

FEDERAL/STATE TAX INFORMATION

The Internal Revenue Service (IRS) and State Department of Revenue laws and tax codes change from year to year. Suggestions made now may be changed in years to come. This information is designed to give your church some basic guidelines and by no means is an exhaustive or complete discussion of the topics included.

Important Tax Identification Numbers

Employer Identification Number:

This nine-digit number is secured by filing form number SS-4 with the IRS and is used on all federal payroll tax forms.

State Identification Number:

In Kansas, this number is secured by filing Form CR-16 and is used on all state payroll tax returns.

In Nebraska, this number is secured by filing *Nebraska Tax Application* Form 20 and is used on all state payroll tax returns.

State Sales Tax

Kansas churches are exempt from state sales and/or use tax as well as any applicable city and county sales tax as of July 1, 1998. A form entitled *Religious Organization Exemption Certificate* (Form ST-280) must be completed for every vendor before purchases are made.

Only **direct** purchases by a church of items to be used exclusively for the church are exempt. A direct purchase is a sale that is billed directly to the church or is paid for by the church's check or credit card. A payment in cash will not qualify as an exempt transaction. Purchases made by employees or church members with their personal funds are **taxable**, even if they are later reimbursed.

Churches are exempt from collecting sales tax in Kansas for "isolated or occasional sales of tangible personal property, services, substance or things."

There is not an exemption from sales tax for the sales of meals by the church. Voluntary donations are acceptable as long as there are no required donations for such meals and people could eat and do eat without a donation. The church may want to pay sales tax on the food and related purchases for the meals and operate the meals as strictly a cost recovery.

Construction, Remodel, or Repair Projects: When a church contracts for the repair, remodeling, or construction of a building, or to make other improvements to real property it owns and uses exclusively for religious purposes, it must request and obtain a *Project Exemption Certificate* from the Kansas Department of Revenue so that the contractor, subcontractor, or repairman (carpenter, electrician, etc.) may purchase materials for the project exempt from sales tax. To apply for a project exemption, submit Form PR-76, *Request for Project Exemption*. In the absence of a *Project Exemption Certificate*, only the contractor's labor service is exempt as a direct purchase. The contractor's invoice to the church will include the sales tax paid or accrued on the materials used.

If asked for a sales tax number in Kansas, you can use your *Federal Tax Identification Number*.

If a purchase is made from a vendor in Kansas that refuses to exempt sales tax, keep all documentation of the purchase and send same to the state sales tax office for refund.

Nebraska churches are exempt from state sales tax. The church must apply for and receive a *Nebraska Exempt Organization Certificate of Exemption* from the Nebraska Department of Revenue. This certificate assigns the church an exemption number (05-XXXXXXX), which must be used in claiming its exemption. The