

IRS DESCRIBES CHURCH ORGANIZATIONS NOT REQUIRED TO FILE INFORMATION RETURNS.

DEC. 20, 1995

Citations: Rev. Proc. 96-10; 1996-1 C.B. 577

Rev. Proc. 96-10

SECTION 1. PURPOSE

The purpose of this revenue procedure is to list a class of organizations, affiliated with a church or convention or association of churches and exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, that is not required to file an annual information return on Form 990, Return of Organizations Exempt from Income Tax. This revenue procedure supplements [Rev. Proc. 83-23](#), 1983-1 C.B. 687, and obsoletes [Rev. Proc. 86-23](#), 1986-1 C.B. 564.

SECTION 2. BACKGROUND

.01 Section 6033(a)(1) of the Code generally requires all tax- exempt organizations to file an annual information return on Form 990.

.02 Section 6033(a)(2)(A) of the Code provides certain mandatory exceptions to this filing requirement, specifically for churches, their integrated auxiliaries, and conventions or associations of churches.

.03 Section 6033(a)(2)(B) of the Code provides discretionary exceptions from filing such returns where the Secretary "determines such filing is not necessary to the efficient administration of the internal revenue laws." Section 1.6033-2(g)(6) of the Income Tax Regulations delegates authority to the Commissioner to excuse organizations from the filing requirement. It provides that "the Commissioner may relieve any organization or class of organizations from filing, in whole or in part, the annual information return

required by section 6033 where he determines that such returns are not necessary for the efficient administration of the internal revenue laws."

.04 Section 1.6033-2(g)(1) of the regulations provides a partial list of organizations that are not required to file annual returns either because they are excepted by statute or because the Commissioner has exercised the authority referred to above in Sec. 2.03. A more complete list is contained in [Rev. Proc. 83-23](#), 1983-1 C.B. 687.

.05 A return filing exception for certain church-affiliated organizations engaged exclusively in managing funds or maintaining retirement programs was announced originally in Notice 84-2, 1984-1 C.B. 331. That exemption was carried over into [Rev. Proc. 86-23](#), which superseded Notice 84-2. [Rev. Proc. 86-23](#) also defined what is an integrated auxiliary of a church for purposes of the filing exception provided in section 6033(a)(2)(A). Treas. Reg. section 1.6033-2(h) now has incorporated the definition of integrated auxiliary of a church, making [Rev. Proc. 86-23](#) partially obsolete. Accordingly, this revenue procedure replaces [Rev. Proc. 86-23](#), preserving the filing exemption that remains in effect for certain church-affiliated organizations that manage funds and retirement programs and deleting those portions of [Rev. Proc. 86-23](#) that are now part of the regulations. Some organizations exempted from filing by this revenue procedure may also qualify as integrated auxiliaries exempt from filing under section 6033(a)(2)(A).

SECTION 3. ORGANIZATIONS EXCUSED FROM FILING

.01 The following organizations will not be required to file Form 990:

(1) An organization described in section 501(c)(3) that is operated, supervised, or controlled by one or more churches, integrated auxiliaries, or conventions or associations of churches, and

(a) is engaged exclusively in financing, funding the activities of, or managing the funds of

(i) a church, integrated auxiliary, or convention or association of churches, or

(ii) a group of organizations substantially all of which are described in (1)(a)(i), if substantially all of its assets are provided by, or held for the benefit of, organizations

described in (1)(a)(i); or

(b) maintains retirement insurance programs primarily for organizations described in (1)(a)(i), and

(i) more than 50 percent of the individuals covered by the programs are directly employed by those organizations, or

(ii) more than 50 percent of the assets are contributed by, or held for the benefit of, employees of those organizations.

(2) An organization described in section 501(c)(3) that is operated, supervised or controlled by one or more religious orders and is engaged in financing, funding, or managing assets used for exclusively religious activities.

.02 For purposes of this revenue procedure, an integrated auxiliary is an organization that meets the definition contained in Treas. Reg. section 1.6033-2(h).

SECTION 4. EFFECTIVE DATE

This revenue procedure is effective for tax years beginning after December 20, 1995, the date of publication of final Treas. Reg. section 1.6033-2(h) in the Federal Register.

SECTION 5. EFFECT ON OTHER DOCUMENTS

[Rev. Proc. 83-23](#) is supplemented. [Rev. Proc. 86-23](#) is rendered obsolete as of the effective date set forth above in Sec. 4.

DRAFTING INFORMATION

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