

church must give its supplier' a *Nebraska Resale or Exempt Sale Certificate* (Form 13) as proof of its exempt status.

The state of Nebraska has very narrowly defined the term "exclusively for religious purposes" and has been adamant in not approving a sales tax exemption number to newly formed associations and to our convention.

Federal and State Unemployment Tax

Churches in Kansas and Nebraska **are exempt** from Federal and State unemployment taxes.

Property Tax

Kansas churches must file a request for property tax exemption on a form entitled, ***Application for Tax Exemption***, with the office of the County Appraiser of the county in which the property is located. The County Appraiser' s office must approve the request and send it to the Kansas Board of Tax Appeals, Topeka, KS, for final approval. Each county has the option of automatically accepting the exemption year after year or requesting an annual filing to maintain the property exemption.

Nebraska churches must file a request for property tax exemption on a form entitled, ***Exemption Application***, with the County Assessor of the county in which the property is located. The approved exemption shall continue for a period of four years, beginning with years evenly divisible by four. The first year of each period is known as an application year (e.g., 2000, 2004, 2008 etc.). If application for exemption is made and approved in an intervening year, the exemption shall continue for the remainder of the applicable four-year period.

To continue the exemption for a succeeding four-year period, the church must file an ***Affidavit of Use for Continued Tax Exemption*** form with the assessor on or before December 31 prior to an application year. If this form is not properly and timely filed, **the property will be taxed.**

Unrelated Business Income

Income the church earns from an **unrelated trade or business regularly carried on** may be subject to income tax reporting. This includes rental income received on property on which the church has debt. The church can receive up to \$1,000 per year in "unrelated business income" before it is subject to income tax reporting. Generally the key question is whether the church has debt on its facilities. If the facilities are free from any indebtedness the rental income is not subject to "unrelated business income." The IRS has ruled that rental income is exempt from unrelated business income tax (UBIT) even though the property is "debt-financed," if the rental arrangement is "**substantially related**" to the charity's exempt purposes.

Important Internal Revenue Service Forms

Form W-4 — Employee's Withholding Allowance Certificate:

Employees report withholding allowances on this form. Churches are **required to withhold** from all employees except ordained staff. An ordained staff member can elect **voluntary withholding** by submitting a completed W-4 form to their employing church to withhold a sufficient amount each pay period to cover both income tax and self-employment tax. This withholding is **reported as income tax** and can be used to pay income and self-employment tax. **All non-ordained employees** should complete this form each year.

An ordained minister could request the church (in writing) to withhold a certain amount each pay period and **pay the minister** prior to the dates for filing **self-employment estimates**, namely: April 15th, June 15th, September 15th and January 15th.

Form I-9 — Employment Eligibility Verification:

The church should have this form on file for each employee, including ministerial staff. It is a result of the Immigration Act of 1986 and is self-explanatory. Failure to have I-9' s for every employee could result in fines for each occurrence. The I-9 is a Department of Labor regulation.