

## LENDING OR RENTING CHURCH FACILITIES

The local church seems to be inundated with requests from various organizations to use a portion or all of the church facilities. Many of these requests come from weight loss organizations, exercise groups, scouting organizations and various support groups that want to use the church facilities for meetings. The appeal can be very strong and persuasive, as they see their cause as being a “ministry” to the entire community. There are many legitimate groups and organizations, which benefit the community that are looking for meeting space.

It is extremely important to establish guidelines before you loan and/or rent space in your church facility. Here are some questions that need to be considered very carefully:

- Who is asking to use your facility? Identify the group.
- Will the user-group offer a product, service or activity that conflicts with biblical values held by your church?
- Is the reputation of the user-group well established and generally accepted in your community?
- What specific activities will the user-group be conducting?
- Will the activities cause undue wear and tear and/or possible damage to your property?
- Are the activities of such a high-risk nature that people could be injured?

The legal consideration in lending or renting church facilities is who will be responsible for injuries and/or property damage resulting from the use by an authorized user-group. In the absence of a specific written agreement with a user-group prior to the actual use of the facility, your church may be held responsible. Therefore, it is very important to have a written agreement with a user-group.

Here are some elements that should be included in such an agreement:

- You should insist that the user-group have its own public liability insurance policy with single minimum limits of \$1,000,000.
- This policy should also contain premises medical payments coverage with a minimum limit of \$5,000 per person and \$25,000 in the aggregate.
- Require the user-group to furnish you with a certificate of insurance showing evidence of coverage and **you as an additional insured**. A copy of the certificate should be furnished to your own insurance agent.
- It is suggested that you check the “rating” of their insurance company. The company should have at least a rating of “A” or better with A. M. Best’s Key Rating Guide.

It seems in every circumstance in life there are some tax consequences that need to be considered. This is true when lending or renting church facilities. There is no evidence that lending or renting your church facility would have any affect on your 501(c)(3) exempt status covered by the Kansas-Nebraska Convention of Southern Baptists group exemption referred to in another section of the resource book.

There are two (2) areas of taxation that must be considered, and they are:

### **Unrelated Business Income**

The church must consider if the rental income will be considered as “unrelated business income” by the Internal Revenue Service. The subject of “unrelated business income” is discussed earlier in the “Federal/State Tax Information” section of the resource book.

### **Real Estate Taxes**

The church must be very careful about renting facilities on a regular basis due to the potential risk of “property tax.” Some years’ back all church property was put back on the tax rolls and the churches were required to file for exemption. Many counties at that time included a questionnaire requiring detailed information as to the sources of revenue to the church and who used the church facilities. The key point in all of this is — “Is the facility being used exclusively for tax-exempt purposes?” If not, this is a potential source for additional revenue for governmental agencies.

**Being a good neighbor suggests you be open to helping people.**

**Being a good steward suggests you take necessary action to avoid getting someone injured and paying a claim arising from activities not sponsored by your church.**