

ADMINISTRATIVE
And
FINANCIAL GUIDELINES
FOR A
NEW CHURCH PLANT



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Introduction

It is recommended that each church plant deal with these administrative issues, financial issues and legal issues as soon as possible. Do not leave it up to your sponsoring church, Association or State Convention to do it for you. It is your responsibility!

It is highly recommended that you do these steps in the order given. If you get one before another it will not be devastating, but may prove to be more work for you and cost you more time.

Other resources that are helpful with these issues are:

- MTSBC Church Starting Team – www.mtsbc.org
- MTSBC Office – 406-252-7537
- *Church Financial Guidebook* – a resource for ministers, church treasurers, financial secretaries, and church finance committees

Non-Profit Incorporation

1. Legally Form a Non-Profit Corporation

- Go to the Montana Government Website:
[http://sos.mt.gov/Business/Forms/Nonprofit/Domestic/54-Domestic Nonprofit Corporation Articles of Incorporation.pdf](http://sos.mt.gov/Business/Forms/Nonprofit/Domestic/54-Domestic%20Nonprofit%20Corporation%20Articles%20of%20Incorporation.pdf)
- Fill out “Articles of Incorporation for Domestic Non Profit Corporation” form. Include your check for the filing fee and mail to the Secretary of State at the address on the form.
- Whenever asked for the purpose of existence, **ALWAYS** answer “Religious Non Profit”.

2. Reasons for Incorporating

- Shifts liability from planter to the corporation (protects leaders and other entities)
- Greater ease in doing business (i.e. signing leases, establishing credit for supplies, opening bank account, owning property)
- Greater ease in meeting requirements for tax exempt status
- Creates greater independence
- Challenges: All responsibility lies with you and you may have difficulty establishing credit. (May need established church to serve as co-signer.)

3. Annual Report

- <https://app.mt.gov/bear/>
- You are required to file an Annual Report with the Secretary of State in order to maintain your incorporation status. **DO NOT NEGLECT FILING YOUR REPORT!**
- You will need to file an Annual Report form each year along with the filing fee. Make any necessary changes and then mail with payment to address on the form. If something changes in between filings you will need to file an Amendment [after the initial filing]. Use the “Articles of Amendment for Non Profit Corp” form.
[http://sos.mt.gov/business/Forms/Nonprofit/Domestic/56-Domestic Nonprofit Corporation Articles of Amendment.pdf](http://sos.mt.gov/business/Forms/Nonprofit/Domestic/56-Domestic%20Nonprofit%20Corporation%20Articles%20of%20Amendment.pdf)
- You will get a reminder postcard in March from the Secretary of State when it is time to renew. However, it is wise to mark your calendar for sending in the Annual Report to ensure you do not miss the deadline!
- Whenever asked for the purpose of existence **ALWAYS** answer “Religious Non Profit”.

Obtain Your Federal Employer Identification Number (FEIN)

1. File for Federal Employment Identification Number (FEIN)

- You will need your legal name established to get your FEIN so be sure to file for “Non-Profit Incorporation” first.
- Apply by Phone: 1.800.829.4933 (This is the best method. They ask you the questions over the phone and give you the FEIN at the end of the call.)
- Or apply online: <http://www.irs.gov/pub/irs-pdf/fss4.pdf>
- Or apply by mail: Download form, complete and mail.

2. Reasons for obtaining your FEIN

- Needed to open a checking account
- Needed to make payroll
- Needed to file tax reports
- Needed to obtain 501(c)3 documentation

3. Other Important Information

- Once you have a FEIN it will be used for the life of the corporation and does not require an annual update or report
- Store your FEIN in a secure place

Obtain Your Federal Tax Exempt Status Documentation (501c3)

1. Request for 501c3 Documents

- Church Plants/Churches can file under the Montana Southern Baptist Convention 501(c)3 umbrella.
- Send a hard copy letter on church letterhead to MTSBC Executive Director Fred Hewett requesting to be included in the state 501c3 group exemption.
- Include the following information in the letter:
 - Your letter must be on church letterhead
 - Provide your church's Federal Employer ID Number (FEIN).
 - Include your signature as pastor/planter on the letter
- The MTSBC will include you under the group exemption and update your status annually with the IRS.
- The MTSBC office will send you official documentation that should be permanently kept in your files.

2. Reasons to obtain 501c3 documentation

- Official proof that gifts to your church are tax deductible.
- Needed for grants and other large gifts from individuals and foundations
- Needed for loans

INSURANCE

Insurance is recommended for every church plant and is often required when renting meeting space or reserving parks, fields, etc. for church events.

1. Companies that will insure churches:

- Church Mutual Insurance [www.churchmutual.com]
- Brotherhood Mutual Insurance [www.brotherhoodmutual.com, In Montana they are represented by Glidwell Insurance Group, 2001 South Russell, Missoula, MT, 59801, 406-728-0793

2. Your Policy should include:

- General Liability of \$1,000,000
- Contents coverage that would replace all church owned property
- Additional Named Insured are often needed when you are renting space.
- Malpractice or Professional liability for pastors
- Sexual Abuse coverage for workers

3. Worker's Compensation Insurance

- Ordained pastors/ministers are **EXEMPT** from Worker's Comp insurance.
- You must purchase Worker's Compensation insurance for all **PAID** employees (other than ordained pastors).
- Apply for Workers Compensation Insurance at www.montanastatefund.com [scroll down to "Documents and Forms" then "Application for Coverage"] or call 406.495.5000.
- Church volunteers do not need Worker's Comp. A volunteer is anyone working for the church without being paid or compensated in any manner.

Personnel Files on Employees

Personnel files contain confidential information and should be kept in a locked/secure place and have limited access.

Each church employee should have a file that contains the following information:

- Resume or job application with up to date address, contact info and Social Security Number.
- IRS form W-2, updated annually.
- IRS form I-9, properly documented and signed.
- New Hire Employee Reporting. It is required that everyone fill out the New Hire Employee Form <http://www.dphhs.mt.gov/csed/relatedtopics/newhireform.pdf>
If you would like further information concerning this regulation you can go to <http://www.dphhs.mt.gov/csed/relatedtopics/newhirebooklet.pdf>

Establishing a Local Presence

Establishing a local presence in a community is essential for every church plant and at times has several local requirements. Sometimes an occupational business license is required by a governing (town or county) agency. You will also want to establish a local mailing address and phone number.

1. Obtaining a Business License

- Contact your local City Hall or County Courthouse (if located outside of the city limits), to determine if a business license is required for your area.
- Some governing agencies ask you to complete an application, but there is no fee required.

2. Obtaining a Mailbox

- We suggest using a UPS Store or other similar location. This allows you to have a physical address versus a P.O. Box.
- If a UPS type store is not available, you should obtain a P.O. Box from your local US Postal Service.
- You will also need a physical address for shipping purposes. This may need to be your home address.

3. Obtaining a Dedicated Church Phone Number

- You should consider obtaining a land line or cell phone that is dedicated to the church plant.
- Use this phone to leave a church related voice mail message for callers.

Opening a Checking Account:

Every church plant will eventually need to establish a local banking relationship. Usually, this begins with the opening of a checking account. Here are some rules to follow:

1. Opening a Checking Account

- Meet the bank manager if possible. This is a wonderful relational connection for you as a church planter. Bankers are well connected in the community and are always glad to meet a new entity leader in their community.
- Open account in the full legal name of church.
- Bring proper documents to the bank. This may include:
 - Incorporation Papers
 - FEIN documents
 - Business License, if applicable
 - 501(c)3 Letter
 - Personal Identification

2. Check Signers

- Should be trustworthy individuals with government issued ID who can physically show up at the bank to sign to become a signer on the account.
- Should NOT be the church planter or spouse. You are an employee who will be receiving a good portion of the funds.
- One or two signatures should be used on a check. Banks have no preference on this issue. Two signatures is generally preferred by churches.
- One person can serve as the check signer, but two people are suggested in case one is not available.

3. Other Common Sense Banking Rules

- **DO NOT** conduct church planting business through your personal checking account
- **DO NOT** place the church name on your personal account.
- **DO NOT** (pastor or wife) serve as the keeper of the check book. You should build an system that insulates you from the handling of all church monies. On those rare occasions when it is necessary, it should be the EXCEPTION to your financial policies. Stay above reproach in this area.
- If no one is willing or able to serve as the keeper of the check book, ask your MTSBC sponsoring church or your CPC for suggestions.
- If the checking account is handled by the sponsoring church you will want to transfer it to your church plant as soon as you have the infrastructure to handle it.
- If the sponsoring church handles the account, make sure it is in a **SEPARATE** account unless they have a very solid designated account system.

Minister's Housing Allowance

The IRS allows a minister to designate a part of his salary as Housing Allowance. The part of the salary that is designated housing allowance is given special tax consideration. This benefit is for ordained clergy. A Housing Allowance form must be completed and approved each year to qualify for this benefit.

Applies to ministers who are either renting or buying their home. If purchasing a home you are still able to deduct your mortgage interest again on IRS Schedule A.

You must limit your housing allowance to the fair market rental value of comparable furnished homes in your area.

Minister's Housing Allowance Form

Church Name _____

In accordance with Section 107 of the Internal Revenue Code, an ordained minister of the gospel is allowed to exclude from gross income the housing allowance paid as part of compensation to the extent it is used by him to provide a home. The Montana Southern Baptist Convention authorizes an annual allowance to be paid as follows during _____(year) to:

Minister's Name: _____

- | | | |
|----|--|----------|
| 1. | Rent or payments for the purchase or improvement of a house (Including down payment, mortgage principal payments, interest, taxes, etc.) | \$ _____ |
| 2. | Garage rental (if not included above) | \$ _____ |
| 3. | Utilities (electricity, gas, water, sewer garbage) | \$ _____ |
| 4. | Insurance (homeowners or renters) | \$ _____ |
| 5. | Structural repairs, remodeling, and yard maintenance/ improvements | \$ _____ |
| 6. | Purchase/repair of furnishings and appliances | \$ _____ |
| 7. | Other housing maintenance expenses (explain Bpest control, homeowners association dues, etc.) | \$ _____ |
| | TOTAL | \$ _____ |

DATE _____ MINISTER'S SIGNATURE _____

DATE _____ APPROVED BY _____

Store in Minister's Personnel File

State Property Tax Issues

Property Tax Exemption

Churches are exempt from paying property taxes on their lands and buildings used for religious purposes.

To qualify for a property tax exemption you must fill out an Application for Exemption and submit it along with the required supporting documents to the Department of Revenue Office for the County in which the property is located. The required supporting documents are listed on the application and include:

- Articles of Incorporation
- Exemption Letter from the IRS
- Copy of the Deed to the property as proof of ownership
- Letter stating the specific use of the property

The application is an AB-30R, Application for Real Property Tax Exemption (buildings and land). The forms can be obtained at the local Department of Revenue Office. The application deadline for each year is March 1st or within 30 days of receiving an assessment notice.

NOTE: A building owned by a church can receive an exemption if it is used for actual religious worship. The exemption includes the adjacent land that is reasonably necessary for convenient use of the building, not to exceed 15 acres. A church can also receive an exemption on a house that is owned by the church and that is occupied by a member of the clergy, together with adjacent land reasonable necessary for convenient use of the house, not to exceed one acre. In addition, land that is adjacent to the church building can receive an exemption if it is used for youth, recreational activities, is open to the general public and is included in the 15 acres.

[Property Tax Exemption is provided for in 15-6-201 (1) (b), MCA].

Miscellaneous Issues

Screening Church Workers

1. Establish a screening process that is regularly and uniformly applied to all personnel working with preschoolers, children, youth and developmentally disabled adults.
2. Ask the tough questions! If you don't ask, you're liable
3. Some insurance companies will not insure you without these policies.
4. Use volunteer forms that ask specific questions and are signed.
5. Conduct Background Checks [<http://www.mybackgroundcheck.com/>]
[www.protectmyministry.com] [www.churchvolunteercentral.com]
[www.backgroundchecks.com]

Some attorneys advise against having policies or having any that are too elaborate. Reason: if you have them and ever fail to use them, then you are liable. If you have them, FOLLOW THEM!

Executing a Contract

The new church may have to deal with a variety of legal contracts – everything from purchasing equipment to leasing space and contracting for certain services. Two words of caution need to be observed. Make sure who has authority to sign contracts. In most churches the trustees have this responsibility. Read all contracts carefully and get explanation and/or written clarification on unclear elements of contracts. If you have to sign a contract never sign just your name – you are obligating yourself when you do so. You should sign legal documents:

John J. Doe for Anytown Baptist Church

Officiating a Wedding

In Montana, ministers of the gospel of any denomination may perform marriages. Ministers must complete and return a marriage certificate to the clerk of the district court within 30 days after the marriage. Also the minister must provide marriage certificates to the bride and groom upon request.

Copyright Licensing

The church needs to deal responsibly with copyright issues. One of the major areas of violation in many churches is in the area of copied and projected music. If you project or print words for songs, obtain CCLI License. You may also need a CVLI License for showing video clips which can also be obtained from this company. <http://www.ccli.com/> <http://www.cvli.com>

Transfer of Property and Debt

In traditional settings, sometimes land is purchased and debt is encumbered by the partner church on behalf of the new church. At the time of constitution and incorporation, legal action needs to be taken to transfer the property and debt to the new church. When transferring property, it is best to include a *Right of Reverter Clause*. Contact the MTSBC office for additional help.