corporation should seek tax-exempt status on both the Federal and State level. A tax-exempt classification will then allow the church to give tax-deductible receipts for contributions. The process requires obtaining and filing the proper forms from the Internal Revenue Service (IRS) and State Franchise Tax Board. The Federal exemption should be obtained prior to filing for the State exemption. In most cases, you can simply attach a copy of the Federal tax exemption to the State forms and submit for approval. It is important to keep in mind that tax exempt status will cover only the stated activities submitted on your federal petition. Initiation of new activities in the future will require new justification (paperwork) in order to retain the corporation’s non-profit status. Keep your overall vision of the ministry in mind while filing the initial petition. This could minimize having to re-file in the future as the ministry takes on new activities.

**Step 6: Apply for Property Tax Exemption**

Property which is owned by a nonprofit corporation and which is specifically used for charitable purposes is exempt from property tax. Forms necessary for securing this exemption can be obtained from your County Tax Assessor’s office. New exemption forms are mailed to you each year and must be filed during a certain time period. The initial application usually involves a personal visit by an inspector or representative from the County Tax Assessor’s office to your facilities. This step should take two to four weeks.

**How Long Will it Take to Complete the Process?**

Don’t be alarmed if it takes eight months to secure all the rulings and approvals necessary to legally establish your fellowship as a non-profit, tax-exempt church corporation. Government agencies sometimes move slowly and some states may have a larger backlog of work and/or tighter restrictions than others. The important thing to remember is that no matter how long you have to wait for notification of the rulings, all approvals will be made retroactive to the date the Articles of Incorporation were notarized.

**What Costs Are Incurred to Incorporate?**

The cost of incorporating and securing non-profit, tax-exempt status varies from state to state. In all probability, there will be initial payments or deposits made to the State Franchise Tax Board. These funds should be redeemable upon securing formal notification of tax-exemption by the state. There are several incidental filing fee charges for form processing. However, in most states, you can incorporate without the services of an attorney.

**Conclusion**

By following the step-by-step instructions listed in this document, your church will be incorporated as a non-profit, tax-exempt corporation. It will have been established as an independent church with the legal right to carry out all church activities including the ordination of pastors and other religious workers. We hope that this material has been useful in assisting you to incorporate.