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I. Positions of Financial Responsibility

Churches and other religious organizations can conduct their temporal and spiritual affairs only through individuals. It is these individuals in positions of financial responsibility that will be intimately involved in the day-to-day financial affairs and conduct of the church. At a minimum, a church should have a treasurer, finance or stewardship committee, and a counting committee.

A. Treasurer

The treasurer should be a voting member of the church and it would be helpful to have some experience in bookkeeping and/or accounting. ***The treasurer should be bonded***, serve as the financial officer for the congregation, and be responsible for the following:

1. Disbursing funds in accordance with approved budget and as directed by the congregation.
2. Filing all required tax and related forms by the appropriate due dates.
3. Investing all funds as directed by the congregation.
4. Monitoring the cash flow of the operational budget.
5. Maintaining financial records.
6. Preparing and distributing complete financial reports at each business meeting or as required by the church.
7. Keeping informed as changes occur in reporting requirements of tax and financial matters.
8. Maintaining all records for the various designated funds and administering these monies as directed by the church and the desires of the donors.

B. Financial Secretary

The financial secretary should be a voting member of the church and will preferably have experience in the handling of receipts and the orderly maintenance of records. The financial secretary is responsible for keeping accurate records of all gifts of each contributor, maintaining those records, and providing donors with proper substantiation. Whoever serves as church financial secretary should be a person who will record the amount of the members' gifts carefully and handle the knowledge of those gifts with discretion. ***The Financial Secretary should be bonded***.

C. Counting Committee

The counting committee should be elected annually to perform the task of counting gifts received. The number of members on the committee varies according to the number of church members. The committee should be large enough that at least three members are always present to assist in counting. The financial secretary and treasurer should not serve on the counting committee. The committee is responsible for counting all funds received during church services, through the mail, or delivered to the church office. The committee prepares the deposit slips and counting sheet, makes the bank deposit, and forwards a copy of the deposit slips and counting sheet to the treasurer. The committee also arranges the offering envelopes in numerical or alphabetic order for the financial secretary to record contributions. ***All members of the Counting Committee should be bonded***.

D. Finance and Stewardship Committee

Members of this committee should be elected by the church at least annually. This committee serves in support of the treasurer and financial secretary by giving guidance and direction in fulfilling their duties.

The committee is responsible for verifying the financial position of the church by reviewing and/or approving receipts and disbursements. The review should confirm that the receipts and disbursements reconcile with bank records. This committee should also review and verify all financial reports prior to issuance to the congregation.

The committee should ensure that periodic financial reviews are completed. Ideally, a financial review will be completed when a new treasurer is elected, when the fiscal year ends, when a misuse of funds is suspected, or at any other time the review is appropriate.

II. Internal Control Procedures for Receipts

A. Uncounted Funds

Never leave uncounted funds alone with fewer than two people. It is not wise to leave **uncounted offerings** in the safe or locked file cabinet because everyone with access to the safe or locked file cabinet has access to uncounted funds. Leaving uncounted funds in a safe or locked filing cabinet does not adequately protect the church's assets and jeopardizes the reputation and integrity of members who have access. Instead of leaving uncounted funds locked away, place uncounted funds in pre-numbered clear plastic bank bags for storing in the safe or locked file cabinet after recording the bag numbers.

B. Sunday School Offering

Members' contributions should be received in sealed envelopes. Unopened members' envelopes should be placed in a large envelope, sealed, and taken to the proper designated location.

1. The counting committee should count the funds immediately.
2. Any offering plates should be kept in plain view of congregation (e.g. near pulpit).
3. The funds should be sealed in pre-numbered clear plastic bags and stored in a safe or locked file cabinet to await counting.

C. Worship Service Offering

Worship service offerings should remain in offering plates in view of the congregation and at least two members should take the funds to the proper designated location.

1. The counting committee should count the funds immediately.
2. The funds should be sealed in pre-numbered clear plastic bags and stored in a safe or locked file cabinet to await counting.
3. The funds should then be placed in zipper-locked money bank bags and taken to the bank.

D. Funds Delivered to Church Office

1. Use pre-numbered triplicate receipts to identify the source of funds and their intended use. Each should be counted and signed for by the one bringing the funds and by a member of the church staff.
2. Give the original pre-numbered receipt to the one bringing the funds, and keep the duplicate receipt along with the funds in the church safe or locked file cabinet until a deposit can be made. The third copy should remain in the receipt book for a control copy.
3. When the deposit is made, the counting committee should list the receipt numbers on the counting sheet. The first receipt number on the current counting sheet should begin where the last counting sheet left off. If it doesn't, there may be missing funds.

E. Funds Received by Mail

1. Whenever possible, have two people open the mail together.
2. Count funds received together and complete triplicate pre-numbered receipt.
3. Both counters should sign the receipt. The original could be mailed to the donor and the duplicate receipt along with the funds placed in the safe or locked file cabinet until a deposit can be made. The third copy should remain in the receipt book as a control copy.

F. Counted Funds

After funds are counted and properly documented, they may be stored in the church safe or locked file cabinet and added to the Sunday offerings for the counting committee. However, don't keep large amounts of counted funds in the safe or locked file cabinet.

G. Counting Committee Procedures for Funds

1. Counting Offerings:
 - a. Separate loose offering from the envelopes.
 - b. Count the loose offering and record the amount.
 - c. Separate the budget offering envelopes from special offering envelopes.
 - d. Open each envelope, remove the money, and verify the amount enclosed with the amount on the face of the envelope. If there is a discrepancy or if the figures are not legible, record the amount in red in the upper right hand corner of the envelope and initial the change by all the counters.
 - e. Add the amounts on the budget offering envelopes, using the corrected amount where applicable, and record the total.
 - f. Add the amounts on the designated offering envelopes and record the total.
2. Handling Designated Offerings:
 - a. Accept only approved designated offerings.
 - b. Funds received for unapproved requests should not be deposited. The request should be taken through proper channels. If the request is approved deposit the funds. If the request is denied, return the funds.
3. Loose Checks

Checks not enclosed in envelopes should be handled in one of three ways for later contribution record posting:

 - a. Copy all checks;
 - b. Make envelopes for each check; or
 - c. Make a list with the name of each donor, amount, and how funds are to be used.
4. Depositing Funds
 - a. After counting the money, make the deposit slips in duplicate.
 - b. The money with the original deposit slip should be taken to the bank and placed in the off-hours depository. At least two members of the counting committee should make the deposit.

- c. The duplicate deposit slip should be given to the church treasurer. The treasurer should check all deposit slips against the monthly bank statement to ensure that all funds have been properly deposited and that proper credit was given for each deposit. The treasurer is also responsible for the recording of all receipts in the appropriate categories and reporting periodically to the proper body. If the church does not have a financial secretary or other designated person to record members' gifts, the treasurer will need to serve in this capacity as well.
- d. The same depositing procedure should be followed for the evening service. Never take the receipts home. Never place the uncounted receipts in the church safe unless placed in the pre-numbered clear plastic bank bags.

H. Contribution Records

1. Distribution of Contribution Records

At least annually (some churches do so quarterly), itemized contributions records should be given to the donors. The records should show each individual gift, the date given, the amount of the gift, and the statement, "Received Only Intangible Religious Benefits" or "No Goods or Services Received."

The contribution records may be given to donors by hand or by mail. To keep mailing costs down, an announcement should be made from the pulpit stating that contribution records are available to be picked up at the end of the service. After several weeks of making the announcement, mail the remaining contribution records to the donors.

When distributing the contribution records, include a letter that all discrepancies should be reported to the proper committee (but not the treasurer, financial secretary, or counters) with their names and contact information listed. This committee should follow each discrepancy to its conclusion.

Without the contribution records, there is no adequate system of internal control. If there is a weakness somewhere in the system and funds other than non-postable cash (i.e. no envelope) have been taken, they will not be posted on the contribution cards. Thefts should be brought to light if the contribution cards are properly used.

2. Reconciliation of Disputed Contribution Records

When an individual believes that a check has not been posted to his account and the person furnishes the cancelled check, the endorsement on the back of the check must be checked to be certain that the church received the check. The account number to which the check was deposited should also be checked to verify that it was deposited to an active church account.

Check the keying sheets for the date of the deposit to see if the check was entered onto the wrong record. If the amount entered onto the contribution records was less than the amount of the deposit and the differences was not able to be reconciled at the time of the keying, this check may be all or part of the discrepancy.

Check IMA DUMMY account to see if the check could have been for personal payments such as Falls Creek, church meals, study literature purchases, etc. For this reason, entries to the IMA DUMMY account should state "Non-Postable Cash" or for personal funds and state the name of the donor and the personal nature such as "Joe Smith - Falls Creek."

If the individual contribution record is missing a cash gift for which an envelope was completed, check the envelopes for that time period. If an envelope is found, but there is no entry to the contribution records for the donation, check the keying sheets for that deposit. The donation may have been keyed to the wrong record, or there was not sufficient information from the counters to complete the posting and the amount keyed was less than the amount of the deposit. This cash gift could be part or all of the discrepancy.

I. Embezzlement

Beware the “Embezzlement Triangle”

Accountants and other individuals involved in areas of finance have coined this term to describe the conditions that can motivate a person to steal.

1. Opportunity. A lack of sufficient internal control procedures will provide a heightened opportunity for theft. Don't make stealing unnecessarily easy. Implement necessary internal controls and remove the temptation. Too often, an organization will avoid or delay putting the necessary system of internal controls in place until massive fraud is discovered.
2. Motive. A person's need for money provides motivation to steal and can be induced by any number of real or perceived needs such as a drug or gambling addiction. Often embezzlement follows long periods of spending more than can be afforded, and a large debt is incurred requiring immediate payments. Be on the lookout for those with great needs who handle church finances.
3. Rationalization. That intangible “something” that enables a more-or-less honest person to live with his actions of stealing from the church is rationalization. Most fraud starts as a small loan with the intent to repay the loan—*and the rationalization that it is **not theft**, but a loan*. When the first loan that is not repaid isn't discovered, it gets easier to make the next loan without repayment. When the amount becomes too large to pay back, the rationalization may shift to *“I deserve more than I am being paid” or “the church can afford it.”* Learn to spot rationalization that can lead to theft.

Recent Church Embezzlement Case

On February 19, 2019, David Reiter was accused of stealing more than \$1.2 Million from Upper St. Clair Presbyterian Church in St. Clair, Pa. over the span of 17 years.(2001-2018.) David was charged with 10 counts, including forgery, criminal conspiracy, and theft. David played the keyboard in contemporary services those 17 years and was also the church administrator during this time. He was trusted by everyone. He handled finances for the church, including payroll, transferring money between accounts, paying vendors and bank reconciliations.

The church treasurer had been given the name of their auditing firm, Sisterson & Co. and their assigned auditor, Drew Harrison and his telephone number. For some reason, the church treasurer had been trying to meet with Drew but kept getting excuses why they couldn't meet face-to-face. The treasurer finally called the home office number of Sisterson & Co and discovered that no one named Drew Harrison worked there nor was the St. Clair Presbyterian Church one of their clients.

It was discovered later that the number Mr. Reiter had given the treasurer to contact Drew, their supposed assigned auditor, was a prepaid cell phone purchased by Mr. Reiter with church funds. Mr. Reiter had been impersonating Drew each time the treasurer called the cell phone number, according to the paperwork.

The church released a statement that said in part "Mr. Reiter was a widely trusted, active member of the church who served as the business administrator for 17 years, and he engaged in sophisticated forms of deception to hide his theft. While the church always had reasonable levels of controls for receiving and counting money and making disbursements by check, the theft was accomplished largely through electronic fund transfers. New procedures and controls have been implemented to prevent such activity in the future, and a full outside audit will be completed this spring."

Investigators determined that Mr. Reiter had stolen over \$979,000 through electronic transfers of funds from the church's account to his own account. He is also accused of misusing a Bank of America credit card in the amount of \$229,000. Mr. Reiter's wife, Connie, is charged with taking part in more than \$900,000 of that theft, according to the district attorney's office.

Responding To Possible Evidence Of Embezzlement

1. The same person has counted church offerings for many years. The pastor inadvertently notices that offerings are always higher when this person is absent (due to illness, business, or vacation).
2. Church officials noticed that a church bookkeeper was living a higher standard of living that was unrealistic given her income. Among other things, she purchased an expensive home and a luxury car.
3. Church offerings have remained constant, or increased slightly, despite the fact that attendance has increased.
4. A church treasurer notices that a church official with sole signature authority on the church checking account has purchased a number of expensive items from unknown companies without any documentation to prove what was purchased and why.

Workplace Options When Theft Is Suspected

1. **Determine the Extent of Theft Immediately.**

The treasurer, accountant, or some other qualified member should immediately attempt to determine the scope of the embezzlement by examining all available records. An outside audit of the records may be required if there is no one in house capable of carrying on the investigation. This will require incurring some expenses, and the suspected size of the misappropriation of funds should be considered before committing to this expense.

2. **Confront the Individual(s).**

Immediate action is critical after evidence of a theft has been discovered. If there is some certainty of the identity of the perpetrator, confront the suspected embezzler and offer an opportunity to give his/her side. If the individual cannot fully explain the missing funds, the employee should be removed immediately. The options are: placing him/her on paid leave (if there is still some amount of uncertainty that a crime has been committed); placing him/her on unpaid leave pending the completion of the investigation; or termination. If there is serious concern that the individual will attempt to cover up the misappropriation, the confrontation may be delayed while more evidence is established. If it is decided to delay the confrontation while more evidence is gathered, the employee's access to both funds and records must be limited during this time.

3. **Report Theft to the Proper Authorities.**

When the employer has established that there has been an embezzlement and the individual(s) have been confronted, consideration should be made to contacting the proper authorities such as the local police or the District Attorney's office. This disclosure could lead to unfavorable publicity and bad press for all those involved. Some employers have been able to quietly receive total restitution from the embezzler avoiding the risk of bad press and undue harm to the employer's reputation. However, if the embezzler has no funds available for restitution, and the employer has an Employee Fidelity Bond to cover the loss, in most instances, charges must be filed and the employee convicted for the loss to be covered.

4. **Attempt to recover the embezzled funds.**

The employer has a responsibility to attempt to retrieve misappropriated funds. Due diligence must be applied in evaluating the following options to determine which, given the facts and circumstance, is more appropriate:

- a. **Hire an attorney to sue the embezzler.**
The benefits of pursuing civil relief include legal counsel's ability to ask a court to freeze an embezzler's bank accounts and other assets to secure an eventual judgement. The cost of this option could outweigh the amount of funds stolen, and further, filing a lawsuit may lead to bad press and cause harm to the employer's reputation.
- b. **Recover losses after a criminal conviction.**
If an employee is found guilty of theft, the court may order restitution of the stolen money as part of the sentencing. If the discharged employee fails to make restitution payment ordered by the court, he/she may be prosecuted for contempt of court.
- c. **Recover losses through insurance.**
Employers should maintain coverage to be protected from dishonest employees through an employee dishonesty bond, a fidelity bond, or crime fidelity insurance. Employee dishonesty policies have some disadvantages, including insufficient policy limits, and the requirement in most instances that the employee must be convicted of the theft before the coverage will apply.
- d. **Offer the embezzler a repayment plan.**
Offering a repayment plan is a reasonable alternative that offers private and cost efficient action to recover the stolen funds. However, without some kind of collateral pledged in the agreement, there is not a cost effective way to enforce the repayment plan.

Church Reporting Requirements for Embezzlement

There are certain steps that should be taken when embezzlement occurs or is suspected. Often, the embezzler will be unable to repay the funds insisting that the funds have already been spent. This presents the church leaders with a difficult decision, since the embezzler has received unreported taxable income from the church.

When embezzlement occurs, the church reporting requirements differ on whether the identity of the embezzler and the amount of money taken are known by the church. If the person returns the money immediately or in accordance with a signed promissory note, then no reporting is necessary to the IRS. If, however, the embezzler and the amount taken is known and is not returned, the amount taken should be reported on a Form 1099 Misc in Box 3 (Other Income).

When it is clear that funds are missing, but the exact amount cannot be determined, even if the identity of the embezzler is known, no Form 1099 Misc is filed. A Form 1099 Misc should be filed ONLY when the identity of the embezzler AND the amount misappropriated are both known. When the amount taken is uncertain, Form 3949A 'Information Referral' should be filed with the IRS. On Question 4, "Alleged Violation of Income Tax Law" (Check all that apply), check the box "Unreported Income". These forms should be sent to the Internal Revenue Service, Fresno, CA 93888.

The IRS should launch an investigation based upon the information provided. There is also an IRS Tax Fraud Referral Hotline (1-800-829-0433). This is an automated line with instructions for how to obtain the Form 3949 A at www.irs.gov/forms.

J. Church Credit Cards

A Useful Tool With Proper Guidelines

With proper handling, a church-issued credit card can be a useful tool. However, churches who issue credit cards to employees should follow a few basic guidelines:

- 1. Have a written Credit Card Policy that clearly lists all the terms for use of the card.**
Have each employee read the policy and sign that the conditions are understood and agreed to before issuing a card. Be certain that the policy is enforced for ALL employees who use church-issued credit cards.
- 2. Limit the number of credit cards issued.** The more cards issued, the more burdensome it is to monitor the cards and verify the validity of each purchase.
- 3. Set credit limits on each card issued in the church's name, and require receipts itemizing each purchase.** Receipts should be provided to the proper individuals by the end of the month of each charge allowing for the proper matching of receipts and statements. This is necessary to allow for timely payment of the credit card bill.
- 4. A designated church employee should review all credit card charges each month, matching receipts with statements.** The receipts should be reviewed for unauthorized expenditures (purchases above the limit of authorized expenses or totally outside the scope of allowable purchases.) A missing or unsubstantiated receipt should result in either an increase to W-2 taxable income of the employee or a deduction from salary (depending on the terms of the policy). If the church has a Purchase Order System, any expenditure requiring a purchase order should be matched with the signed, approved purchase order, and any problems brought to the attention of the proper authority. The employee reviewing the receipts should be a trusted individual who is not afraid of approaching employees concerning questionable charges, missing receipts or purchase order discrepancies. *No matter how trusting the individual reviewing the information is, if he/she also has a church credit card, someone else must review and reconcile their credit card receipts and statements.*
- 5. When a personal expense is discovered on the employee's church credit card,** an immediate reimbursement should be made by the employee, or the amount should be deducted from the employee's next paycheck. If making personal expenditures on church credit cards becomes a pattern, the card should be removed. If it is determined that the personal use of church credit cards is intentional, the appropriate church action should be taken.

To avoid the time necessary to correctly monitor church employee credit card activity, many churches choose not to provide credit cards to staff. Often, one or two cards are kept in the church office and checked out for the purchase of church supplies, food, gasoline, etc. used in the normal course of daily operations. In that situation, employees would use their own credit cards for their church-related expenditures, and would make an accounting to the church at the end of the business cycle, providing an expense statement, receipts, auto log, etc. for reimbursement. This avoids the problems with personal expenditures and missing receipts. The reimbursement method is extremely helpful in the area of improper expenditures as these now have oversight **before** church funds are spent and reimbursements made!!

Church Credit Card Policy

Employees provided a church credit card must adhere to certain requirements to maintain the privilege of having a church credit card. The church credit card cannot be used to obtain cash advances or for personal expenditures. All of the original receipts must be turned into the church office within 10 business days of the statement date. The business purpose for the expenditure must be noted on the receipt. Personal expenses that are discovered on a church credit card must be reimbursed by the employee or the personal expense will be deducted from the employee's next paycheck. The employee will be responsible to discuss any issue of missing receipts with _____ before the next payroll to avoid the payroll deduction.

The credit card limit will be \$_____. Changes to this limit must be approved by the Finance Committee.

I have read and I understand the statement of Church Credit Card Policy. By this form, I give permission for the church to withhold from my paycheck personal expenses incurred by me using the church credit card and also for items unsubstantiated by receipts. I will return the card to the church upon demand during the period of my employment. I further agree to return the card upon termination of employment.

Signature

Date

K. Employee Fraud at the Workplace

Forms of Employee Fraud*

One of the most serious problems for churches and small businesses today is employee theft. The leaders of the National Federation of Independent Business (NFIB) state that employees are 15 times more likely to steal from their employers than those who are not employees. According to the US Department of Commerce, more than 30 percent of business failures are caused by employee fraud or theft. Therefore, the problem that needs to be addressed by churches and businesses alike is employee fraud. Employee fraud can take place in a wide variety of forms, including the following:

Skimming - A process by which funds are removed before entering the accounting system (the donated cash and/or checks were stolen before being counted or reported) OR

An electronic method of capturing personal financial information by identity thieves. The skimmer is a small device that scans a credit card and stores the information contained in the magnetic strip. Skimming can take place during a legitimate transaction (example-restaurants.)

Larceny - The theft of personal property after being entered into the accounting system (donations have been counted, deposited and entered onto Contribution records and the Income Statement.)

Fraudulent Disbursements - This is the most common form of asset misappropriations. It occurs when an employee causes a payment for some inappropriate purpose through one of the following:

Check tampering- alteration of named payee and/or dollar amounts, forged signatures;

Billing schemes- billing church for goods or services not received by a non-existent company;

Inappropriate expense reimbursements- overstatement of expenses or fictitious expenses, multiple reimbursements of expenses, inappropriately characterizing personal expenses as business;

Payroll overpayments- increasing payroll benefits to an employee through ghost employees or falsified hours and salary rates

Prevention of Fraud*

The high rate of employee fraud is alarming, and church leaders should encourage vigilance in the area of fraud prevention. The following are a few ideas that should prove helpful in implementing an environment of financial internal controls:

1. Perform background checks on potential employees. This gives the employers a better idea of any illegal activities the individual is or has been involved in. The negative information contained in a background check could lead the employer away from hiring the individual. The congregation would be protected from the acts of the individual and also the employer would be protected from potential future liability lawsuits.
2. Know the employees well. There are several indicators of theft, and it is important to be aware of these. The following are a few examples:
 - a. Living a life above salary level;
 - b. Drug or alcohol abuse;
 - c. A sudden change in work habits (often working late);
 - d. Gambling, writing bad checks or borrowing money frequently;
 - e. Objecting to every introduction of internal control procedures;
3. Properly supervise the employees. When there is a lack of supervision, fraud and theft rates rise. It is important to know generally what employees are doing and their work patterns. Insist that all employees take their vacations (not payment in lieu of time off.) Require another employee to perform the tasks of the individual on vacation to be certain that everything is as it should be. It is especially important to know that all instituted internal control procedures are being followed.
4. Use purchase orders to help control cash flow and fraudulent disbursements. Purchase orders should be used that have consecutive serial numbers printed on them. This will allow for easier and more thorough tracking of expenses. A different individual should be responsible for the issuing of purchase orders, the matching of purchase orders to billing statements and the writing of checks whenever possible.

* Adapted from the website of 3000 Insurance Group (3IG), Oklahoma City, OK www.3000ig.com

M. Dishonesty Bond Application



Dishonesty Bond Application

Name of Insured _____ Type of Business _____
 Business Address _____ Amount of Coverage Requested _____
 Total Number of Employees (both full and part-time) _____ \$5,000 \$10,000 \$25,000
 Total Number of Owners _____
 1 Year Bond 3 Year Bond (reduced rate of 2.85 x annual premium - Type B only)
 Have you sustained any employee dishonesty losses in the last 6 years? Yes No (If so, give details in a letter.)

Business Classification:

- Type A: Professional Services - Engineering, Architectural, Accounting, offices of Physicians, Dentists, Lawyers, Optometrists, Chiropractors, etc. Owners/Officers are not covered under this bond, unless the insured is a corporation, and the owners/officers are in the regular service of the insured and compensated by salary, wages, etc.
- Type B*: All Other Businesses and Organizations - Retail, Wholesale, Personal Services, Transportation, etc. Owners may be covered but coverage is subject to underwriter approval. Are owners to be covered? Yes No

Bond form contains conviction clause

* In order to protect you and your employees against unjustifiable allegations or charges of dishonesty, the employee must be convicted of the alleged dishonesty before coverage will apply.

Agency Name _____ Agency Code _____
 Address _____ Date _____

Coverage is not effective until application is accepted by the Company. The bond's effective date will be the date the bond is issued.

Premium examples for \$10,000 and \$25,000 coverage

Type A Dishonesty Bond (Select Professions)

Available Insurance - Commercial Blanket coverage (covers all employees for an aggregate amount).

Type of Business	Premium*	
	\$10,000	\$25,000
Architects, Accountants, Attorneys	\$145.00	\$215.00
Dentists, Physicians, Optometrists	\$100.00	\$108.00
Charitable Organizations	\$100.00	\$100.00
Benevolent Organizations	\$100.00	\$100.00
Insurance Agents	\$196.00	\$290.00

- All figures are for five (5) or less employees.
- Above rates are examples. Other businesses may take slightly higher or lower rates, and will be quoted upon request.
- Annual premium-based on no losses in last 3 years

Type B Dishonesty Bond (Other Businesses)

Available Insurance - Blanket coverage on each individual for:

*No. Employees	Amount of Coverage		
	\$5,000	\$10,000	\$25,000
5 or less	\$100.00	\$101.25	\$150.00
6	\$100.00	\$110.00	\$162.00
7	\$100.00	\$118.75	\$175.00
8	\$100.00	\$127.50	\$187.50
9	\$101.25	\$136.25	\$200.00
10	\$107.50	\$145.00	\$212.50
11	\$113.75	\$153.75	\$225.00
12	\$120.00	\$162.50	\$237.50
13	\$126.25	\$171.25	\$250.00
14	\$132.50	\$180.00	\$262.50

- 15 or more - Contact the Company for rates
- Three Year Prepaid Premium: 2.85 times Annual Premium
- *Since this is blanket position coverage, count all employees (including owners/officers if they are to be included in coverage) when computing the premium. Rates are subject to change.

N. Receipt Documentation Reports

COLLECTION REPORT

Date _____

ATTACH BANK
DEPOSIT SLIP

_____ Morning _____ Evening _____ Other
(Check One)

FUNDS

General Fund Collections

\$.
----	--	---

Non-Postable Cash

\$.
----	--	---

Special Collections

		.
--	--	---

1) _____

		.
--	--	---

2) _____

		.
--	--	---

3) _____

		.
--	--	---

4) _____

		.
--	--	---

5) _____

		.
--	--	---

6) _____

		.
--	--	---

Total Collections

\$.
----	--	---

Contribution Record Postings

\$.
----	--	---

Note: Total collections and contribution record postings should be the same amount.
Use a dummy account to post 1) non-postable cash, 2) personal item payments, and
3) amounts from envelopes with unreadable donor names.

(Sign when posted - Attach posting record)

COUNTERS' SIGNATURES (Minimum of 2)

Office Triplicate Receipt #'s (Attach to back of form)

MONTHLY COLLECTION SUMMARY

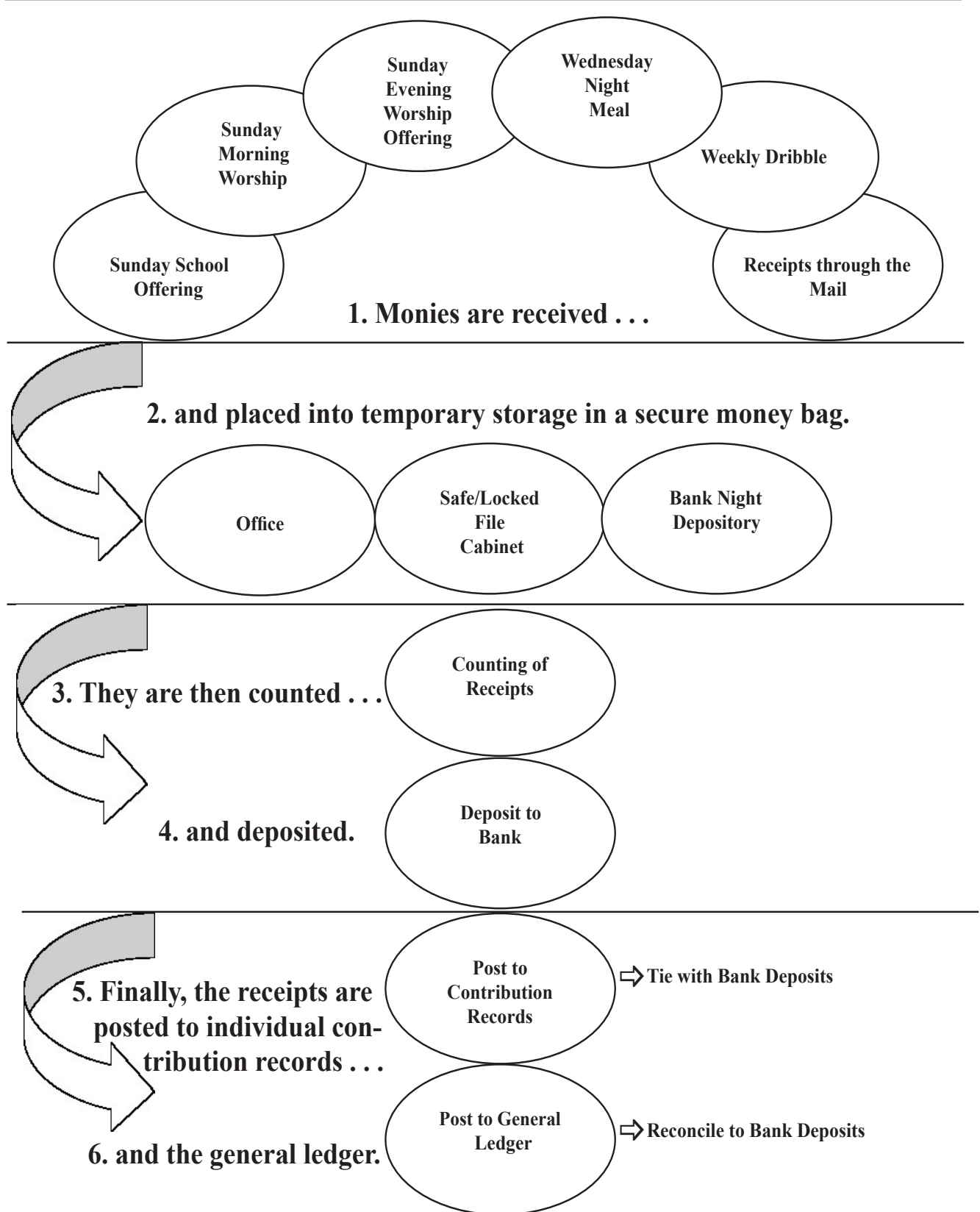
	Initials	Date
Prepared By		
Approved By		

_____, 20____

	1	2	3	4	5	6	
	Special Collections						
	General	Non-Postable	1)	2)	3)	Total	
Date	Collections	Cash				Collections	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
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30							30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38
39							39
40							40
41							41
42							42

N. Flow Chart of Receipts

Flow Chart of Receipts



III. Online and Electronic Developments

A. Online Contribution Options for Churches

What's Wrong with Checks?*

1. Check writing is becoming obsolete (75% of Americans write 1 check or less each month) as more and more people are paying online through use of credit cards or bank transfers.
2. Lack of attendance (especially during summer vacation season) equates generally to lack of contributions if cash and checks are the only method available for payment of contributions. Churches that make online giving available note that 73% of giving happens on a day other than Sunday, with more than 33% of online giving happening between 9pm & 6am.
3. The counting and processing of cash and checks collected is time consuming for both volunteers and paid employees.
4. The donors' sensitive information such as bank account numbers and contribution amounts are exposed to all who handle the funds.

eGiving Options

Online Giving

Online giving with eGiving.com gives donors a secure way to easily create one-time or recurring gifts, helping to grow your organization! Keeping up with your donors' gifts and pledges is made simple with our real-time reporting provided through our Control Panel.

Text Giving

There's no faster way for your members to give than with text giving. For a monthly fee with no contract, donors can simply text your unique 10-digit number with their donation amount to give in a matter of seconds.

Giving Kiosks

Giving kiosks are the most popular form of giving for first-time donors, and it's easy to see why! Giving kiosks meet the needs of the growing number of "cashless" donors by making it incredibly easy and convenient for them to donate onsite.

Advantages of Online Giving*

1. There is wide acceptance of debit/credit cards and Bank Transfers (both EFT and ACH).
2. Collection amounts are more stable as most online giving programs allow online donors to schedule church donations weekly, biweekly or monthly. Many churches have reported a significant increase in collections during summer months when families go on vacation.
3. Most churches report an increase in total collections when making online giving available and more convenient to the members. Gen Y (1981-1997) make up 30.4% of the population and pay more than 85% of their bills online. More than 50% of the total population pays at least one bill via mobile device
4. Security is enhanced with digital giving. The credit card companies have developed comprehensive guidelines for merchants who accept credit cards.
5. Churches that offer the convenience of digital giving to its members generally see between 40% and 45% of the donations charged to credit cards alone. Contributions are coming in from the convenience of church websites and as members use debit/credit cards, e-checks (EFT and ACH transactions). Conveniently located church kiosks, as well as mobile giving, are also used.
6. Online giving is attractive to the younger generation. The younger generation is more likely to participate in giving if they are able to use the technology they are accustomed to in their daily regimen.

Online Giving vs. Mobile Giving

Online giving occurs from a personal computer at a specific location, but mobile giving can be done from a phone or tablet anywhere with cell service. Approximately 72% of churches offer online and mobile giving with digital giving accounting for 55% - more than half - of all church tithes. According to Pew Research, 91% of the United States population has a cell phone. In the US, 56% of cell phone users have a smartphone—and this number is even higher for Americans younger than 34. Providing a true mobile giving solution remains one of the greatest opportunities for many churches today.

*Adapted from the website of American Church Inc - www.americanchurch.com

Choosing the Right Payment Processor*

1. Maximum flexibility in giving - Are the donors able to schedule recurring contributions on a weekly, biweekly, monthly, quarterly, semi-annual or annual basis? Can one time donations be made?
2. Flexibility to make a pledge - Can the donor make a pledge of a certain amount and schedule regular payments over a period of time to fulfill the pledge? Can a down payment be made toward that pledge from one bank account while the remaining payments made from another bank account?
3. Donor preference - Can the donor remain anonymous?
4. Payment process - How long does it take for the funds to be deposited into the church's account once they are taken from the donor's account?
5. Maximum security - Does the program offer the following:
 - PCI DSS Compliance
 - 128-bit secure browser connection to protect data
 - SOC 1 Type 2 report (SSAE 16 Type 2 report)
 - Secure Sockets Layer (SSL) to encrypt all of the information
 - Donor's credit card and bank information must not be accessible to church staff
 - Funds must not be held by the vendor or any third party during the process
6. Cost - This is one of the most important considerations as very careful considerations should be given to all options as well as comparing other vendor options and costs.
7. Fees - Are the online donations deposited in full in the church's bank account and fees charged at the end of the month? Are there additional fees for updating member's personal or bank/ credit card information, changing future donations or pledges, etc.?
8. Promotion - Does the vendor offer help in launching and promoting the program?
9. Reports - What reports are available for online contributions? Can the online contributions be posted in the church management software electronically or do they have to be posted manually?
10. Updates - Does the vendor plan to keep the program current? A new feature that is becoming popular is smart phone payments? Is this currently available or being developed?

*Adapted from the website of American Church Inc - www.americanchurch.com

7 Apps for Mobile Giving

Stripe

Stripe is another affordable solution that can be customized for your church. Like EasyTithe's basic plan, Stripe only charges transaction fees. Stripe's transaction fees for credit cards are 2.9 percent plus \$0.30 per transaction, regardless of whether a Visa, MasterCard, American Express or Discover credit card is used. Stripe doesn't offer customization services, but the platform is built so that developers can easily customize the platform for their own organizations. The code is "built for developers," and the company's website boasts "robust, clean APIs. Stripe is an excellent choice for small- and mid-sized churches that have a developer who is willing to customize the API for the church's website. The company's fees might be slightly high for larger churches that receive lots of donations, but they're reasonable for churches receiving a small or moderate number of online donations. For churches that have a web developer who wants to serve, Stripe is the most customizable solution.

Pushpay

Pushpay is marketed as the "10 second giving app." Users give once online, and then an automatic message is sent to their phones prompting users to download the app. Pushpay allows for recurring payments and accepts credit and debit cards as well as ACH (eCheck) payments. The app also integrates with popular church administration software. Its pricing has per-giver and flat-rate options. Plans start at \$29/month and processing fees typically average out to 2.2 percent, which includes a guarantee to match or beat a church's current processing rates. Pushpay also guarantees a 5 percent annual increase in contributions for churches with more than 400 attendees that sign up.

Tithe.ly

Tithe.ly (formerly "Simple Tithe") streamlines the giving process with its app and matching code you can add to your website that will allow users to give without leaving the web page. Giving through the app can be completed in just 30 seconds, according to its developers. Tithe.ly's simple methods will be attractive to any church concerned about attendees having to learn complex methods of giving. Tithe.ly accepts all major credit cards and ACH (eCheck). This vendor charges 2.9 percent plus 30 cents per transaction. Tithe.ly is available for iOS, Android, and the web.

The Giving App

The Giving App allows churches to create their own customized app to match their custom brands and logos. Other benefits include an easy sign-up process, the ability for guest users to give without an account, and fast processing of regular giving transactions—it takes only seconds. It does, however, entail an awkward download method. In order to download the app, tithers must use their mobile phones to visit a custom URL (web address). Churches that choose to use this service might want to work around this issue by creating a custom QR code church attendees can easily scan to download the app. Plans range from \$19.95/month to \$99.95/month with no long-term commitment. The vendor charges 2.9 percent plus 30 cents per transaction.

Qgiv

Qgiv offers customized, branded online and mobile giving platforms. This will take more time to set up, but the app's vendor claims it yields good results at a 39 percent average increase in donations if you previously had no branded giving page. Qgiv boasts robust security with independent audits. A Level 1 PCI Compliant badge is proudly displayed on the website. This vendor also offers customer service for all clients. The app's basic plan requires a \$199 one-time setup fee, but is billed month-to-month with no annual contract. The transaction fees are higher than most at a minimum 3.95 percent plus 30 cents per transaction, but you are getting access to other ongoing services. Churches who want guaranteed customer service and security may take a second look at Qgiv.

EasyTithe

EasyTithe is able to create a custom app for your church that reflects your logo and branded events. This vendor's three service plans include one with no monthly or startup fee. Pricing is competitive (1.99 to 3 percent plus 30 cents per transaction), and unlike some other apps, they will process unlimited funds, campaigns, and users. All of this combined with its very positive reviews make EasyTithe an attractive option.

SecureGive

Of the apps reviewed here, SecureGive offers the most comprehensive services. Their “Mobile App Only” option will run \$39/month plus a one-time \$199 setup fee on top of the usual fees for each transaction. This vendor is the creator of the first giving app and of the first church giving kiosk, and it shows. Their expertise and services are expensive but also constitute an expansive option for churches seeking comprehensive services.

Crowdfunding by the Church - will the donations be tax deductible?

Many churches are now using the option of crowdfunding. Churches interested in this option should first create a crowdfunding policy. The issues that should be addressed in setting up a policy are the following:

1. Can church members set up a crowdfunding appeal for a church project?
2. Can people outside the church set up appeals for the church?
3. Will appeals be allowed for specified individuals or simply for church projects?
4. What crowdfunding site will the church use for setting up appeals?
5. Will donations to crowdfunding sites set up by the church be tax-deductible?

Church crowdfunding is less complicated when a church project or ongoing support for a charitable program is involved. It is more difficult when a crowdfunding appeal benefits a specific individual. According to Pew Research, about two-thirds of crowdfunding donors have given to an appeal to help a specific person in need. When churches help individuals in need, it is usually done with funds from an existing Benevolence Fund--not funds raised through a crowdfunding appeal for a specified individual. The main concern is that contributions to a specified individual are not tax deductible unless very carefully handled by the church. Should the church choose to use a Crowdfunding appeal for a specified individual, the following words should appear in the appeal:

“Contributions to the appeal for (individual’s name) are welcome. The church is not bound to honor the specific suggestions for this appeal. Should the church vote to close the fund set up for this appeal, the remaining balance will be under the direction of the (Church, Finance Committee, etc.)”

Also, the funds must come to the church, and the church must be in control of the way in which they are used for the specific individual’s needs. The key issue is that the church maintains control over the funds and how they are used for the donations to the appeal to be tax deductible.

Some churches may choose to avoid crowdfunding, in part, because of the difficulty of keeping track of donors. Often the church will be dealing with contributions from people who may not be associated with the church. The donor may expect a receipt, and the church may not have enough information to issue a receipt. Some crowdfunding sites allow a nonprofit to register as a charity and will issue required receipts to donors.

The church should not allow any group or individual to create a crowdfunding appeal in the name of the church without approval. It gives the impression that the church approves of the project or has authorized it. The church must maintain control of any crowdfunding appeal that uses the church’s name, and the appeal should be approved according to church policy. If a church finds that someone is using the church’s name for an appeal without permission, the church should contact the crowdfunding site and ask that the church’s name be removed.

When considering a site for an appeal, the church should check to see if there is a time limit for an appeal and what happens to the donations if the appeal doesn’t reach it’s goal. Check on the fees for the site as most take a percentage of donated funds to pay for their services. Investigate to see if projects are promoted on this site and if the church can easily connect with the donors.

Electronic Funds Transfers (EFT) and Automated Clearinghouse (ACH) Payments

Electronic transfers include any transaction which is initiated electronically and does not require the physical transfer of paper between the two parties. Such transactions would include ACH payments, direct deposits, direct disbursements, bank wires and any other direct charges or deposits made to a checking or bank account. It is common to use ACH payments for the automatic deductions of recurring obligations such as payroll, utilities, merchant fees, health insurance, etc. EFT transactions are often used for the direct deposit of payroll and sales taxes. Many governmental entities are requiring that transactions be done electronically.

Generally, these electronic transactions reduce mail costs and the amount of accounting clerical help required. Other benefits include reduction in both error rates and settlement time required. There are many online payable solutions to handle EFT transactions and ACH payments. Also, several accounting software packages are now incorporating these transactions directly into the Accounts Payable Module.

Compared to the traditional way of processing paper checks, ACH and EFT payments offer many advantages. However, the internal control systems that have functioned well in the past are quite inadequate to safeguard assets in this era of electronic transfers. The increase in the volume of EFT transactions has led to an increase of data breaches. To prevent data breaches, be certain that the hardware and software have proper security controls. Computer systems need to have data that is encrypted, firewalls need to be secure, and the access controls must be tight.

The following steps should be included in system security:

1. Maintain a secure computer environment
2. Require multiple layers of password security
3. Control the number of authorized users
4. Limit the use of online banking transactions to specific computers
5. Encrypt data
6. Monitor changes to EFT data

When processing EFT and ACH payments, the following controls are recommended:

1. Pre-approved listing of vendors and banking information
2. Development of user profiles, which enforce separation of duties
3. Multiple approval processes should occur before disbursement of funds
4. Dollar limitations
5. Enhanced reconciliation process
6. Frequent monitoring of cleared banking transactions (watch for unauthorized transactions)

B. Internal Controls for Online Contributions

The decision to accept online donations should be made with full knowledge and approval of the Accounting Department, Finance Committee, Deacons, and any other governing bodies. When the decision has been made, organizations of all sizes need to take an in depth look at the internal control procedures that are currently in place and address the risks associated with online giving. The unique risks should be identified and promptly addressed through the implementation of the necessary internal controls. All the leaders involved in watching over the church finances should be active in developing the crucial checks and balances. These checks and balances include the following:

1. Policies and Procedures - Written policies and procedures concerning soliciting, receiving and accounting for online donations should be approved by the Finance Committee, Accounting Department, Audit Committee, IT Department, Deacons and any other financial leaders the church considers their input vital. These policies should be reviewed annually and updated as needed.
2. Merchant Account Provider (payment processor) - Most churches accepting online contributions will be doing so using the services of a Merchant Account Provider. There are several providers that work extensively with non-profits. Investigate thoroughly as to both security of the service and the related fees before deciding on one. The provider should be able to provide an audited statement of internal controls.
3. Multiple Staff Members - Involve multiple staff members in the set up and monitoring of the payment processor. If only one person is responsible for the set up of the processor, other staff must verify the accuracy of the routing and account number information and instructions. After establishing the initial set up routing and account numbers, the number of staff able to make changes should be very limited. Any changes made after the initial setup should require automatic notification by the processor to all the senior level staff predetermined at the initial installation set up (or those included on a properly amended, signed and verified document provided at a later date.)
4. Payment Processor Transaction Reports- The appropriate personnel should review the following:
 - a. The correct routing and account numbers were used in all transactions
 - b. The bank accounts reflect the deposit of all online transactions reported
 - c. Each donor's contribution records properly reflect the transaction
 - d. Reconcile the donations received and reflected on the contribution records to the bank accounts
5. Segregation of Duties - Multiple personnel must review and independently verify all cash flows and transactions from online sources. Duties related to online procedure verifications should be segregated. The following is a list of the duties that require separation:
 - a. The individuals allowed to make changes to the accounts should not be reconciling monthly statements.
 - b. The individual reconciling the monthly statements should not be involved with the payment processor.
6. Limited Access - The number of employees who have access to donor financial information should be limited. Adequate firewalls, encryption and other safeguards must be in place to protect donor bank account numbers and credit card numbers. A separate password and

authorization must be required for employees to access detailed donor information.

7. Donor Access - Encourage donors to periodically review their contribution records through a secure online system. Annual statements must be provided to all donors. The Annual statements can be emailed in lieu of conventional mail to those who prefer. The statements should be sent in PDF format to help insure that the records won't be altered.
8. IT Security - One of the greatest challenges of receiving online donations is providing adequate security for the donors. Donors must feel comfortable that everything is being done to insure the safety of their financial information. Require address verification service or card security codes and create a STRONG password for the payment gateway and change it regularly. The church must do its due diligence in selecting the Merchant Account Provider that will help provide that maximum security.

EMV Credit Cards

EMV Credit Cards are a more secure type of credit cards developed by Europay, MasterCard and Visa. These cards are used in almost every other country in the world. These cards don't use the swipe and sign technology that is used on the traditional credit card in the United States that is so susceptible to fraud. The magnetic strip on the traditional card never changes leaving it an easy target for theft. The new EMV technology includes a computer chip embedded in each card. The chip creates a unique transaction code each time it is used and updates its data each time used. If the data on the EMV card is copied, it won't be allowed as there can be no duplications.

CreditCards.com reports that approximately 160 million EMV-equipped cards have already been issued to United States citizens and is projected to reach nearly 600 million by the end of 2015. These new cards require new card readers and training on the new procedures. The devices are priced between \$300 and \$600. These new readers need to be purchased and in use by the churches that accept credit card payments by October 1, 2015 in order that the churches not be held liable for the fraudulent use of an EMV card processed with an old device. In the past, credit card companies or banks that issued credit cards were responsible for any fraud that occurred with their cards. However, on October 1, anyone processing the new EMV card with the old devices could be liable for the fraud. After October 1, the liability for credit card fraud will shift to whichever party is the least EMV-compliant in the fraudulent transaction.

Payments Received from Mobile Pay Devices

Mobile receipts technologies allow anyone to become a merchant and accept payments by credit or debit cards anywhere there is an internet connection. The user can insert a device into the smart phone or tablet that serves as a debit/credit card reader. Together with its accompanying app, the device allows the user to accept payments by debit/credit card with a swipe of the card. Two of the most well-known providers are Square and PayPal here.

These mobile payment receipt devices are convenient for collecting money for any off-site events and are being used by nonprofit organizations with increasing frequency. However, before using this technology, internal control and security issues should be considered. Consider using these devices only in limited circumstances when there is truly no other practical payment option, such as admission fees and concessions at remote events where an office computer or kiosk is not practicable.

The main risk associated with using mobile payment devices for receipts is that the payments may not be routed to the church. It is very simple for the payment app to be reconfigured to direct the payments collected to a

personal bank account. The thief would appear to be collecting funds like everyone else. If the decision has been made that the mobile payment device is the only effective method to use in a particular circumstance, the following steps should be taken for security:

1. Allow only official organization devices (church smart phones, tablets, etc.)
2. Mark the devices so that an unauthorized device would be very noticeable
3. Control access to the church's account with the app provider making sure that the one using the device has no access to the account.
4. Post a conspicuous notice at the event for payers to see stating in what name the charge appear on the debit/credit card statements.
5. Evaluate whether the amount of payments received is approximately what the activity should have brought through physical counts of attendance, inventory, etc.

IV. Designated Funds Management

Designated Funds

Designated Funds are received by the church from the donor to be used for a specified purpose (as opposed to the general offering). If the church accepts the designated funds, the church must use the funds in the manner specified by the donor. Generally, as a matter of law, the church is required to spend these funds as specified without a prior signed consent from the original donor or a court order authorizing the change in the use of designated funds.

MODIFICATION OF DESIGNATED FUNDS

60 O.S. § 300.16

1. If the donor consents in a record, an institution may release or modify, in whole or in part, a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund. A release or modification may not allow a fund to be used for a purpose other than a charitable purpose of the institution.
2. The court, upon application of an institution, may modify a restriction contained in a gift instrument regarding the management or investment of an institutional fund if the restriction has become impractical or wasteful, if it impairs the management or investment of the fund, or if, because of circumstances not anticipated by the donor, a modification of a restriction will further the purposes of the fund. The institution shall notify the Attorney General of the application, and the Attorney General must be given an opportunity to be heard. To the extent practicable, any modification must be made in accordance with the donor's probable intention.
3. If a particular charitable purpose or a restriction contained in a gift instrument on the use of an institutional fund becomes unlawful, impracticable, impossible to achieve, or wasteful, the court, upon application of an institution, may modify the purpose of the fund or the restriction on the use of the fund in a manner consistent with the charitable purposes expressed in the gift instrument. The institution shall notify the Attorney General of the application, and the Attorney General must be given an opportunity to be heard.

4. If an institution determines that a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund is unlawful, impracticable, impossible to achieve, or wasteful, the institution, sixty (60) days after notification to the Attorney General, may release or modify the restriction, in whole or part, if:
 - a. The institutional fund subject to the restriction has a total value of less than Twenty-five Thousand Dollars (\$25,000.00);
 - b. More than twenty (20) years have elapsed since the fund was established; and
 - c. The institution uses the property in a manner consistent with the charitable purposes expressed in the gift instrument.

Designated Giving Policy

Every church should have a policy in place for designated giving requests. Once a policy has been established, the church members should be notified. The members should be made aware of the steps to be taken should there be a need for a new designated fund. Many churches designate a committee (Finance Committee) to review all new requests. Some churches require EVERY request be brought before the entire church body (Wednesday night business meeting). This method REALLY helps cut down on frivolous requests. Quite often the pastor is forced to make the decisions alone due to lack of policy being in place. This method should be discouraged.

If the designated request has been brought through the proper channels and has received approval, the church body should be notified so that all who wish to participate may do so and be given credit on their contribution records. If the request does NOT receive approval, then by all means, REFUSE TO ACCEPT THE FUNDS!! If the Church accepts the funds and funnels the funds along the requested channel (even though no credit was given on the contribution records), it LOOKS like the church participated.

Contributions received for approved designated funds will be included on the donor's contribution record. However, contributions given to a church fund in which the church has no control, oversight, or accounting (e.g. Sunday School class fund, deacon's fund) are not deductible and will not be included on the donors' records.

Designated Fund Policy Template

The church has established (name of designated fund). The purpose of the fund is (describe fully). All those wishing to contribute to the fund may do so. The (name of the committee or group) will be in charge of the operation of the fund. Donors' suggestions on the disbursement of funds will be accepted but the suggestions are not required to be honored. Donors will not be able to receive refunds of their donations on the basis that their suggestions were not honored. If the need for the fund has been fully met, or it is determined that it has become impracticable, or a decision has been made to close the fund for any other reason, by a vote of the church the fund will be closed. Any remaining balance will be under the discretion of (Finance Committee).

Designated Fund Statement For Weekly Church Bulletins

Contributions to existing designated funds are welcome. The church is not bound to honor specific suggestions for that fund. Should the church vote to close a fund, the remaining balance will be under the discretion of the (Church, Finance Committee).

Staff Salary Designated Fund

The church has established the Staff Salary Designated Fund. All those wishing to contribute to the Staff Salary Designated Fund may do so. The purpose of the fund is to supplement staff salaries. The [Personnel Committee] will be in charge of administering the fund. Suggestions from donors may be received, but these suggestions are in no way required to be honored by the church. Donors will not be able to receive a refund of their donation on the basis that their suggestions were not honored. By a vote of the church, the fund may be closed and any remaining balance will be under the discretion of the [Church, Finance Committee].

Benevolence Designated Fund

The church has established the Benevolence Designated Fund. All those wishing to contribute to the Benevolence Fund may do so. The purpose of the fund is to give temporary assistance in the form of (food, shelter, clothing & medical) to those in time of financial crisis. The (Benevolence Committee) will be in charge of the operation of the fund. Suggestions from donors may be considered but are not required to be honored. The limit of amount for each gift of support (except under extreme circumstances as determined by those in charge of the operation of the fund) is (\$Amount). Support for the same individuals can be considered only once in a 12 month period except under extreme circumstances. Donors will not be able to receive a refund of their donations on the basis that their suggestions were not honored. By a vote of the church the fund may be closed and any remaining balance will be under the discretion of the (Church, Finance Committee).

Benevolence Designated Fund Procedures

1. Adopt a written policy (use above as a template).
2. Assign personnel or a committee to approve requests and manage fund.
3. Only allow contributions to the Benevolence Fund –not to a specific individual (suggestions will be considered but in no way is the committee bound by them).
4. Make all distributions from an existing checking account (never cash) requiring two signatures.
5. Establish reasonable limits of support per person during a 12 month time period.
6. Determine what type of support will be provided (food, shelter, clothing, medical, utilities).
7. Pay assistance directly to support providers (grocers, doctors, utilities)–never to the individuals.
8. Develop an adequate criteria to determine the needs (see attached Benevolence Application).

Note: No Form 1099's are given for benevolence received.

Benevolence Request Form

Date: _____

Name(s): _____

Current Address: _____

Current Phone/Contact Person: _____

Type of Need Requested: _____

Reason for Request: _____

All forms of assistance are considered a process of helping the individual acquire the biblical disciplines and skills to maintain and manage their own affairs. We will not participate in supporting a life style or decision process that is not biblical. Potential recipients of any type of assistance must participate in guidance counseling and mentoring as requested.

Agreement: I have read and understand the above statement. I understand that in making application for assistance I am willing to allow (name of church) to assist in not only short term assistance, but also the follow through with long term guidance to resolve the present situation.

Signature _____ Date _____

My signature below guarantees the information provided above (and including the attached completed Financial Statement) is accurate and true. I also understand that benevolence from this church is a one-time gift and cannot re-apply for another request for a period of (12) months.

All requests must have photo ID.

Signature(s): _____ Date _____

To be completed by church: Services Provided _____

If not provided, reason for declining: _____

Financial Statement

MONTHLY INCOME

Salary & Wages	\$ _____
Government Assistance	\$ _____
Alimony & Child Support	\$ _____
Family Assistance	\$ _____
Other	\$ _____
Total Income	\$ _____

MONTHLY EXPENSE

Rent or Mortgage	\$ _____
Utilities	\$ _____
Phone	\$ _____
Cable/Internet	\$ _____
Car Payments	\$ _____
Gasoline	\$ _____
Groceries	\$ _____
Credit Cards	_____

	\$ _____
Insurance	\$ _____
Other	_____

	\$ _____
Total Expenses	\$ _____

V. Internal Control Procedures for Disbursements

The church treasurer receives authority for disbursement of church funds from the budget as adopted by the church action. Authorized bills should be disbursed promptly when statements are received and due. The church treasurer does not have the authority to pay non-budget items without specific instruction from the church. The church should have a policy for the approval of bills to pay.

A. Approval of Invoices

Each department head should be responsible for the approval of all invoices that pertain to his or her area. Requiring department heads to approve all expenditures will help establish control over who can charge to the church. This will also promote fiscal responsibility. To better document the processing of invoices, churches should purchase a rubber stamp with the following information:

Approved by: _____

Account #: _____

Date Approved: _____

Amount Approved: _____

B. Standardizing Processing of Invoices

When the department head approves an invoice, it should then be given to the Treasurer. The Treasurer will write the check, provide one of the signatures required, attach the applicable statement/invoices, and forward it for the remaining signature. The co-signer could be the church secretary, the financial secretary, or the church Finance or Stewardship Committee members. All disbursements should be made by check unless through petty cash. (In many churches a financial secretary does all record keeping, writing checks, etc. and the Treasurer supervises and signs checks).

In the event the monthly receipts are insufficient to meet budget requirements, an emergency decision for distribution of funds should be made by the Stewardship or Finance Committee. A report on the decision should be made to the church by the Stewardship or Finance Committee chairperson and priorities established. The church is responsible for the decision, NOT the Treasurer.

C. Handling of Checks

1. All checks require two signatures. This helps assure that the funds are spent appropriately.
2. Blank checks should be kept locked. This includes computer boxed checks. This is necessary to prevent unauthorized individuals from obtaining the blank checks and forging signatures.
3. Never leave blank signed checks. This may be more convenient, but it completely circumvents the intent of the two-signature requirement.
4. All voided check copies should be marked void and retained for reconciliation purposes. Also, remove the signature area on the original check.

D. Petty Cash

Petty cash should be maintained for small disbursement. When the petty cash funds are running low, gather the receipts from the spent petty cash funds, total them, and write a check for that exact amount. When the check is written to replenish the petty cash fund, Cash in Bank should be credited for the amount of the check, and the budget expense accounts should be debited that pertain to the expenses on the receipts for which the fund is being reimbursed.

E. Financial Statements

Reporting for Receipts and Disbursements

Financial Statements should be prepared monthly by the Treasurer. The report should be comprehensive and informative.

1. The Finance Committee, or those charged with the responsibility, reviews thoroughly the monthly Financial Statements. The Financial Statements should include a list of ALL checks written for the month, the payees, and the amounts. The committee members need to agree that all funds spent were for a legitimate church purpose.
2. Church members should have the Financial Statements made available to them. This can be done in a regular monthly business meeting, or have copies available in the church office.

F. Segregation of Duties

There are three basic types of financial activities:

1. Authorization of transactions;
2. Recording of transactions; and
3. Custody of assets.

The same person should not perform more than one of the above functions. If there are not sufficient personnel to achieve this goal, then minimally there MUST be a separation of the recording transactions and custody of assets. (The one who prepares the Financial Statements should NOT be the one who controls the checkbook and bank accounts).

G. Bonding of Employees

Everyone handling church funds should be bonded. This should include the following:

1. Treasurer
2. Counting Committee
3. Financial Secretary

This is not an all-inclusive list.

VI. Church Financial Reports

A. Cash Disbursements Journal

Prepared By	Initials	Date
Approved By		

CASH DISBURSEMENTS JOURNAL FOR THE MONTH OF _____

Check #	Payee	1	2	3	4	5	6	7	8	9	10	11	12
		Salaries	Ministry Expense	Speaker & Love Offer.	Missions & Benevol.	Utilities & Phone	Building Repair	Auto Exp. & Gasoline	Supplies	Audio & Video Minst.	Misc. Acct.	Misc. Amount	Cash-In Bank
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
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27													
28													
29													
30													

B. Fund Statement

FUND STATEMENT

MONTH OF _____ 20____

	Collections	Month	Year-To-Date
	General Collection	\$	\$
	Interest Income		
	Total Collections	\$	\$
	Disbursements		
	Office	\$	\$
	Salaries		
	Evangelism & Missions		
	Building & Equipment		
	Christian Education & Worship		
	Youth & Recreation		
	Kitchen & Benevolence		
	Misc.		
	Total Disbursements	\$	\$
	Net Fund increase/(decrease)	\$	\$

	Designated Funds	Beginning Balance	Deposit	Disbursement	Ending Balance
1)					
2)					
3)					
4)					
5)					
6)					
7)					
8)					
9)					
10)					

C. Balance Sheet

Balance Sheet
As of 5/31/2017

FIRST BAPTIST CHURCH (BAP)

Assets

CURRENT GENERAL ASSETS

1030-00	Cash in Bank - General Budget	-\$1,331.22	
1031-00	Cash in Bank - Sweep Operating	\$115,669.32	
	Total CURRENT GENERAL ASSETS:		\$114,338.10

CURRENT DESIGNATED ASSETS

1035-00	Cash in Bank - Designated Fund	\$21,991.21	
1037-00	Cash in Bank - Falls Ck Cabin	\$29,942.88	
1039-00	Cash in Bank - Sweep Designated	\$2,335.75	
1041-00	CD - First State Bank # 000000	\$19,734.81	
	Total CURRENT DESIGNATED ASSETS:		\$74,004.65

FIXED ASSETS

1105-00	Equipment/Furniture - Church	\$4,585.32	
1120-00	Building - Church	\$1,877,000.00	
1121-00	Building - Falls Creek Cabin	\$496,000.00	
1122-00	Storage Building	\$24,000.00	
1123-00	Garage	\$71,000.00	
1132-00	2000 Van	\$9,000.00	
1133-00	2001 Van	\$13,000.00	
	Total FIXED ASSETS:		\$2,494,585.32
	Total Assets:		<u>\$2,682,928.07</u>

Liabilities

CURRENT LIABILITIES

2030-00	FIT Withheld	\$2,239.54	
2031-00	FICA/MC Withheld	\$699.36	
2032-00	SIT Withheld	\$496.00	
2033-00	Retirement-Employee Paid	\$105.00	
2034-00	Insurance-Employee Paid	-\$117.84	
	Total CURRENT LIABILITIES		\$3,422.06

LONG-TERM LIABILITIES

2102-00	Notes Payable - First State Bank (vehicles)	\$28,500.00	
			\$28,500.00
	Total Liabilities:		<u>\$31,922.06</u>

Equity

EQUITY

3001-00	Fund Balance	\$2,572,666.47	
3005-00	Retained Earnings - Current Year	\$4,334.89	
	Total Fund Balance:		\$2,577,001.36

DESIGNATED FUNDS

3015-00	Benevolence Fund	\$450.66	
3020-00	Sanctuary Bldg Fund	\$20,888.67	
3030-00	World Missions	\$2,987.63	
	Total DESIGNATED FUNDS:		\$24,326.96

EARMARKED FUNDS

3110-00	Capital Improvements Fund	\$5,734.81	
3120-00	Falls Creek Cabin Fund	\$29,942.88	
3130-00	Sanctuary Bldg Fund	\$14,000.00	
	Total EARMARKED FUNDS:		\$49,677.69
	Total Equity:		\$2,651,006.01
	Total Liabilities & Equity:		<u>\$2,682,928.07</u>

D. Income Statement

Income Statement
For Period 5 Ending 5/31/2017

FIRST BAPTIST CHURCH (BAP)

		Period to Date	% of Revenue	Year to Date	% of Revenue
Revenue					
4000-00	General Contributions	\$66,480.92	99.91%	\$300,191.43	99.88%
4002-00	Interest Income	\$60.42	0.09%	\$357.33	0.12%
Total Revenue:		\$66,541.34	100.00%	\$300,548.76	100.00%
Gross Profit:		\$66,541.34	100.00%	\$300,548.76	100.00%
Expenses					
COOPERATIVE MISSIONS					
5010-00	Cooperative Program 13%	\$9,707.00	14.59%	\$43,474.00	14.46%
5020-00	Associational Missions 2.75%	\$2,053.00	3.09%	\$9,196.50	3.06%
5030-00	Baptist Collegiate Min. .25%	\$187.00	0.28%	\$836.50	0.28%
Total COOPERATIVE MISSIONS:		\$11,947.00	17.95%	\$53,507.00	17.80%
EVANGELISM & BENEVOLENCE					
5100-00	Evangelism	\$575.00	0.86%	\$5,251.04	1.75%
5110-00	Vacation Bible School	\$1,384.41	2.08%	\$1,574.40	0.52%
5120-00	Radio	\$270.00	0.41%	\$1,350.00	0.45%
5130-00	Benevolence - Pastor Admin	\$131.63	0.20%	\$543.08	0.18%
5140-00	Benevolence Support - Other	\$0.00	0.00%	\$600.00	0.20%
5150-00	Van Ministry	\$0.00	0.00%	\$26.62	0.01%
5160-00	OBU Scholarship	\$0.00	0.00%	\$375.00	0.12%
5170-00	Youth Mission Trips	\$0.00	0.00%	\$800.00	0.27%
5180-00	NACP	\$500.00	0.75%	\$500.00	0.17%
Total EVANGELISM & BENEVOLENCE:		\$2,861.04	4.30%	\$11,020.14	3.67%
RELIGIOUS EDUCATION					
5200-00	Educational Expenses	\$92.96	0.14%	\$571.18	0.19%
5210-00	Conferences & Training	\$332.18	0.50%	\$234.18	0.08%
5220-00	Literature	\$296.08	0.44%	\$4,262.18	1.42%
5230-00	Stewardship Expenses	\$0.00	0.00%	\$414.84	0.14%
5240-00	Worship	\$0.00	0.00%	\$81.55	0.03%
5250-00	Public Relations/Advertising	\$584.64	0.88%	\$1,009.97	0.34%
Total RELIGIOUS EDUCATION:		\$1,305.86	1.96%	\$6,573.90	2.19%
ADULT MINISTRY					
5310-00	Women's Missionary Union	\$0.00	0.00%	\$76.85	0.03%
5320-00	Women's Ministries	\$858.98	1.29%	\$903.98	0.30%
5330-00	Men's Ministries	\$238.00	0.36%	\$376.38	0.13%
Total ADULT MINISTRY:		\$1,096.98	1.65%	\$1,357.21	0.45%
CHILDREN'S MINISTRY					
5400-00	Preschool Expenses	\$0.00	0.00%	\$339.08	0.11%
5430-00	Children's Resource Room	\$111.26	0.17%	\$310.22	0.10%
5440-00	Children's Assoc. Camp	-\$61.00	-0.09%	-\$511.00	-0.17%
Total CHILDREN'S MINISTRY:		\$50.26	0.08%	\$138.30	0.05%
YOUTH MINISTRY					
5500-00	Youth Ministry Expenses	-\$1,456.45	-2.19%	\$1,841.91	0.61%
Total YOUTH MINISTRY:		-\$1,456.45	-2.19%	\$1,841.91	0.61%
CHURCH MUSIC MINISTRY					
5600-00	Music Literature	\$0.00	0.00%	\$1,611.70	0.54%
5610-00	Music Education & Equipment	\$124.15	0.19%	\$2,202.01	0.73%
5620-00	Multi-Media	\$0.00	0.00%	\$238.58	0.08%
Total CHURCH MUSIC MINISTRY:		\$124.15	0.19%	\$4,052.29	1.35%

Income Statement
For Period 5 Ending 5/31/2017

FIRST BAPTIST CHURCH (BAP)

		<u>Period to Date</u>	<u>% of Revenue</u>	<u>Year to Date</u>	<u>% of Revenue</u>
CHURCH ADMINISTRATION					
5700-00	Accounting Review	\$335.00	0.50%	\$1,675.00	0.56%
5705-00	Office - Equipment & Maint.	\$212.58	0.32%	\$877.56	0.29%
5710-00	Office Supplies	\$244.95	0.37%	\$1,917.60	0.64%
5715-00	Postage	\$228.00	0.34%	\$1,061.80	0.35%
5720-00	Computer Expense	\$2,683.00	4.03%	\$3,813.94	1.27%
5725-00	Publications	\$453.06	0.68%	\$3,546.18	1.18%
5735-00	Food Service	\$1,435.60	2.16%	\$6,693.82	2.23%
5740-00	Special Events	\$190.71	0.29%	\$708.74	0.24%
5745-00	Laundry	\$127.50	0.19%	\$427.00	0.14%
5750-00	Van Maintenance	\$200.00	0.30%	\$2,675.48	0.89%
5752-00	Van Fuel	\$1,243.41	1.87%	\$2,134.51	0.71%
5753-00	Auto/Van Insurance	\$0.00	0.00%	\$1,118.75	0.37%
5754-00	Workers' Comp. Insurance	\$0.00	0.00%	\$1,211.50	0.40%
5755-00	Umbrella Policy	\$0.00	0.00%	\$939.50	0.31%
5756-00	Commercial Insurance	\$0.00	0.00%	\$7,292.75	2.43%
5760-00	Professional Expense - Pastor	\$494.16	0.74%	\$1,393.79	0.46%
5760-01	Convention/Conference - Pastor	\$0.00	0.00%	\$956.44	0.32%
5761-00	Professional Exp. - Music Minister	\$293.45	0.44%	\$1,128.09	0.38%
5762-00	Professional Exp. - Education Min.	\$204.16	0.31%	\$567.14	0.19%
	Professional Exp. - Youth Minister	\$153.68	0.23%	\$1,343.30	0.45%
	Convention/Conference - Youth Min.	\$0.00	0.00%	\$800.00	0.27%
Total CHURCH ADMINISTRATION:		\$8,499.26	12.77%	\$42,282.89	14.07%
BUILDING & EQUIPMENT					
5800-00	Utilities	\$2,232.17	3.35%	\$13,616.75	4.53%
5820-00	Maintenance	\$2,673.96	4.02%	\$5,474.69	1.82%
5830-00	Janitor Supplies	\$83.51	0.13%	\$637.97	0.21%
5840-00	Flags	\$0.00	0.00%	\$703.90	0.23%
5850-00	Capitol Improvements 1%	\$747.00	1.12%	\$3,344.00	1.11%
Total BUILDING & EQUIPMENT:		\$5,736.64	8.62%	\$23,777.31	7.91%
SALARIES - MINISTERIAL					
6000-00	Salary - Pastor	\$3,930.42	5.91%	\$19,573.02	6.51%
6000-01	Housing Allowance - Pastor	\$1,500.00	2.25%	\$7,500.00	2.50%
6000-02	Medical - Pastor	\$181.00	0.27%	\$905.00	0.30%
6000-03	Church Paid Retirement - Pastor	\$105.00	0.16%	\$525.00	0.17%
6010-00	Salary - Music Minister	\$3,118.76	4.69%	\$15,603.80	5.19%
6010-01	Housing Allowance - Music Minister	\$1,200.00	1.80%	\$5,927.50	1.97%
6010-02	Medical - Music Minister	\$543.88	0.82%	\$2,634.28	0.88%
6010-03	Church Paid Retirement - Music Min.	\$105.00	0.16%	\$525.00	0.17%
6020-00	Salary - Education Minister	\$3,130.66	4.70%	\$16,103.31	5.36%
6020-01	Housing Allowance - Education Min.	\$900.00	1.35%	\$4,050.00	1.35%
6020-03	Church Paid Ret. - Education Min.	\$105.00	0.16%	\$525.00	0.17%
6030-00	Salary - Youth Minister	\$2,917.00	4.38%	\$14,526.50	4.83%
6030-01	Housing Allowance - Youth Minister	\$1,100.00	1.65%	\$5,500.00	1.83%
6030-02	Medical - Youth Minister	\$145.00	0.22%	\$737.00	0.25%
6030-03	Church Paid Retirement - Youth Min.	\$105.00	0.16%	\$525.00	0.17%
Total SALARIES - MINISTERIAL:		\$19,086.72	28.68%	\$95,160.41	31.66%
SALARIES - FULL-TIME					
6100-00	Salary - Administrative Assistant	\$1,820.00	2.74%	\$9,073.04	3.02%
6100-01	Medical - Administrative Assistant	\$245.00	0.37%	\$1,225.00	0.41%

FIRST BAPTIST CHURCH (BAP)

		<u>Period to Date</u>	<u>% of Revenue</u>	<u>Year to Date</u>	<u>% of Revenue</u>
SALARIES - FULL-TIME (Continued)					
6100-02	Employer P/R Tax - Admn Assist.	\$139.24	0.21%	\$694.13	0.23%
6100-03	Church Paid Ann. - Admn Assist.	\$52.50	0.08%	\$262.50	0.09%
6110-00	Salary - Music/Ed/Youth Sec.	\$1,820.00	2.74%	\$9,073.04	3.02%
6110-01	Medical - Music/Ed/Youth Sec.	\$303.00	0.46%	\$1,515.00	0.50%
6110-02	Employer P/R Tax - Music/Ed Sec.	\$116.06	0.17%	\$613.00	0.20%
6110-03	Church Paid Ret. - Music/Ed Sec.	\$52.50	0.08%	\$262.50	0.09%
6130-00	Salary - Custodian	\$2,282.47	3.43%	\$11,867.30	3.95%
6130-01	Medical - Custodian	\$442.14	0.66%	\$2,241.06	0.75%
6130-02	Employer P/R Tax - Custodial	\$158.63	0.24%	\$851.93	0.28%
6130-03	Church Paid Ret. - Custodial	\$52.50	0.08%	\$262.50	0.09%
Total SALARIES - FULL-TIME:		\$7,484.04	11.25%	\$37,941.00	12.62%
SALARIES - PART-TIME					
6200-00	Salary - Preschool Director	\$650.00	0.98%	\$3,303.00	1.10%
6200-01	Employer P/R Tax - Preschool Dir.	\$49.72	0.07%	\$252.65	0.08%
6210-00	Salary - Kitchen	\$659.75	0.99%	\$4,188.24	1.39%
6220-01	Employer P/R Tax - Food Service	\$50.49	0.08%	\$320.45	0.11%
6230-00	Salary - Nursery	\$801.00	1.20%	\$3,504.77	1.17%
6230-01	Employer P/R Tax - Nursery Work	\$61.26	0.09%	\$268.09	0.09%
6240-00	Salary - Groundskeeper/Maint.	\$328.13	0.49%	\$400.01	0.13%
6240-01	Employer P/R Tax - Grounds/Maint.	\$25.10	0.04%	\$30.60	0.01%
6250-00	Salary - Custodian	\$0.00	0.00%	\$170.80	0.06%
6260-00	Salary - Organist & Pianist	\$607.50	0.91%	\$2,520.00	0.84%
6260-01	Employer P/R Tax - Organ/Painist	\$46.49	0.07%	\$192.86	0.06%
6290-00	Salary - Music/Youth Secretary	\$696.68	1.05%	\$2,438.38	0.81%
6290-01	Employer P/R - Music/Youth Sec.	\$53.30	0.08%	\$180.19	0.06%
Total SALARIES PART-TIME:		\$4,029.42	6.06%	\$17,770.04	5.91%
OTHER PERSONNEL EXPENSES					
6300-00	Pulpit Supply	\$200.00	0.30%	\$200.00	0.07%
6310-00	Employer Payroll Taxes	\$29.45	0.04%	\$591.47	0.20%
Total OTHER PERSONNEL EXPENSES:		\$229.45	0.34%	\$791.47	0.26%
Total Expenses:		\$60,994.37	91.66%	\$296,213.87	98.56%
Net Income from Operations:		\$5,546.97	8.34%	\$4,334.89	1.44%
Earnings before Income Tax:		\$5,546.97	8.34%	\$4,334.89	1.44%
Net Income (Loss):		\$5,546.97	8.34%	\$4,334.89	1.44%

VII. Unemployment Insurance

Title 40, Oklahoma's Employment Security Act (unemployment), exempts employment in the service of a church from unemployment benefits eligibility.

VIII. Workers' Compensation Insurance

Title 85A, Oklahoma's workers' compensation law, as amended February 1, 2014, requires that ALL employers, including churches, acquire workers' compensation insurance. There are several exemptions, five of which are:

1. Any person who is employed as a domestic servant or as a casual worker in and about a private home or household, which private home or household had a gross annual payroll in the preceding calendar year of less than Fifty Thousand Dollars (\$50,000.00) for such workers.
2. Any person who is employed in agriculture or horticulture by an employer who had a gross annual payroll in the preceding calendar year of less than One Hundred Thousand Dollars (\$100,000.00) cash wages for agricultural or horticultural workers.
3. Any person who is a licensed real estate sales associate or broker, paid on a commission basis.
4. Employees of the Federal Government
5. Any person providing or performing voluntary service who receives no wages for the services other than meals, drug or alcohol rehabilitative therapy, transportation, lodging or reimbursement for incidental expenses.

Title 85A gives employers four options for obtaining coverage:

1. Private insurance carrier.
2. CompSource Mutual Insurance Company
3. Self Insurance. Must have greater than \$1,000,000 annual payroll and receive approval.
4. BGCO Master Plan through CompSource Mutual Insurance Company. Barbara Spess is the administrator. The minimum premium with no janitor is \$191 and \$350 with a janitor.

Penalties for Non-coverage:

1. Criminal penalty - misdemeanor and up to \$10,000 fine
2. Civil penalty - up to \$1,000 per day
3. Workers' Compensation Commission can petition the court to enjoin the employer from employing anyone until civil penalties are paid and coverage is obtained



WORKERS COMPENSATION APPLICATION

DATE (MM/DD/YYYY)

AGENCY NAME AND ADDRESS		COMPANY:	
		UNDERWRITER:	
		APPLICANT NAME:	
		OFFICE PHONE:	MOBILE PHONE:
		MAILING ADDRESS (including ZIP + 4 or Canadian Postal Code)	
		YRS IN BUS:	
PRODUCER NAME:		SIC:	
CS REPRESENTATIVE NAME:		NAICS:	
OFFICE PHONE (A/C, No, Ext):		WEBSITE ADDRESS:	
MOBILE PHONE:		E-MAIL ADDRESS:	
FAX (A/C, No):		SOLE PROPRIETOR	
E-MAIL ADDRESS:		CORPORATION	
CODE:		LLC	
SUB CODE:		TRUST	
AGENCY CUSTOMER ID:		UNINCORPORATED ASSOCIATION	
		PARTNERSHIP	
		SUBCHAPTER "S" CORP	
		JOINT VENTURE	
		OTHER:	
		CREDIT BUREAU NAME:	
		ID NUMBER:	
		FEDERAL EMPLOYER ID NUMBER	
		NCCI RISK ID NUMBER	
		OTHER RATING BUREAU ID OR STATE EMPLOYER REGISTRATION NUMBER	

STATUS OF SUBMISSION		BILLING / AUDIT INFORMATION	
<input type="checkbox"/> QUOTE	<input type="checkbox"/> ISSUE POLICY	<input type="checkbox"/> BILLING PLAN	<input type="checkbox"/> PAYMENT PLAN
<input type="checkbox"/> BOUND (Give date and/or attach copy)	<input type="checkbox"/> AGENCY BILL	<input type="checkbox"/> ANNUAL	<input type="checkbox"/> AT EXPIRATION
<input type="checkbox"/> ASSIGNED RISK (Attach ACORD 133)	<input type="checkbox"/> DIRECT BILL	<input type="checkbox"/> SEMI-ANNUAL	<input type="checkbox"/> MONTHLY
		<input type="checkbox"/> QUARTERLY	<input type="checkbox"/> QUARTERLY
		% DOWN:	

LOC #	HIGHEST FLOOR	STREET, CITY, COUNTY, STATE, ZIP CODE

PROPOSED EFF DATE		PROPOSED EXP DATE		NORMAL ANNIVERSARY RATING DATE		PARTICIPATING		RETRO PLAN	
						NON-PARTICIPATING			
PART 1 - WORKERS COMPENSATION (States)		PART 2 - EMPLOYER'S LIABILITY		PART 3 - OTHER STATES INS		DEDUCTIBLES (N / A in WI)		AMOUNT / % (N / A in WI)	
\$		EACH ACCIDENT				MEDICAL		OTHER COVERAGES	
\$		DISEASE-POLICY LIMIT				INDEMNITY		U.S.L. & H. VOLUNTARY COMP	
\$		DISEASE-EACH EMPLOYEE						FOREIGN COV	
DIVIDEND PLAN/SAFETY GROUP		ADDITIONAL COMPANY INFORMATION						MANAGED CARE OPTION	
SPECIFY ADDITIONAL COVERAGES / ENDORSEMENTS (Attach ACORD 101, Additional Remarks Schedule, if more space is required)									

TOTAL ESTIMATED ANNUAL PREMIUM - ALL STATES		
TOTAL ESTIMATED ANNUAL PREMIUM ALL STATES	TOTAL MINIMUM PREMIUM ALL STATES	TOTAL DEPOSIT PREMIUM ALL STATES
\$	\$	\$

CONTACT INFORMATION				
TYPE	NAME	OFFICE PHONE	MOBILE PHONE	E-MAIL
INSPECTION				
ACCTNG RECORD CLAIMS INFO				

INDIVIDUALS INCLUDED / EXCLUDED									
PARTNERS, OFFICERS, RELATIVES (Must be employed by business operations) TO BE INCLUDED OR EXCLUDED (Remuneration/Payroll to be included must be part of rating information section.)									
Exclusions in Missouri must meet the requirements of Section 287.090 RSMo.									
STATE	LOC #	NAME	DATE OF BIRTH	TITLE/ RELATIONSHIP	OWNER-SHIP %	DUTIES	INC/EXC	CLASS CODE	REMUNERATION/PAYROLL

STATE RATING WORKSHEET

FOR MULTIPLE STATES, ATTACH AN ADDITIONAL PAGE 2 OF THIS FORM

RATING INFORMATION - STATE:

LOC #	CLASS CODE	DESCR CODE	CATEGORIES, DUTIES, CLASSIFICATIONS	# EMPLOYEES		SIC	NAICS	ESTIMATED ANNUAL REMUNERATION/ PAYROLL	RATE	ESTIMATED ANNUAL MANUAL PREMIUM
				FULL TIME	PART TIME					

PREMIUM

STATE:	FACTOR	FACTORED PREMIUM		FACTOR	FACTORED PREMIUM
TOTAL	N / A	\$			\$
INCREASED LIMITS		\$		SCHEDULE RATING *	\$
DEDUCTIBLE *		\$		CCPAP	\$
		\$		STANDARD PREMIUM	\$
EXPERIENCE OR MERIT MODIFICATION		\$		PREMIUM DISCOUNT	\$
		\$		EXPENSE CONSTANT	N / A
ASSIGNED RISK SURCHARGE *		\$		TAXES / ASSESSMENTS *	N / A
ARAP *		\$			\$

* N / A in Wisconsin

TOTAL ESTIMATED ANNUAL PREMIUM	MINIMUM PREMIUM	DEPOSIT PREMIUM
\$	\$	\$

REMARKS (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

PRIOR CARRIER INFORMATION / LOSS HISTORY

AGENCY CUSTOMER ID: _____

PROVIDE INFORMATION FOR THE PAST 5 YEARS AND USE THE REMARKS SECTION FOR LOSS DETAILS						LOSS RUN ATTACHED
YEAR	CARRIER & POLICY NUMBER	ANNUAL PREMIUM	MOD	# CLAIMS	AMOUNT PAID	RESERVE
	CO: POL #:					
	CO: POL #:					
	CO: POL #:					
	CO: POL #:					
	CO: POL #:					

NATURE OF BUSINESS / DESCRIPTION OF OPERATIONS

GIVE COMMENTS AND DESCRIPTIONS OF BUSINESS, OPERATIONS AND PRODUCTS: MANUFACTURING - RAW MATERIALS, PROCESSES, PRODUCT, EQUIPMENT; CONTRACTOR - TYPE OF WORK, SUB-CONTRACTS; MERCANTILE - MERCHANDISE, CUSTOMERS, DELIVERIES; SERVICE - TYPE, LOCATION; FARM - ACREAGE, ANIMALS, MACHINERY, SUB-CONTRACTS.

GENERAL INFORMATION

EXPLAIN ALL "YES" RESPONSES	Y / N
1. DOES APPLICANT OWN, OPERATE OR LEASE AIRCRAFT / WATERCRAFT?	
2. DO / HAVE PAST, PRESENT OR DISCONTINUED OPERATIONS INVOLVE(D) STORING, TREATING, DISCHARGING, APPLYING, DISPOSING, OR TRANSPORTING OF HAZARDOUS MATERIAL? (e.g. landfills, wastes, fuel tanks, etc)	
3. ANY WORK PERFORMED UNDERGROUND OR ABOVE 15 FEET?	
4. ANY WORK PERFORMED ON BARGES, VESSELS, DOCKS, BRIDGE OVER WATER?	
5. IS APPLICANT ENGAGED IN ANY OTHER TYPE OF BUSINESS?	
6. ARE SUB-CONTRACTORS USED? (If "YES", give % of work subcontracted)	
7. ANY WORK SUBLET WITHOUT CERTIFICATES OF INSURANCE? (If "YES", payroll for this work must be included in the State Rating Worksheet on Page 2)	
8. IS A WRITTEN SAFETY PROGRAM IN OPERATION?	
9. ANY GROUP TRANSPORTATION PROVIDED?	
10. ANY EMPLOYEES UNDER 16 OR OVER 60 YEARS OF AGE?	
11. ANY SEASONAL EMPLOYEES?	
12. IS THERE ANY VOLUNTEER OR DONATED LABOR? (If "YES", please specify)	
13. ANY EMPLOYEES WITH PHYSICAL HANDICAPS?	
14. DO EMPLOYEES TRAVEL OUT OF STATE? (If "YES", indicate state(s) of travel and frequency)	
15. ARE ATHLETIC TEAMS SPONSORED?	
16. ARE PHYSICALS REQUIRED AFTER OFFERS OF EMPLOYMENT ARE MADE?	

GENERAL INFORMATION (continued)

EXPLAIN ALL "YES" RESPONSES	Y / N
17. ANY OTHER INSURANCE WITH THIS INSURER?	
18. ANY PRIOR COVERAGE DECLINED / CANCELLED / NON-RENEWED IN THE LAST THREE (3) YEARS? (Missouri Applicants - Do not answer this question)	
19. ARE EMPLOYEE HEALTH PLANS PROVIDED?	
20. DO ANY EMPLOYEES PERFORM WORK FOR OTHER BUSINESSES OR SUBSIDIARIES?	
21. DO YOU LEASE EMPLOYEES TO OR FROM OTHER EMPLOYERS?	
22. DO ANY EMPLOYEES PREDOMINANTLY WORK AT HOME? If "YES", # of Employees: _____	
23. ANY TAX LIENS OR BANKRUPTCY WITHIN THE LAST FIVE (5) YEARS? (If "YES", please specify)	
24. ANY UNDISPUTED AND UNPAID WORKERS COMPENSATION PREMIUM DUE FROM YOU OR ANY COMMONLY MANAGED OR OWNED ENTERPRISES? IF YES, EXPLAIN INCLUDING ENTITY NAME(S) AND POLICY NUMBER(S).	

SIGNATURE

Copy of the Notice of Information Practices (Privacy) has been given to the applicant. (Not required in all states, contact your agent or broker for your state's requirements.)			
<p>PERSONAL INFORMATION ABOUT YOU, INCLUDING INFORMATION FROM A CREDIT OR OTHER INVESTIGATIVE REPORT, MAY BE COLLECTED FROM PERSONS OTHER THAN YOU IN CONNECTION WITH THIS APPLICATION FOR INSURANCE AND SUBSEQUENT AMENDMENTS AND RENEWALS. SUCH INFORMATION AS WELL AS OTHER PERSONAL AND PRIVILEGED INFORMATION COLLECTED BY US OR OUR AGENTS MAY IN CERTAIN CIRCUMSTANCES BE DISCLOSED TO THIRD PARTIES WITHOUT YOUR AUTHORIZATION. CREDIT SCORING INFORMATION MAY BE USED TO HELP DETERMINE EITHER YOUR ELIGIBILITY FOR INSURANCE OR THE PREMIUM YOU WILL BE CHARGED. WE MAY USE A THIRD PARTY IN CONNECTION WITH THE DEVELOPMENT OF YOUR SCORE. YOU MAY HAVE THE RIGHT TO REVIEW YOUR PERSONAL INFORMATION IN OUR FILES AND REQUEST CORRECTION OF ANY INACCURACIES. YOU MAY ALSO HAVE THE RIGHT TO REQUEST IN WRITING THAT WE CONSIDER EXTRAORDINARY LIFE CIRCUMSTANCES IN CONNECTION WITH THE DEVELOPMENT OF YOUR CREDIT SCORE. THESE RIGHTS MAY BE LIMITED IN SOME STATES. PLEASE CONTACT YOUR AGENT OR BROKER TO LEARN HOW THESE RIGHTS MAY APPLY IN YOUR STATE OR FOR INSTRUCTIONS ON HOW TO SUBMIT A REQUEST TO US FOR A MORE DETAILED DESCRIPTION OF YOUR RIGHTS AND OUR PRACTICES REGARDING PERSONAL INFORMATION. (Not applicable in AZ, CA, DE, KS, MA, MN, ND, NY, OR, VA, or WV. Specific ACORD 38s are available for applicants in these states.)</p> <p style="text-align: right;">(Applicant's Initials): _____</p>			
<p>Applicable in AL, AR, DC, LA, MD, NM, RI and WV: Any person who knowingly (or willfully)* presents a false or fraudulent claim for payment of a loss or benefit or knowingly (or willfully)* presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison. *Applies in MD Only.</p> <p>Applicable in CO: It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.</p> <p>Applicable in FL and OK: Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony (of the third degree)*. *Applies in FL Only.</p> <p>Applicable in KS: Any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an insurer, purported insurer, broker or any agent thereof, any written statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for commercial or personal insurance which such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act.</p> <p>Applicable in KY, NY, OH and PA: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties (not to exceed five thousand dollars and the stated value of the claim for each such violation)*. *Applies in NY Only.</p> <p>Applicable in ME, TN, VA and WA: It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties (may)* include imprisonment, fines and denial of insurance benefits. *Applies in ME Only.</p> <p>Applicable in NJ: Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.</p> <p>Applicable in OR: Any person who knowingly and with intent to defraud or solicit another to defraud the insurer by submitting an application containing a false statement as to any material fact may be violating state law.</p> <p>Applicable in PR: Any person who knowingly and with the intention of defrauding presents false information in an insurance application, or presents, helps, or causes the presentation of a fraudulent claim for the payment of a loss or any other benefit, or presents more than one claim for the same damage or loss, shall incur a felony and, upon conviction, shall be sanctioned for each violation by a fine of not less than five thousand dollars (\$5,000) and not more than ten thousand dollars (\$10,000), or a fixed term of imprisonment for three (3) years, or both penalties. Should aggravating circumstances [be] present, the penalty thus established may be increased to a maximum of five (5) years, if extenuating circumstances are present, it may be reduced to a minimum of two (2) years.</p> <p>Applicable in UT: Any person who knowingly presents false or fraudulent underwriting information, files or causes to be filed a false or fraudulent claim for disability compensation or medical benefits, or submits a false or fraudulent report or billing for health care fees or other professional services is guilty of a crime and may be subject to fines and confinement in state prison.</p>			
THE UNDERSIGNED IS AN AUTHORIZED REPRESENTATIVE OF THE APPLICANT AND REPRESENTS THAT REASONABLE INQUIRY HAS BEEN MADE TO OBTAIN THE ANSWERS TO QUESTIONS ON THIS APPLICATION. HE/SHE REPRESENTS THAT THE ANSWERS ARE TRUE, CORRECT AND COMPLETE TO THE BEST OF HIS/HER KNOWLEDGE.			
APPLICANT'S SIGNATURE (Must be Officer, Owner or Partner)	DATE	PRODUCER'S SIGNATURE	NATIONAL PRODUCER NUMBER



Workers Compensation and Employers Liability Insurance Policy

Contractor Notice and Agreement

Policy number:

Your business could be liable for compensation of employees of independent contractors, subcontractors, or other employees engaged in the general employer’s business. To avoid being charged premium for payments made to the contractors whose services you utilize during the policy period, you must retain and provide the following to support an assertion of exemption under Oklahoma Administrative Workers’ Compensation Act (AWCA):

1. Proof of a valid Workers Compensation Insurance Policy issued to the contractor; or
2. An Affidavit of Exempt Status issued by the Oklahoma Workers Compensation Commission for each contractor who asserts to be exempt from coverage under the AWCA for review and verification by CompSource. The Affidavit is only valid for the contractor; however, it may be rejected if the individual contractor is deemed to be an employee. If the contractor has individuals performing work for them, then proof of a valid Workers Compensation Insurance Policy or proof the individuals are otherwise exempt from the AWCA will be required if the work performed is necessary and integral to your business. Affidavits will be accepted, subject to verification. If they are determined to be invalid or not otherwise applicable, then CompSource Mutual Insurance Company will not accept them and will be required to charge you additional premium; or
3. Exemption other than independent contractor status. If you have contractors who are excluded from coverage under the AWCA, you must provide documentation of the exemption subject to review and verification. Please contact CompSource Mutual Insurance Company for information on the required documentation for each exemption.

These documents described above must be available for examination by our auditor in order to avoid payment of additional premium on contractors and their employees who perform services for you. CompSource Mutual Insurance Company expressly reserves the right to examine, verify, accept or reject any assertion of exemption from the AWCA. CompSource Mutual Insurance Company does not waive any rights or remedies as may be available in relation to this contract or any claim filed thereunder.

Any person who knowingly and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of any insurance policy containing false, incomplete or misleading information is guilty of a felony.

Signature

Date

Affidavit of Exempt Status Under the Administrative Workers' Compensation Act

CC-FORM-36A

File original and one (1) copy with the Workers' Compensation Commission (WCC) in-person or by mail, or file online at www.ok.gov/wcc.

Must be accompanied by a nonrefundable \$50 filing fee payable to the WCC.

CHECKS WILL NOT BE ACCEPTED.

WORKERS' COMPENSATION COMMISSION
1915 NORTH STILES AVENUE STE 231
OKLAHOMA CITY, OK 73105

AFFIDAVIT OF EXEMPT STATUS UNDER THE ADMINISTRATIVE WORKERS' COMPENSATION ACT

THIS SPACE FOR COMMISSION USE ONLY

Type of Filing (check one): Original Affidavit of Exempt Status - Expires at midnight two (2) years from the filing date.

Renewal - Expires at midnight two (2) years from the expiration date indicated below.

If renewing a current Affidavit, provide: Affidavit # _____ and Expiration Date: _____

I, _____, state under penalty of perjury, as follows:

1. I, _____ (Name of individual), in my individual capacity or operating as _____ (business name), have read, signed and attached the Exempt Status Fact Sheet and understand the definition of "employee" and specific exceptions to that definition found in 85A O.S. §2(18). I also understand that an Independent Contractor is one who engages to perform certain services for another, according to his own manner, method, free from control and direction of his contractor in all matters connected with the performance of the service, except as to the result or product of the work. A Contractor may be either (i) the owner of a project or job or (ii) an Independent Contractor in any tier who has subcontracted with a subcontractor.
2. I understand that based upon the representations in this Affidavit of Exempt Status ("Affidavit"), I am requesting that the recipient of this Affidavit consider my business to either (i) be exempt from the definition of "employee" or (ii) be that of an independent contractor, and that no workers' compensation insurance premium be charged for the services performed by my business. I do not want workers' compensation insurance and understand that I am not eligible for workers' compensation benefits.
3. In the event changed circumstances make securing compensation pursuant to the requirements of the Administrative Workers' Compensation Act necessary, I will execute and file a Cancellation of Affidavit of Exempt Status with the Workers' Compensation Commission. I will obtain workers' compensation and employers' liability insurance for my employees if I have employees, unless they are otherwise exempt from the requirements of the Administrative Workers' Compensation Act.
4. The information I have provided is not the result of force, threats, coercion, compulsion or duress.
5. I understand that the execution of this Affidavit, if I am an independent contractor, shall establish a conclusive presumption that I am not an employee for purposes of the Administrative Workers' Compensation Act.
6. I understand that the execution of this Affidavit shall not affect the rights or coverage of any employee of the individual or business executing this Affidavit.
7. I understand if any contractor or its insurer shall become liable under the Administrative Workers' Compensation Act for the payment of compensation due to a compensable work related injury of my employee(s), the contractor or its insurer may recover from me the amount of such compensation paid or for which liability is incurred.
8. I understand that knowingly providing false information on an executed Affidavit of Exempt Status shall constitute a misdemeanor punishable by a fine not to exceed One Thousand Dollars (\$1,000.00).

Affiant Signature

I declare under PENALTY OF PERJURY that I have examined all statements contained herein, and to the best of my knowledge and belief, they are true, correct and complete.

Affiant Name _____ Title _____ Phone _____

Business Name _____ Email _____

FEIN/EIN/TIN # _____ Mailing Address _____

Affiant Signature _____ Date _____

Any person who commits workers' compensation fraud, upon conviction, shall be guilty of a felony punishable by imprisonment, a fine or both.

It is a crime to falsify the information on this form.

Effective 1/2/19

EXEMPT STATUS FACT SHEET

Pursuant to 85A O.S., §36, any individual or business entity that is not required to secure compensation under the requirements of the Administrative Workers' Compensation Act (AWCA) may execute an Affidavit of Exempt Status. **Those who are unsure as to whether they may lawfully submit an Affidavit of Exempt Status should seek competent legal advice.**

Employee: 85A O.S., §2(18): The definition of "employee" includes any person, including minors, in the service of an employer under any contract of hire or apprenticeship, written or oral, expressed or implied. It excludes those whose employment is casual and not in the course of the trade, business, profession, or occupation of his or her employer. Additional, specific exceptions may be found in 85A O.S. §2(18)(b).

Independent Contractor: The AWCA does not define "independent contractor." Oklahoma law considers an independent contractor to be one who engages to perform certain services for another, according to his or her own manner and method, free from control and direction of his or her contractor in all matters connected with the performance of the service, except as to the result or product of the work. Independent Contractors are not "employees" for purposes of the AWCA.

Below are statements to help you decide if you are an independent contractor. **No one statement is controlling, and your status is based on all the facts in your situation.**

1. The nature of the contract between you and the contractor. For example: Is there a written contract where you agree that you are an independent contractor? Are you a corporation or limited liability company? Do you maintain commercial general liability insurance or other business insurance?
2. The contractor exercises very little control over your work. For example: By the agreement, can the contractor exercise control on the details of the work or your independence? Do you exercise control over most of the details of the work? Do you create plans or specifications for the job? Do you set your own work hours?
3. You are engaged in a distinct occupation or business for others. For example: Do you work for companies or individuals other than the Contractor? Do you work for competitors of the Contractor? Does your business have a logo or uniform?
4. Your job is the kind of occupation where the work is usually performed by a specialist without supervision, and not under the direction of the contractor. For example: Does the Contractor supervise your work?
5. Your occupation requires special skills, license, education or training.
6. The contractor does not supply the things needed to perform your job such as the tools and the place of work. For example: Do you supply any of the materials or tools for the work? Do you operate a vehicle owned by the contractor? Do you perform the work at your business or the contractor's business location or jobsite? Do you wear a uniform supplied by the contractor?
7. The length and duration of the job does not show that you are really an employee. For example: Is this a one-time job, or will you be doing this for the contractor regularly?
8. You are paid as a separate contractor, not as an employee. For example: Do you invoice the Contractor for your services? Are you paid by the job? Do you file a federal income tax return for your business? Do you expect to receive an IRS Form 1099 from the Contractor? Does the Contractor pay your expenses?
9. Your work is not the regular business of the employer. For example: Is your work customarily done in the Contractor's line of business or as part of the Contractor's daily work? Have you ever been an employee of the Contractor? Do you work with other people hired by the Contractor on the work you perform?
10. You do not consider yourself an employee of the contractor. For example: Will the Contractor withhold taxes or monies from your payment? Have you ever been an employee of the Contractor? Have you or your employees ever filed an insurance claim against the Contractor?
11. You do not have the right to terminate the relationship without liability. For example: If you quit before the job is finished, is there a penalty?

Contractor Agreement

Contractor Agreement

I, _____ (Name of Individual) operating as _____ (Independent contractor's business name), have agreed to provide services to _____ (Contractor). I will provide services in a manner and method free from the control and direction of the contractor in all matters connected with the performance of the service, except as to the result or product of the work. In accordance I am defined by law as an independent contractor. I am an independent contractor, not an employee of the contractor, and do not want workers' compensation insurance. I understand that I am not eligible for Workers' Compensation benefits.

I will obtain workers' compensation and employers' liability insurance for my employees if I have employees, unless they are otherwise exempt from the requirements of the Workers' Compensation Act. I understand that the execution of this agreement shall not affect the rights or coverage of my employees if I have employees.

Further, I will be responsible for the reporting and paying of all federal and state income taxes and self-employment taxes due on the income earned from the services provided under this Contractor Agreement.

Date _____ Name _____ Title _____

Signature _____ Business Name _____

Witness _____ Date _____

Okla. Stat. Tit. 85A

A. No Agreement by an employee to waive his or her right to compensation shall be valid. No contract, regulation, or device shall operate to relieve the employer or carrier, in whole or in part, from any liability created by this act, except as specifically provided in this act.

B. Any officer of a corporation, sole proprietor, partner of a partnership, member of a limited liability company, member of a professional association, or self-employed employer who is not a subcontractor and who owns and operates his or her own business may, by agreement or contract, exclude himself or herself from coverage or waive his or her right to coverage or compensation under this act.

IX. Employment Laws

A. Fair Labor Standards Act

The Fair Labor Standards Act (FLSA) places minimum pay requirements on many employers, including churches. Employers covered by the FLSA have to pay minimum wage and overtime for certain employees. Covered employers are also restricted on when payroll must be made to employees and which deductions from pay may be made by employers.

As a preliminary note to this topic, pastors and ministry staff are not covered by the FLSA. If a church pays minimum wage, overtime, or grants “flex time” to a pastor or minister, the church does so on a voluntary basis as the FLSA does not cover the employment relationship between the church and minister. This exception to the FLSA is commonly referred to as the “ministerial exception.”

Churches may have some employees covered by the FLSA even if the ministerial employees of the church are not covered. Whether an employer and employee is covered by the FLSA may be difficult to determine. Many exceptions to the law’s applicability exist. Some of these exceptions exclude the law’s requirements from applying to specific types of businesses; other exceptions exclude applicability due to the specific kinds of work being performed by the employee. This material intended to address the general principles of the FLSA, with emphasis placed on the context of the employment relationship in the local church. Legal counsel should be contacted to discuss specific application of the FLSA, especially before determining an employee is not covered by the FLSA.

In the context of the FLSA, there are certain terms that should be understood in advance of an evaluation of the law’s applicability. An “exempt” employee is an employee that is exempt from the minimum wage and overtime requirements. A “non-exempt” employee is an employee that is not exempt from the minimum wage and overtime requirements. Additional terms that also have a special meaning or definition in the context of the FLSA include: administrative, executive, professional, hours worked, and workweek. The more generally well known requirements of the FLSA are minimum wage and overtime pay. In July 2009, covered, nonexempt employees became entitled to a minimum wage of not less than \$7.25 an hour. For overtime, employers must pay nonexempt employees one and a half times their hourly wages for hours worked in excess of 40 hours in the workweek.

Many of the other requirements of the FLSA are in place to protect the primary requirements of paying minimum wage and overtime for covered employees. Employees that are covered by the FLSA will need to keep records of hours worked. Wages that are required by Fair Labor Standards Act (FLSA) are due on the regular payday for the pay period covered. Deductions made from wages for such items as cash or merchandise shortages, employer-required uniforms, and tools of the trade, are not legal to the extent that they reduce the wages of employees below the minimum rate required by FLSA or reduce the amount of overtime pay due under FLSA.

While FLSA does set basic minimum wage and overtime pay standards and regulates the employment of minors, there are a number of employment practices which FLSA does not regulate.

For example, FLSA does not require:

1. vacation, holiday, severance, or sick pay;
2. meal or rest periods, holidays off, or vacations;
3. premium pay for weekend or holiday work;
4. pay raises or fringe benefits;
5. discharge notice, reason for discharge, or immediate payment of final wages to terminated employees.

Also, the FLSA does not provide wage payment or collection procedures for an employee's usual or promised wages or commissions in excess of those required by the FLSA. However, some states, including Oklahoma, do have laws under which such claims (sometimes including fringe benefits) may be filed. The FLSA does not limit the number of hours in a day or days in a week an employee may be required or scheduled to work, including overtime hours, if the employee is at least 16 years old. The above matters are for agreement between the employer and the employees or their authorized representatives.

B. Who is Covered by FLSA?

Some ministries wrongly assume that they are exempt from the Fair Labor Standards Act. Employees can be covered by the FLSA through 2 types of coverage – either “enterprise coverage” or “individual coverage”. Church employees may be covered by the FLSA through enterprise coverage. Enterprise coverage requires the employer to have at least \$500,000 of annual gross volume sales or business. However, donations to the church do not count toward the \$500,000 threshold. Most churches will not sell enough goods or services that would allow them to exceed the \$500,000 threshold.

Some employees that work for churches may be covered through “enterprise coverage” because they work for church schools or church daycares. Those two types of employers are covered through the enterprise coverage portion of the FLSA, without regard to the level of revenue of the school or daycare. The FLSA includes within the definition of “enterprise” any “preschool, elementary or secondary school, or an institution of higher education (regardless of whether or not such ... institution or school is public or private or operated for profit or not for profit).” Schools and preschools, even those operated by churches, are “deemed to be activities performed for a common business purpose” regardless of the dollar volume of business. In other words, a public or private school is deemed to be an enterprise without regard to the \$500,000 threshold that applies to other enterprises. Accordingly, employees at these institutions are entitled to minimum wage and overtime protections unless a specific exemption applies. Custodial care provided by the church during worship services does not meet the definition of school or preschool for FLSA purposes.

A church employee that is not covered under the FLSA through “enterprise coverage” may yet be covered by the FLSA through the individual coverage portion of the FLSA. If the employee is individually engaged in interstate commerce or in the production of goods for commerce, “individual coverage” will apply. The employee is engaged in interstate commerce if they routinely engage in the following activities:

1. Order teaching materials or other supplies from out of state.
2. Mail newsletters or other information to people out of state
3. Travel to other states for work purposes.
4. Maintain a Web site from which people from out of state may order items.

The US Department of Labor has stated that infrequent and immaterial activities involving commerce are not sufficient to establish individual coverage, but that in view of the remedial purposes of the Act, the application of this principle is limited to circumstances where the time consumed by an employee in doing covered work is obviously trivial, and so infrequent and “out-of-pattern” that it would be unrealistic to assert individual coverage solely on such grounds. Regulations state that the Act makes no distinction as to the percentage, volume, or amount of activities of an employee that constitute engaging in commerce or in the production of goods for commerce. However, an employee whose in-commerce or production activities are isolated, sporadic, or occasional and involve only insubstantial amounts of goods will not be considered “engaged in commerce or in the production of goods for commerce” by virtue of that fact alone.

And, significantly, the regulations state that the law is settled that every employee whose activities in commerce or in the production of goods for commerce, even though small in amount, are regular and recurring, is considered “engaged in commerce or in the production of goods for commerce.” by virtue of that fact alone. Many employees are covered by the FLSA through individual coverage. Consult an attorney before concluding that an employee is not covered.

Employers, who keep proper records, will have the flexibility to have certain employees covered by the FLSA for some workweeks and exempt from the requirements for other workweeks. Employers may require employees to document and categorize job duties by workweek. If an employee’s workweek is properly documented to reflect no interstate commerce or infrequent and immaterial interstate activity, an employee who is otherwise covered under the FLSA through “individual coverage,” may be classified as not covered or “exempt” for those workweeks. For those workweeks, the employee is not required to be paid minimum wage or overtime.

C. Overtime Pay

An employer who requires or permits an employee to work overtime is generally required to pay the employee premium pay for such overtime work. Employees covered by the Fair Labor Standards Act (FLSA) must receive overtime pay for hours worked in excess of 40 in a workweek of at least one and one-half times their regular rates of pay. The FLSA does not require overtime pay for work on Saturdays, Sundays, holidays, or regular days of rest.

Extra pay for working weekends or nights is a matter of agreement between the employer and the employee (or the employee’s representative). The FLSA does not require extra pay for weekend or night work or double time pay.

There are a number of exemptions to federal overtime requirements. The most common one applies to teachers, clergy, and others who perform executive, administrative, or professional duties. If the basic requirements are met, your ministry doesn’t need to pay overtime wages. Find the requirements in “Are Your Employees Exempt?” below.

The most common exemption to the Fair Labor Standards Act is the “white-collar” exemption, which covers executive, administrative, and professional positions. Ministries may misclassify employees as exempt, based on an employee’s title (e.g. office administrator, facilities manager). To be exempt from overtime rules, an individual must pass all three of the following tests. If an employee fails any one of them, the person is an hourly worker who is entitled to overtime.

1. Salary Level Test — Employees must earn at least \$455 a week (\$23,660 a year). As of January 1, 2020, the minimum salary will be \$679 per week or \$35,308 per year.
2. Salary Basis Test — Employees must earn a salary, that is, a guaranteed minimum amount of money that will be paid in any week that the person performs “any” work.
3. Duties test — Employees must perform certain job duties. This is where most mistakes are made. Just because a person’s job title includes the word “administrator” or “manager” doesn’t mean he or she performs the job tasks required for exempt status.

There are three types of duties: executive, professional, and administrative.

What About Flex Time? While you can’t give employees future “comp time” instead of overtime pay, you can adjust schedules within a workweek to prevent employees from incurring overtime. For example, if your youth leader works 10 hours on Wednesday, you can send him home two hours early on Thursday or Friday, so his work doesn’t exceed 40 hours.

This flexibility doesn't allow averaging time over multiple weeks. A common mistake is to pay an employee straight time if he averages 40 hours a week during a pay period. Let's say that someone works 45 hours in the first week of a pay period and 35 in the second. Although the employee worked only 80 hours in two weeks, the FLSA requires you to pay that employee one and a half times his regular pay for five hours, since the employee worked more than 40 hours in the first week.*

*From The Deacon's Bench, Vol. 20, Issue 4, Brotherhood Mutual Insurance Company

D. New Overtime Regulations Overturned

In 2016, the Department of Labor ("DOL") issued new Federal Labor Standards Act ("FLSA") overtime regulations on salary thresholds for exempting white collar workers subject to the duties test (executive, administrative, professional, outside sales and computer employees). The new regulations were to go into effect December 1, 2016. Under the proposed regulations, most workers earning less than \$47,476 per year (\$913/week) would have been eligible for overtime pay. The minimum income level for overtime threshold now reverts to \$23,660 per year, which is the level implemented in 2004.

E. Changes to Oklahoma Employment Law in 2011

On November 1, 2011, Oklahoma employment laws were changed to cover many more employers than ever before. The Oklahoma Anti-Discrimination Act previously applied to employers with 15 or more employees. With the change in law, employers that have only one employee will be covered by the Act.

Employers under the Act are prohibited from discriminating in employment on the basis of race, color, national origin, sex, religion, creed, age, disability or genetic information, and related retaliation claims. Churches are exempt under 25 OS § 1307 from the prohibition on discrimination in employment on the basis of religion. Also, churches are given some First Amendment protection in the employment decisions for ministerial staff.

F. Job References for Former Employees

In Oklahoma, employers are provided some liability protection by statute when disclosing a former employee's job performance.

A. An employer may disclose information about a current or former employee's job performance to a prospective employer of the current or former employee upon request of the prospective employer and with consent of the current or former employee, or upon request of the current or former employee. A state agency, as defined in Section 840-2.5 of Title 74 of the Oklahoma Statutes, may disclose information regarding a current or former employee's job performance to another state agency which is a prospective employer of the current or former employee without the employee's consent. The employer is presumed to be acting in good faith, unless lack of good faith is shown by a preponderance of the evidence. The current or former employer shall be immune from civil liability for the disclosure or any consequences of such disclosure unless the presumption of good faith is rebutted upon a showing that the information disclosed by the current or former employer was false and the employer providing the information had knowledge of its falsity or acted with malice or reckless disregard for the truth.

B. The provisions of this section shall apply to any employee, agent, or other representative of the current or former employer, including a state agency, who is authorized to provide and who provides information in accordance with the provisions of this section.

EMPLOYEE RIGHTS UNDER THE FAIR LABOR STANDARDS ACT

FEDERAL MINIMUM WAGE

\$7.25 PER HOUR

BEGINNING JULY 24, 2009

The law requires employers to display this poster where employees can readily see it.

OVERTIME PAY At least 1½ times the regular rate of pay for all hours worked over 40 in a workweek.

CHILD LABOR An employee must be at least 16 years old to work in most non-farm jobs and at least 18 to work in non-farm jobs declared hazardous by the Secretary of Labor. Youths 14 and 15 years old may work outside school hours in various non-manufacturing, non-mining, non-hazardous jobs with certain work hours restrictions. Different rules apply in agricultural employment.

TIP CREDIT Employers of “tipped employees” who meet certain conditions may claim a partial wage credit based on tips received by their employees. Employers must pay tipped employees a cash wage of at least \$2.13 per hour if they claim a tip credit against their minimum wage obligation. If an employee’s tips combined with the employer’s cash wage of at least \$2.13 per hour do not equal the minimum hourly wage, the employer must make up the difference.

NURSING MOTHERS The FLSA requires employers to provide reasonable break time for a nursing mother employee who is subject to the FLSA’s overtime requirements in order for the employee to express breast milk for her nursing child for one year after the child’s birth each time such employee has a need to express breast milk. Employers are also required to provide a place, other than a bathroom, that is shielded from view and free from intrusion from coworkers and the public, which may be used by the employee to express breast milk.

ENFORCEMENT The Department has authority to recover back wages and an equal amount in liquidated damages in instances of minimum wage, overtime, and other violations. The Department may litigate and/or recommend criminal prosecution. Employers may be assessed civil money penalties for each willful or repeated violation of the minimum wage or overtime pay provisions of the law. Civil money penalties may also be assessed for violations of the FLSA’s child labor provisions. Heightened civil money penalties may be assessed for each child labor violation that results in the death or serious injury of any minor employee, and such assessments may be doubled when the violations are determined to be willful or repeated. The law also prohibits retaliating against or discharging workers who file a complaint or participate in any proceeding under the FLSA.

ADDITIONAL INFORMATION

- Certain occupations and establishments are exempt from the minimum wage, and/or overtime pay provisions.
- Special provisions apply to workers in American Samoa, the Commonwealth of the Northern Mariana Islands, and the Commonwealth of Puerto Rico.
- Some state laws provide greater employee protections; employers must comply with both.
- Some employers incorrectly classify workers as “independent contractors” when they are actually employees under the FLSA. It is important to know the difference between the two because employees (unless exempt) are entitled to the FLSA’s minimum wage and overtime pay protections and correctly classified independent contractors are not.
- Certain full-time students, student learners, apprentices, and workers with disabilities may be paid less than the minimum wage under special certificates issued by the Department of Labor.



WAGE AND HOUR DIVISION
UNITED STATES DEPARTMENT OF LABOR

1-866-487-9243
TTY: 1-877-889-5627
www.dol.gov/whd



WH1088 REV 07/16

STATE OF OKLAHOMA

CHILD LABOR LAW

Section 71 et. seq. of Title 40 of the Oklahoma Statutes
Applicable to minors UNDER 16 years of age

Minimum Age	14 years of age																																	
Employment Certificate	<p>Employment certificate is issued by the school and is <u>required for all employed minors</u>, including home schooled minors and minors from out-of-state working in Oklahoma.</p> <p>Employers are required to have an employment certificate from the school before a minor is allowed to work.</p> <p>Note to Issuing Officer(s): Minors <u>must comply</u> with compulsory School Laws, Title 70 Section 10</p>																																	
Hours Standard	<p>School in session – minors restricted to: No more than three (3) hours per school day No more than eight (8) hours per non-school day No more than eighteen (18) hours per school week</p> <p>School not in session – minors restricted to: No more than eight (8) hours per non-school day No more than forty (40) hours per non-school week</p>																																	
Break Periods	<p>For every five (5) hours worked – Thirty (30) minute rest period For every eight (8) hours worked – One (1) hour rest period</p>																																	
Times Standard	<p>From Tuesday after Labor Day through May 31st – minors: Can not work before 7:00 a.m. and not after 7:00 p.m.</p> <p>From June 1st through Labor Day – minors: Can not work before 7:00 a.m. and not after 9:00 p.m.</p>																																	
Prohibited Occupations	<p>Occupations which threaten health and well-being include, but not limited to:</p> <table border="0"> <tr> <td>Baking</td> <td>Communications</td> <td>Construction</td> </tr> <tr> <td>Cooking</td> <td>Coolers</td> <td>Cutters</td> </tr> <tr> <td>Demolition</td> <td>Freezers</td> <td>Fryers</td> </tr> <tr> <td>Grills</td> <td>Hoisting devices</td> <td>Ladders</td> </tr> <tr> <td>Loading</td> <td>Machinery</td> <td>Manufacturing</td> </tr> <tr> <td>Mining</td> <td>Motor vehicles</td> <td>Mowers</td> </tr> <tr> <td>Power-Driven</td> <td>Processing</td> <td>Public messenger</td> </tr> <tr> <td>Public Utilities</td> <td>Repair</td> <td>Slicers</td> </tr> <tr> <td>Storage</td> <td>Transportation</td> <td>Unloading</td> </tr> <tr> <td>Warehouse</td> <td>Weed eaters</td> <td>Work rooms</td> </tr> <tr> <td></td> <td>Youth peddling</td> <td></td> </tr> </table>	Baking	Communications	Construction	Cooking	Coolers	Cutters	Demolition	Freezers	Fryers	Grills	Hoisting devices	Ladders	Loading	Machinery	Manufacturing	Mining	Motor vehicles	Mowers	Power-Driven	Processing	Public messenger	Public Utilities	Repair	Slicers	Storage	Transportation	Unloading	Warehouse	Weed eaters	Work rooms		Youth peddling	
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	Youth peddling																																	

For information on hazardous occupations for 16 and 17 year olds, contact the United States Department of Labor at 1-866-487-9243

Oklahoma Department of Labor

1-888-269-5353

www.labor.ok.gov

G. Federal Labor Posters

!! Failure to post required notices in conformity with state and federal law may result in substantial civil or criminal penalties!!

For assistance with federal labor posters, check out the “elaws Poster Advisor” at www.dol.gov/elaws/posters.htm.

Uniformed Services Employment and Reemployment Rights Act - USERRA (20 CFR, Sec. 1002.210)

Employers are required to provide to persons entitled to the rights and benefits under USERRA, a notice of the rights, benefits and obligations of such persons and such employers under USERRA.

Covered Employers: USERRA covers virtually every individual in the country who serves in or has served in the uniformed services and applies to all employers in the public and private sectors, including Federal employers.

Occupational Safety and Health Act – OSHA (29CFR, Sec. 1903.2(a)(1))

Employers must post this notice in a conspicuous place where notices to employees are customarily posted. Failure to comply may subject the employer to a fine of up to \$7,000 for each violation along with possible criminal penalties.

Covered Employers: An organization engaged in business affecting interstate commerce that has employees.

Federal Minimum Wage Notice (29 USC Sec 206)

Employers subject to the Fair Labor Standards Act must post a notice regarding the federal minimum wage in “conspicuous places in every establishment” where the affected employees can readily observe it on their way to or from work. (29 CFR sec. 516.4) Failure to post the required notice is a federal crime.

Covered Employers: An organization engaged in interstate commerce or who employs teachers.

Employee Polygraph Protection Notice (29 USC Sec 2001)

Each employer shall post and maintain such notice in conspicuous places on its premises where notices to employees are customarily posted (29 USC Sec 2003.) Any employer who violates the Polygraph Protection Act may be assessed a civil penalty of up to \$10,000 (29 USC Sec 2005)

Covered Employers: Engaged in interstate commerce.

Title VII, ADA, Age Discrimination, & Equal Pay Act (29CFR Sec. 1601.30)

Every employer has an obligation to keep posted in conspicuous places upon its premises notices describing the applicable provisions of Title VII and the ADA. Section 711(b) of Title VII makes failure to comply with this section punishable by fine...“for each violation.” (29CFR Sec 1601.30.)

Covered Employers: Title VII of the Civil Rights Act of 1964 and the Americans with Disabilities Act (ADA) cover all private employers, state and local governments, and education institutions that employ 15 or more individuals. These laws also cover private and public employment agencies, labor organizations, and joint labor management committees controlling apprenticeship and training. Religious employers may discriminate on the basis of religion.

The Age Discrimination in Employment Act (ADEA) covers all private employers with 20 or more employees, state and local governments (including school districts), employment agencies and labor organizations.

The Equal Pay Act (EPA) covers all employers who are covered by the Federal Wage and Hour Law (the Fair Labor Standards Act). Virtually all employers are subject to the provisions of this Act.

Family and Medical Leave Act of 1993

This Act pertains to employers having at least 50 employees within 75 miles. "FMLA requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons." The FMLA was recently expanded to provide coverage for "qualifying exigency" leave to eligible employees with covered family members in the Regular Armed Forces and coverage for "military caregiver leave" to eligible employees who are the spouse, son, daughter, parent, or next of kin of certain veterans with a "serious injury or illness".

Covered Employers: 50 or more employees and interstate commerce.

To Order **FREE** Posters, contact the Federal Department of Labor, 866-487-9243
or download from their Website www.wagehour.dol.gov.

Mandatory Oklahoma Labor Posters

Minimum Wage Act (40 OK. St. Ann. Sec. 197.6)

"Every employer, subject to this act, shall post a notice or notices of the pertinent provisions of this act in such form as may be prescribed and furnished by the Commissioner. Any employer failing to post the notice ...shall be punished by a fine...and each week he fails to post such notice shall constitute a separate offense."

Covered Employers: More than 10 full-time equivalent employees or greater than \$100,000 gross business income.

Workers' Compensation Notice (85A OK. St. Ann. Sec. 41)

Each employer shall post a notice advising employees that they are covered by the Workers' Compensation Act.

Covered Employers: All employers except some farms, domestic workers and commissioned real estate brokers.

To obtain state posters, go to www.ok.gov/wcc or call 800-522-8210.

X. Church Liability

- **Negligence** is the failure to act as a reasonably prudent person. Common forms of negligence lawsuits involving churches include supervision, enlistment of volunteers, operation of a motor vehicle, and failing to remove dangerous conditions on church property.

Injuries and lawsuits due to negligence may be avoided by acting reasonably. For example, a church would act reasonably when hiring an employee by first running a background check. Even though that employee may eventually hurt someone, the church was not necessarily negligent in hiring the employee because the church took reasonable actions to avoid hiring dangerous individuals.

Simple preventative measures may greatly reduce the chance of injury to many people. Some easy steps to take:

1. Conduct background checks on all employees.
2. Conduct background checks on volunteers who work with minors.
3. Check driving records for regular drivers & those driving on long trips for the church.
4. Have written and enforced policies for children & youth supervision.
5. Routine checks of building and grounds for dangerous or hazardous conditions. Utilize safety checklists. Keep records of checks & make necessary repairs.
6. Maintain confidential employee and counseling records.

- **Defamation** is the communication to others of a false statement about another person that injures that person's reputation. Church leaders have the opportunity to make many statements. Sometimes, church leaders use the opportunity to make statements about others – including members or various public figures. Church leaders should take care to speak the truth. However, even matters of opinion may be viewed as being capable of falsity. If the church must communicate something that will be viewed as injuring someone's reputation, consult an attorney on how to best communicate that information without risking suit for defamation. Communicated properly and under the right circumstances, a church may communicate potentially defamatory statements in accordance with Biblical principles and yet not engender a lawsuit. Libel and Slander are specific categories of defamation.

There are some instances where church leaders may discuss potentially defamatory statements and be protected from liability. Communications between members of a religious organization concerning the conduct of other members or officers in their capacity as such are qualifiedly privileged. As a result, such communications should not cause the church undue concern about being sued for such actions. Note that the communication may not occur to or in the presence of non-members. Only if the statement was made knowing it to be untrue and likely to be untrue, would there be a loss of the privilege.

- **Invasion of privacy** is the intrusion into someone's private life by making a private fact public. For example, in an Oklahoma case, (*Guinn v. Church of Christ of Collinsville*), the church made public a former member's sexual relations through the church's discipline process and letters to other churches in the same denomination. Although a church may engage in a disciplinary process (which may include disclosure of private fact), in Oklahoma a member has a right to withdraw from membership and not have the private fact continue to be made public.

- **Child abuse** is a serious problem and churches need to be prepared to respond appropriately. All persons in the State of Oklahoma have a duty to report child abuse. Although some positions in the church will have a greater chance of finding out about or suspecting child abuse, everyone has a duty to report child abuse. Oklahoma does not recognize a ministerial privilege for child abuse. Any person that fails to report child abuse may face criminal and civil liability. In Oklahoma, reports of child abuse must be made to the Department of Human Services. The DHS child abuse hotline phone number is 1-800-522-3511.

- **Sexual misconduct** can occur in many ways in the church. Churches should not hire or continue to employ persons who have committed sexual misconduct. A church will probably be liable for an employee or volunteer's sexual misconduct if it knew of previous sexual misconduct or should have known of previous sexual misconduct. A failure to properly supervise employees and volunteers will increase the risk of sexual misconduct and the likelihood of a church's liability for sexual misconduct. Also of some importance, church insurance policies usually exclude intentional sexual misconduct from coverage.

- **Copyright** violations are frequent in church life. The church should have at least one person familiar and somewhat knowledgeable about copyright issues. Churches are frequent copyright violators. Although the violation may be unintentional, the state of mind of the violator is not a legal excuse for violating copyright. Here are some tips for understanding copyrights and how to avoid violations:

- Books, musical works, dramatic works, photographs, graphics, paintings, motion pictures, audio recordings, and choreographic works are all examples of copyrighted materials.
- A copyright owner has the rights to:
 1. reproduce the copyrighted work via copies
 2. prepare derivative works
 3. distribute copies to the public by sale, rental, or lease
 4. perform the copyrighted work publicly
 5. display the copyrighted work publicly.
- A copyright violation occurs when someone other than copyright owner infringed on the copyright owner's rights.
- There are some exceptions:

Works of religious nature may be performed, displayed, or read during the course of services at a place of religious worship. For example, readings from a religious book, performance of hymns, and cantatas all fall under this exception.

other exceptions include "fair use", religious displays, nonprofit performances, and authorization from a copyright owner.

- The "fair use" exception will rarely be helpful to churches.
- The religious displays exception allows churches to display lawfully made copies to the public either directly or by projection at the place where the copy is located. This would include projecting a lawfully owned transparency of music for choir rehearsal or worship services.
- The nonprofit performances exception applies to performance of nondramatic literary or musical works done without charge, without profit, and not compensated for in particular.
- A copyright owner may authorize a church to make copies or otherwise use the material. Other options include buying a blanket licensing agreement that allows use of certain copyrighted materials. Companies that offer these products include ASCAP, BMI, and Christian Copyright Licensing, Inc. (CCLI).

- **Protecting church leaders from personal liability** should be an important consideration in church life. A church should have written procedures in place and enforced to help protect church leaders from personal liability for contracts signed on behalf of the church. Bylaws or other written documents should clearly specify who may authorize transactions on behalf of the church. For example, a church may require: 1) that transactions less than \$500 may be approved by the pastor, 2) transactions between \$500 and \$1,000 be approved by the Finance Committee and 3) all transactions in excess of \$1,000 be approved by the church. When authorization is required, the church should keep written documentation of that authorization. A written policy should also specify who is authorized to sign a contract on behalf of the church. When the contract is signed, the contract should identify the employing church and the signature should be signed in a representative capacity. For example, the signature line may read “/s/ John Doe, authorized agent” or “/s/ John Doe, on behalf of First Baptist Church.”
- In Oklahoma, **church volunteers** are not **personally liable** for their actions working on behalf of the church unless their actions were grossly negligent or intentional. For example, a volunteer that accidentally, but negligently, injures someone will not be liable for their actions in their capacity as a volunteer. If, in the example, the volunteer intentionally punched someone, then the volunteer would be liable. Volunteers are, however, personally liable for acts of simple negligence in the operation of a motor vehicle.
- **Personal liability of church members** can also be an issue when an unincorporated church is sued. A church can protect its members from personal liability by incorporating. This topic is discussed in more detail on page 81.
- **Personal liability of church officers, directors, or board members, as such**, exists primarily where church action is authorized by church officers and that action exceeds the authority given the officer or board by the church or by the law. An example of church authority would include purchasing property on behalf of the church without congregational approval, when required by church bylaws. An example of exceeding authority allowed by law would include firing the church treasurer for failing to backdate tax records. In Oklahoma, the liability of the board of directors for a nonprofit corporation is limited by statute. If the church qualifies as a 501 (c) organization, the director does not have liability for (1) any negligent act or omission of an employee of the nonprofit corporation; or (2) any negligent act or omission of another director. 18 O.S. § 866.
- **Premises liability** can occur under several conditions. If a church has a concealed dangerous condition and someone is injured by that concealed dangerous condition, a church may be liable. Another type of premises liability comes from attractive nuisances - conditions or objects that attract children, but can also be dangerous if unsupervised. Use the “Physical Safety Checklist” on page 60 for other premises issues.

XI. Property and Liability Insurance

Your church represents a major financial and personal commitment by your members. It is important that you select the proper insurance carrier and the proper insurance coverage that will give your church the protection needed. Listed are some of the options available to you.

1. **Property Coverage** – This type of insurance provides protection of the buildings against fire, lightning, explosion, windstorm, hail, etc. Different insurance carriers offer different things in their property coverage insurance. Be sure that the property is insured for enough to replace it if destroyed.
2. **Liability Coverage** – Liability coverage varies because there are several options such as General Liability, Hired and Non-owned Auto Liability, Directors, Officers and Trustees Liability, Medical, etc. It is important to the church membership to have adequate protection in these areas.
3. **Workers' Compensation** – The Oklahoma State law requires that every paid employee be covered by Workers' Compensation. Churches are not exempt from this law and are liable if an employee is hurt while on the job. For coverage through the BGCO Master Plan contact BarbaraSpess at (918) 358-3774.
4. **Minister's Business Property** – Provides coverage for business property owned by the minister that is normally used in the ministerial profession.
5. **Personal Dishonesty** – Provides coverage for dishonest acts of person defined in the policy. Everyone who handles the church's finances should be bonded.

Preventing Slip-and-Fall Accidents

Wet floors and slippery sidewalks are among the leading reasons people slip and fall. Such falls are especially hazardous to seniors, who might be more likely to suffer an injury if they fall. Snow, rain, and ice compound the problem during winter. While slips may seem unavoidable, there are preventive measures you can take to help keep people safe.

	Yes	Needs Attention
1. Are your sidewalks and parking lots in good repair? Are they free of uneven surfaces, holes, and cracks that people could easily trip over?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are handrails and steps also in good condition? Are handrails securely fastened? Do you routinely check for and repair worn or damaged steps?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are your steps (indoor and outdoor) clearly marked so pedestrians can easily differentiate their levels?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you use mats or rugs with nonskid backings at each of your entrances? Do you ensure that they lie flat so nobody trips over them?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you use only nonslip coatings and waxes on your floors to improve traction?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do you clearly mark slipping/tripping hazards such as wet floors, using cones or signs, to discourage people or walking on them?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is someone designated to mop/dry floors when they become wet?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is your carpet in good repair? Do you routinely replace worn or frayed carpeting to prevent people from tripping over loose pieces?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do you have an organized snow removal plan to help keep parking lots, walkways, and entrances free of snow and ice?	<input type="checkbox"/>	<input type="checkbox"/>
10. Do ushers/greeters know to whom to report slip/trip hazards, in order to start the process of eliminating the hazard?	<input type="checkbox"/>	<input type="checkbox"/>

Notes:

Completed by:

Date:

This is a sample document only. Your organization is responsible for compliance with all applicable laws. Accordingly, this form should not be used or adopted by your organization without first being reviewed and approved by an attorney. Brotherhood Mutual Insurance Company assumes no liability in the preparation and distribution of this sample form.

Fire Safety

	Yes	Needs Attention
1. Is your heating, ventilation, and air-conditioning system professionally cleaned and inspected annually?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you hire a professional to analyze the electrical system for adequacy, replace equipment like frayed, worn, or dried-out extension cords, and check the fuse box to make sure all fuses are the proper size for each circuit?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you ensure that combustibles, like paint supplies and other flammable liquids, are not stored in the same room as the furnace or boiler?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are all exits clearly marked and free of obstacles so that someone could easily access them in the event of an emergency?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you have smoke alarms installed throughout your building?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does your building have fire extinguishers in easily accessible locations on every floor?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are fire extinguishers checked by a professional on a regular basis to make sure they're in working order?	<input type="checkbox"/>	<input type="checkbox"/>
8. Does your building have sprinkler systems installed to automatically extinguish fires as soon as they're detected?	<input type="checkbox"/>	<input type="checkbox"/>
9. Has your ministry worked with a professional to install a lightning and surge protection system?	<input type="checkbox"/>	<input type="checkbox"/>
10. Do your staff members and volunteers know that they should turn off electrical items when they are not in use?	<input type="checkbox"/>	<input type="checkbox"/>
11. Does your ministry have a well-designed, comprehensive, and practiced evacuation plan for fires and other emergencies?	<input type="checkbox"/>	<input type="checkbox"/>

Notes:

Completed by:

Date:

This is a sample document only. Your organization is responsible for compliance with all applicable laws. Accordingly, this form should not be used or adopted by your organization without first being reviewed and approved by an attorney. Brotherhood Mutual Insurance Company assumes no liability in the preparation and distribution of this sample form.

XII. Healthcare Options for Churches

For many years, the US Tax Code allowed employers that didn't offer group health insurance, to help employees with the cost of individual health insurance and out of pocket medical expenses. Generally, these arrangements, usually in the form of reimbursement, were allowed by the IRS on a tax-free basis to their employees.

Unfortunately, the guidance relating to the ACA market reforms essentially removed these arrangements as an option for helping employees. When ACA guidance was given by the IRS in Notice 2013-54, it was clear that the tax-free reimbursement of individual health insurance premiums would trigger an excise tax of **\$100 per employee, per day**. The initial guidance did appear to allow the employer to avoid the ACA penalties if the reimbursement for the premiums occurred on a post-tax basis.

In November, 2014, IRS, DOL & HHS issued additional guidance that an employer is NOT permitted to reimburse individual health insurance premiums on either a pre or post-tax basis. Shortly thereafter, in February 2015, more guidance was issued allowing reimbursement on a pre-tax basis in limited circumstances for small employers. Most employers, including churches, may no longer reimburse individual health insurance premiums on a pre-tax or post-tax basis.

Small employers are the most likely group effective by these penalties because employers with 100 or more employees are subject to the ACA mandate to provide qualified health insurance coverage for their employees. Employers with 50 or more, full-time equivalent, employees are required to provide group health insurance, as of 2016.

There are a few exceptions to the rule that employers may not reimburse individual health insurance premiums. The following plans are exempt from ACA requirements:

1. **One-participant plans**
2. Accident-only plan
3. Limited-scope dental and vision plan
4. Long-term care benefits

Employers with less than 50 employees can offer group health insurance coverage on a pre-tax basis even if they only have one participant. Also, a personal plan policy through Guidestone is considered an employer group plan and meets the ACA requirements that would allow pre-tax treatment.

Healthcare sharing ministries are not insurance and are exempt from the ACA requirements, but they are not eligible for pre-tax reimbursement. Examples include Samaritan's Purse, Christian Healthcare, or My Christian Care.

Health Insurance Reimbursement – Beginning in 2014, employers will no longer be able to reimburse health insurance premiums on a pre-tax basis (Rev Ruling 61-146 and IRC section 105) unless the employer provides a group health insurance plan that provides minimal value coverage. Minimal value coverage means the plan will pay at least 60% of medical costs. Guidestone is considered a group plan for Southern Baptist churches.

Offering group health insurance, even though it may not be required, allows for some additional health care benefits such as Flexible Spending Accounts, Healthcare Reimbursement Arrangements, and the Small Business Healthcare Credit if insurance is purchased through Small Business Health Options Program Marketplace (SHOP).

Flexible Spending Accounts (FSAs) - For 2020, FSA employee contributions will be limited to \$2,750. Although there isn't technically an annual limitation on employer contributions, health care reform limits employer contributions to \$500 per year or an arrangement in which the employer contribution will not exceed the employee's contribution, such as an employer match of employee contributions (up to \$2,750). The employee contribution limit applies to out of pocket medical expenses and cannot be used for health insurance premiums. IRS information letter 2017-0004 confirms that health insurance premiums, including Medicare premiums, cannot be reimbursed through an FSA even though they would be a deductible medical expense as an itemized deduction on a Form 1040 Income Tax Return.

For 2020, the CARES Act allows \$550 to be carried over and suspends the use/lose rules through December 31, 2020.

Employers can now offer to allow either a \$550 rollover option into the next plan year or allow FSAs to be spent down until 2 ½ months after the end of the tax year. Because this is a use or lose account, any funds remaining are forfeited to the employer and cannot be returned to the employee. Whatever amount the employee elects to contribute to the FSA is "available" from day one in the plan period. For example, if the employee elected to contribute \$2,500 annually and incurs \$2,500 in allowable medical expenses in January, the employer must pay the claim in full even though sufficient funds have not been paid in by the employee. If the employee terminates, the employer may "ask" for repayment but the employee is not required to do so.

IRS Notice 2012-40 states that the annual contribution is per employee but someone employed by two or more unrelated employers could have an FSA with both employers (if offered) and contribute with each employer. A married couple could each elect to contribute with their respective employers. Over-the-counter medications can only be reimbursed through an FSA with a doctor's prescription.

Health Savings Accounts – These accounts have four key concepts:

1. Replace traditional low-deductible health insurance with a qualified high-deductible health insurance.
2. Deposit a portion of the premium savings, up to the IRS limits, into a special savings account. The savings must be invested in any IRA-approved investment by any IRA-approved trustee with earnings tax free.
3. Withdrawals used for medical expenses are tax free.
4. Contributions may be made by the employee or employer or both but requires a high deductible health insurance policy.

Early withdrawals for non-medical purposes are subject to income tax and a 20% early withdrawal penalty.

Insure Oklahoma/O-EPIC – This is the health insurance subsidy administered through the State of Oklahoma. The program was drastically reduced for 2014 and was scheduled to expire at the end of 2016 but was extended. However, the income requirements were significantly changed. For 2020, a family of 4 income cannot exceed \$59,496.

Healthcare Reimbursement Accounts (HRAs) – HRAs also reimburse employee's tax-free for qualified medical expenses, but unlike an FSA, HRA's must be funded solely by an employer. The dollars can roll over, but they cannot be credited directly to the employee; they belong to the employer.

Additional considerations with HRAs:

1. HRAs must be integrated with a non-HRA group health plan. This means employers can no longer offer active employees a stand-alone HRA or an HRA tied to an individual health plan that is not considered group coverage.
2. Employees and former employees participating in an HRA may not be eligible for premium tax credits while enrolled in the plan, they must be able to permanently opt out of future HRA reimbursements at least annually.
3. The only exception to these rules are retiree-only HRAs, which are exempt from the Affordable Care Act's mandated insurance market reforms. Also, see the exceptions on Page 59 regarding one participant plans and limited scope plans.

Qualified Small Business Healthcare Reimbursement Arrangement

The 21st Century Cures Act was signed into law on December 13, 2016 creating an option for small employers, such as churches, to offer employees a health reimbursement arrangement (HRA) that is funded by the employer.

Eligible qualified small employers will be allowed to pay or reimburse employees' eligible medical expenses (including health insurance premiums) on a pre-tax basis. Employers may offer Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) if they have less than 50 full-time employees **and** do not offer health insurance to any of their employees.

A QSEHRA must meet the following requirements:

1. All employees must be covered by the QSEHRA unless they have not completed 90 days of employment, are under age 25, are part-time or seasonal, are covered under a union agreement, or are non-resident aliens with no U.S. source of income.
2. The QSEHRA must be provided equally to all eligible employees. Amounts may vary based on family status such as single vs. family.
3. Must be funded solely by the employer; no salary reductions are allowed.
4. QSEHRA must provide for the payment/reimbursement of eligible medical expenses (including health insurance premiums) but only after the employee provides proof of health insurance coverage.
5. Employer contributions for 2020 are limited to \$5,250 for single/\$10,650 for family and prorated for the number of months of coverage under the QSEHRA.
6. It must be a formal written plan adopted/approved at least 90 days before the plan year begins.

Employers must provide an annual written notice to eligible employees not later than 90 days before the beginning of the plan year. Penalty for failure to provide the annual notice is \$50 per employee per incident up to \$2,500 per calendar year.

The employer must report the total benefit amount, provided to each employee under the QSEHRA, on W-2s.

NEW HRA OPTIONS

On June 13, 2019, new regulations were finalized for employers who do not offer group health coverage. It is known as Individual Coverage HRA or ICHRA. Starting January 1, 2020, employees will be able to use employer-funded ICHRAs to buy individual health insurance, including marketplace coverage on a tax-free basis. Previously, HRAs could not be used to pay insurance premiums without group coverage. Under the new regulations, all kinds of HRAs previously allowed are expanded to include:

- Individual coverage HRA – employers are allowed to fund only for employees not offered group coverage.
- Excepted-benefit HRAs – These are limited to paying premiums for vision, dental, accident, or long-term care benefits. These HRAs are only permitted if employees are offered employer-sponsored group health insurance.

Under the new HRA regulations:

- Employers may either offer an ICHRA or a traditional group health plan but may not offer employees a choice between the two.
- Employers can create classes of employees such as salaried workers vs hourly workers, full time vs. part time
- Employers must offer the same benefit for all employees in each class, but they may increase the benefit based on age or more dependents.
- Employers can keep their traditional group plan for current employees but offer new hires only an ICHRA.

An excepted-benefit HRA has new requirements as well. Employers who offer group health insurance can provide an additional pretax \$1800 per year to reimburse employees for qualified medical expenses (IRS Publication 502 items), including premiums for vision, dental, accident, and long-term care. This is available to employees whether or not they enroll in the employer's group plan.

Health Reimbursement Options

	HSA	FSA
Purpose	Tax exempt trust account to pay medical expense	100% pre-tax employee money to pay medical or daycare expenses (may not be available for personal plan health insurance premiums*)
Who funds?	Employer and/or employee	*** Employer Funding ** Employee
Maximum contribution	Lesser of 100% of deductible amount or \$3600/\$7200	\$2,750 medical maximum \$5,000 maximum for dependent care
Unused funds	Accrues tax free with roll over	Use or lose \$500/2.5 months rollover
Penalty if withdrawn before 65	Yes	N/A
Long-term care allowable	Yes	Yes
Eligibility	HDHP \$1350/2700 -Not Medicare eligible	Any employee
Range of benefits	N/A	N/A
Portability	Yes	No
Pay insurance premium	No	No*
Group Health Insurance required	No	Yes*
Integration with other accounts	FSA – No HRA – No	HSA – No HRA – Yes
Catch-Up Contributions	Yes, ages 55-65 may contribute up to an additional \$1000	No

* Unless excepted benefits such as dental, vision, accident, or long-term care
 ** For excepted benefits and one participant plans
 *** Employer funding under very limited circumstances

HRA Comparison

	QSEHRA	Group Coverage HRA	One-Person Stand-Alone HRA	Retiree HRA	ICHRA (Available 2020)	Excepted-benefit HRA (available 2020)
Group Coverage Requirements	Can't offer	Must offer	None	None	Can offer but employee can't choose	Must offer
Employee Eligibility	All F/T may include P/T	Available to employee covered by group insurance	Only one employee	Only retirees	Employee options no discrimination	Available to employee covered by group insurance.
Contribution Limits	\$5,250 single \$10,600 family	None	None	None	None	\$1800 per employee
Contribution Requirements	Can base on employee age and family size	Same for all F/T employees	N/A	N/A	Differentiate on 9 employee classes	Differentiate based on job criteria
Unused Funds	Yes but limited to years contributions	Rollover	Rollover	Rollover	Rollover	Rollover
Spouse Coverage	Qualifies as group but no premium reimbursement	Can't participate	Can participate	Can participate	Can't participate	Qualifies as group but no premium reimbursement
No MEC	Reimbursements but taxable reimbursements	No	No	No	No	No
Medical Expenses	Any or all IRS Pub 502 items	Any or all IRS Pub 502 items excluding individual insurance.	Any or all IRS Pub 502 items	Any or all IRS Pub 502 items	Any or all IRS Pub 502 items	Any or all IRS Pub 502 items excluding health insurance plus, Medicare.
Integration	HSA – No FSA – Yes	HSA – No FSA – Yes	HSA – No FSA – Yes	HSA – No FSA – Yes	HSA – No FSA – Yes	HSA – No FSA – Yes
Catchup Contributions	No	No	No	No	No	No

Individual Coverage HRA Model Attestations Instructions for Individual Coverage HRAs

The Departments of the Treasury, Labor, and Health and Human Services (the Departments) have issued final regulations allowing plan sponsors to offer individual coverage health reimbursement arrangements (HRAs), subject to certain requirements. Among other requirements, individual coverage HRAs must implement, and comply with, reasonable procedures to satisfy two substantiation requirements:

- The annual coverage substantiation requirement: The HRA must substantiate that participants and each dependent covered by the HRA are, or will be, enrolled in individual health insurance coverage or Medicare Part A and B or Medicare Part C for the plan year (or for the portion of the plan year the individual is covered by the HRA, if applicable).
- The ongoing substantiation requirement: The HRA may not reimburse a medical care expense unless, prior to the reimbursement, the participant substantiates that the individual on whose behalf the reimbursement is requested is (or was) enrolled in individual health insurance coverage or Medicare Part A and B or Medicare Part C for the month during which the medical care expense was incurred.

Each of these substantiation requirements may be satisfied by a participant attestation, among other permissible methods. Other methods include providing a third party document or, for the ongoing substantiation requirement, direct payment of insurance premiums, which the Departments expect will be a method some HRAs prefer. The Departments have developed the attached model attestations for HRAs that choose to use attestation to satisfy either the annual coverage substantiation requirement or the ongoing substantiation requirement. To use the model attestations properly, the HRA must fill in the additional information specific to the HRA, such as contact information, which is indicated by italicized prompts in brackets. The Departments consider the use of the model attestations to constitute reasonable procedures that satisfy the annual coverage substantiation requirement and the ongoing substantiation requirement, as applicable. Use of the model attestations is not required, and the models may be combined with other documents, such as the form the HRA otherwise uses to confirm that expenses sought to be reimbursed under an HRA are for medical care. The model attestations also may be modified to reflect the terms of the particular HRA, for example, to remove the attestations that relate to family members, if the HRA does not cover family members.

NOTE: Individual coverage HRAs should not include this instructions page with the individual coverage HRA attestation forms provided to participants.

Individual Coverage HRA Model Attestation: Ongoing Substantiation Requirement

Instructions: To receive reimbursement for medical care expenses under your individual coverage health reimbursement arrangement (HRA), you must complete this form for each request for reimbursement.

The individual coverage HRA will reimburse you for a medical care expense incurred during a month only if you have (or had) individual health insurance coverage, Medicare Part A (Hospital Insurance) and B (Medical Insurance), or Medicare Part C (Medicare Advantage) during that month. Similarly, the individual coverage HRA will reimburse you for a medical care expense your family member incurred during a month only if the family member has (or had) individual health insurance coverage, Medicare Part A and B, or Medicare Part C during that month. In this form, you are attesting that you (or your family member) meet this requirement. [If this form is not combined with the form used to seek reimbursement of medical care expenses, add a statement that the reimbursement form is separate.]

You must sign and date this form. Your family member does not need to sign or date the form. Please return the completed form to [add instructions for returning the form, including any applicable deadline].

Complete the following if you're requesting reimbursement of your medical care expense from the individual coverage HRA.

I attest to the following: I, _____, am requesting reimbursement for a medical care expense incurred during _____, and for that month I am (or was) covered under the following health coverage: _____.

Instructions: Complete the following if you're requesting reimbursement of a family member's medical care expense from the individual coverage HRA.

I, _____, am requesting reimbursement for a medical care expense incurred by _____, during _____, and for that month this family member is (or was) covered under the following health coverage: _____
_____. I hereby affirm that the above information is true and accurate.

NEW FILING REQUIREMENTS

Beginning in 2013, The Patient Centered Outcomes Research Institute (PCORI) was established by the Patient Protection and Affordable Care Act (PPACA) aimed at giving patients a better understanding of the prevention, treatment, and care options available, and the science that supports those options. PCORI will be funded by fees paid by health insurance issuers and employers who sponsor self-insured group health plans.

The fee is treated like a tax and is required to be paid annually on Form 720, "Quarterly Federal Excise Tax Return," by July 31 of the calendar year immediately following the last day of the applicable plan or policy year. For example, for plan or policy years ending on December 31, 2012, the fee and filing are due no later than July 31, 2013. If the plan is insured, the insurance company will pay the fee. However, if the plan is self-funded, the employer is responsible.

Which Benefit Plans are subject to PCORI fees?

Generally, any plan established or maintained by one or more employers for their employees that provides accident or health coverage, any portion of which is provided other than through an insurance policy, is a self-insured plan subject to PCORI fees. This includes the following employer-sponsored self-insured health plans:

- Health Insurance Policies: (i.e. Accident/Health Plans)
- Self-Insured Plans
- Government Plans (other than excepted plans)
- COBRA Plans
- Dental plans, vision plans, and health FSAs that are not excepted benefits under HIPAA;
- HRAs that are not excepted benefits under HIPAA;
- Retiree-only plans; and
- Employee assistance programs (EAPs) and wellness programs that provide "significant" medical benefits.

What is an excepted FSA/HRA?

An excepted Health Reimbursement Arrangements (HRA) is one that only covers dental and/or vision expenses. All others are subject to the fee.

A Flexible Spending Account (FSA) is excepted from the fee if both of the following two conditions are met:

1. The employer's contribution to the plan does not exceed the employee's contribution and
2. The employer offers health insurance.

If an FSA and an HRA are offered with a fully funded insurance plan, you only have to count the employees toward the fee, not the covered dependents, when counting lives covered under the FSA and HRA. Furthermore, if an employer has an FSA and an HRA that are non-excepted and have the same plan year, then plan sponsors only have to count an employee once, even if that employee is covered by both. If you include both an FSA and HRA when creating your report for a single plan year, a participant with both benefits will be counted once. Participants with either benefit will be counted once.

Who is responsible for paying PCORI fees and how much are they?

PCORI will derive part of its funding by taking fees from two types of organizations:

1. Insurers of specific health insurance policies and
2. Sponsors (employers) of applicable self-insured plans.

(Notably, Health Reimbursement Arrangements and Medical Flexible Spending Accounts are virtually always deemed self-funded plans and if integrated with a group plan are not subject to the PCORI fee.)

Calculating the PCORI Fee

The first plan year ending between October 1, 2012 and September 30, 2013 is the first plan year for which a PCORI fee is being assessed. For this first year, the PCORI fee equals one dollar times the average number of lives covered under the plan. The PCORI fees will increase over time as follows:

Year	Fee
2018	\$2.39
2019	\$2.45
Thereafter	Indexed with increase in national health expenditures

There are three methods that employers and plan sponsors can use to count “covered lives”. They must use the same method across all their plans, but can change the method in subsequent years if they choose. The methods are:

1. Actual Count Method – The average number of lives covered for each day of the plan year. This is the simplest method.
2. Snapshot Method – The average number of lives covered for one day of each quarter. The day selected must be the same each quarter (Ex. The 5th day of the 2nd month for each quarter, or the 20th day of the 1st month for each quarter).
3. Form 5500 Method – Plans with Single/Employee Only coverage take a count at the beginning and end of the year and average them to calculate the fee. Plans with multiple tiers of coverage take a count at the beginning and end of the year, adding them to calculate the fee. This would not apply to most churches.

Paying the PCORI Fee

The PCORI fee for each plan year is due by July 31 of the calendar year immediately following the last day of the plan year. This means that if an employer sponsors a plan with a plan year ending between October 1, 2012, and December 31, 2012, the first PCORI fee is due on July 31, 2013. Any plan year ending before October 1, 2012 will not have to pay the PCOR fee until 2014, for the 2013 plan year.

Employers must pay the PCORI fee by filing IRS Form 720. Although this form is for quarterly federal excise tax returns, employers need to report and pay PCORI fees only annually.

IRS Form 720: Quarterly Federal Excise Tax Return

Form **720**
 (Rev. January 2020)
 Department of the Treasury
 Internal Revenue Service

Quarterly Federal Excise Tax Return

▶ See the Instructions for Form 720.
 ▶ Go to www.irs.gov/Form720 for instructions and the latest information.

OMB No. 1545-0023

Check here if:
 Final return
 Address change

Name **First Baptist Church** Quarter ending _____
 Number, street, and room or suite no. (If you have a P.O. box, see the instructions.)
#1 Pearly Gate Street Employer identification number
73-00000000
 City or town, state or province, country, and ZIP or foreign postal code
Newtown, OK 70000

FOR IRS USE ONLY

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Part I

IRS No.	Environmental Taxes (attach Form 6627)		Tax	IRS No.
18	Domestic petroleum oil spill tax			18
21	Imported petroleum products oil spill tax			21
98	Ozone-depleting chemicals (ODCs)			98
19	ODC tax on imported products			19
	Communications and Air Transportation Taxes (see instructions)		Tax	
22	Local telephone service and teletypewriter exchange service			22
26	Transportation of persons by air			26
28	Transportation of property by air			28
27	Use of international air travel facilities			27
	Fuel Taxes	Number of gallons	Rate	Tax
60	(a) Diesel, tax on removal at terminal rack		\$.244	60
	(b) Diesel, tax on taxable events other than removal at terminal rack		.244	
	(c) Diesel, tax on sale or removal of biodiesel mixture (not at terminal rack)		.244	
104	Diesel-water fuel emulsion		.198	104
105	Dyed diesel, LUST tax		.001	105
107	Dyed kerosene, LUST tax		.001	107
119	LUST tax, other exempt removals (see instructions)		.001	119
35	(a) Kerosene, tax on removal at terminal rack (see instructions)		.244	35
	(b) Kerosene, tax on taxable events other than removal at terminal rack		.244	
69	Kerosene for use in aviation (see instructions)		.219	69
77	Kerosene for use in commercial aviation (other than foreign trade)		.044	77
111	Kerosene for use in aviation, LUST tax on nontaxable uses		.001	111
79	Other fuels (see instructions)			79
62	(a) Gasoline, tax on removal at terminal rack		.184	62
	(b) Gasoline, tax on taxable events other than removal at terminal rack		.184	
13	Any liquid fuel used in a fractional ownership program aircraft		.141	13
14	Aviation gasoline		.194	14
112	Liquefied petroleum gas (LPG) (see instructions)		.183	112
118	"P Series" fuels		.184	118
120	Compressed natural gas (CNG) (see instructions)		.183	120
121	Liquefied hydrogen		.184	121
122	Fischer-Tropsch process liquid fuel from coal (including peat)		.244	122
123	Liquid fuel derived from biomass		.244	123
124	Liquefied natural gas (LNG) (see instructions)		.243	124

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10175Y

Form **720** (Rev. 1-2020)

IRS No.		Rate	Tax	IRS No.
33	Retail Tax —Truck, trailer, and semitrailer chassis and bodies, and tractor	12% of sales price		33
29	Ship Passenger Tax Transportation by water	Number of persons \$3 per person	Tax	29
31	Other Excise Tax Obligations not in registered form	Amount of obligations \$.01	Tax	31
30	Foreign Insurance Taxes —Policies issued by foreign insurers	Premiums paid	Rate Tax	IRS No.
	Casualty insurance and indemnity bonds		\$.04	30
	Life insurance, sickness and accident policies, and annuity contracts		.01	
	Reinsurance		.01	
	Manufacturers Taxes	Number of tons	Sales price	
36	Coal—Underground mined		\$1.10 per ton	36
37			4.4% of sales price	37
38	Coal—Surface mined		\$.55 per ton	38
39			4.4% of sales price	39
108	Taxable tires other than bias ply or super single tires	Number of tires	Tax	108
109	Taxable bias ply or super single tires (other than super single tires designed for steering)			109
113	Taxable tires, super single tires designed for steering			113
40	Gas guzzler tax. Attach Form 6197. Check if one-time filing <input type="checkbox"/>			40
97	Vaccines (see instructions)			97
	Reserved for future use	Sales price	2.3% of sales price	
1	Total. Add all amounts in Part I. Complete Schedule A unless one-time filing			\$

Part II

IRS No.	Patient-Centered Outcomes Research Fee (see instructions)	(a) Avg. number of lives covered (see inst.)	(b) Rate for avg. covered life	(c) Fee (see instructions)	Tax	IRS No.
133	Specified health insurance policies				}	133
	(a) Reserved for future use					
	(b) With a policy year ending on or after October 1, 2018, and before October 1, 2019		\$2.45			
	(c) Reserved for future use					
133	Applicable self-insured health plans				}	133
	(d) With a plan year ending on or after October 1, 2018, and before October 1, 2019		\$2.45			
41	Sport fishing equipment (other than fishing rods and fishing poles)		Rate	Tax		41
110	Fishing rods and fishing poles (limits apply, see instructions)		10% of sales price			110
42	Electric outboard motors		3% of sales price			42
114	Fishing tackle boxes		3% of sales price			114
44	Bows, quivers, broadheads, and points		11% of sales price			44
106	Arrow shafts		\$.52 per shaft			106
140	Indoor tanning services		10% of amount paid			140
64	Inland waterways fuel use tax	Number of gallons	Rate	Tax		64
125	LUST tax on inland waterways fuel use (see instructions)		\$.29			125
51	Section 40 fuels (see instructions)		.001			51
117	Biodiesel sold as but not used as fuel					117
20	Floor Stocks Tax —Ozone-depleting chemicals (floor stocks). Attach Form 6627.					20
2	Total. Add all amounts in Part II			\$	4.90	

Part III

3	Total tax. Add Part I, line 1, and Part II, line 2 ▶	3	\$ 4.90
4	Claims (see instructions; complete Schedule C) ▶	4	
5	Deposits made for the quarter ▶	5	
	<input type="checkbox"/> Check here if you used the safe harbor rule to make your deposits.		
6	Overpayment from previous quarters ▶	6	
7	Enter the amount from Form 720X included on line 6, if any ▶	7	
8	Add lines 5 and 6 ▶	8	
9	Add lines 4 and 8 ▶	9	
10	Balance Due. If line 3 is greater than line 9, enter the difference. Pay the full amount with the return (see instructions) ▶	10	\$ 4.90
11	Overpayment. If line 9 is greater than line 3, enter the difference. Check if you want the overpayment: <input type="checkbox"/> Applied to your next return, or <input type="checkbox"/> Refunded to you.	11	

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see instructions)? **Yes.** Complete the following. **No**

Designee name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature Date Title

Type or print name below signature. ▶ Telephone number ▶

Paid Preparer Use Only

Print/Type preparer's name Preparer's signature Date Check if self-employed PTIN

Firm's name ▶ Firm's EIN ▶

Firm's address ▶ Phone no. ▶

Affordable Healthcare Act Employee Notice

Affordable Healthcare Act Employee Notification – All current and future employees must receive a notification of employer coverage. The initial notification was required by October 1, 2013. All new employees should receive the notification within 10 days of starting work.



New Health Insurance Marketplace Coverage Options and Your Health Coverage

Form Approved
OMB No. 1210-0149
(expires 5-31-2020)

PART A: General Information

When key parts of the health care law take effect in 2014, there will be a new way to buy health insurance: the Health Insurance Marketplace. To assist you as you evaluate options for you and your family, this notice provides some basic information about the new Marketplace and employment-based health coverage offered by your employer.

What is the Health Insurance Marketplace?

The Marketplace is designed to help you find health insurance that meets your needs and fits your budget. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. You may also be eligible for a new kind of tax credit that lowers your monthly premium right away. Open enrollment for health insurance coverage through the Marketplace begins in October 2013 for coverage starting as early as January 1, 2014.

Can I Save Money on my Health Insurance Premiums in the Marketplace?

You may qualify to save money and lower your monthly premium, but only if your employer does not offer coverage, or offers coverage that doesn't meet certain standards. The savings on your premium that you're eligible for depends on your household income.

Does Employer Health Coverage Affect Eligibility for Premium Savings through the Marketplace?

Yes. If you have an offer of health coverage from your employer that meets certain standards, you will not be eligible for a tax credit through the Marketplace and may wish to enroll in your employer's health plan. However, you may be eligible for a tax credit that lowers your monthly premium, or a reduction in certain cost-sharing if your employer does not offer coverage to you at all or does not offer coverage that meets certain standards. If the cost of a plan from your employer that would cover you (and not any other members of your family) is more than 9.5% of your household income for the year, or if the coverage your employer provides does not meet the "minimum value" standard set by the Affordable Care Act, you may be eligible for a tax credit.¹

Note: If you purchase a health plan through the Marketplace instead of accepting health coverage offered by your employer, then you may lose the employer contribution (if any) to the employer-offered coverage. Also, this employer contribution –as well as your employee contribution to employer-offered coverage– is often excluded from income for Federal and State income tax purposes. Your payments for coverage through the Marketplace are made on an after-tax basis.

How Can I Get More Information?

For more information about your coverage offered by your employer, please check your summary plan description or contact _____.

The Marketplace can help you evaluate your coverage options, including your eligibility for coverage through the Marketplace and its cost. Please visit HealthCare.gov for more information, including an online application for health insurance coverage and contact information for a Health Insurance Marketplace in your area.

PART B: Information About Health Coverage Offered by Your Employer

This section contains information about any health coverage offered by your employer. If you decide to complete an application for coverage in the Marketplace, you will be asked to provide this information. This information is numbered to correspond to the Marketplace application.

3. Employer name		4. Employer Identification Number (EIN)	
5. Employer address		6. Employer phone number	
7. City	8. State	9. ZIP code	
10. Who can we contact about employee health coverage at this job?			
11. Phone number (if different from above)		12. Email address	

Here is some basic information about health coverage offered by this employer:

- As your employer, we offer a health plan to:

- All employees. Eligible employees are:

- Some employees. Eligible employees are:

- With respect to dependents:

- We do offer coverage. Eligible dependents are:

- We do not offer coverage.

- If checked, this coverage meets the minimum value standard, and the cost of this coverage to you is intended to be affordable, based on employee wages.

** Even if your employer intends your coverage to be affordable, you may still be eligible for a premium discount through the Marketplace. The Marketplace will use your household income, along with other factors, to determine whether you may be eligible for a premium discount. If, for example, your wages vary from week to week (perhaps you are an hourly employee or you work on a commission basis), if you are newly employed mid-year, or if you have other income losses, you may still qualify for a premium discount.

If you decide to shop for coverage in the Marketplace, [HealthCare.gov](https://www.healthcare.gov) will guide you through the process. Here's the employer information you'll enter when you visit [HealthCare.gov](https://www.healthcare.gov) to find out if you can get a tax credit to lower your monthly premiums.

The information below corresponds to the Marketplace Employer Coverage Tool. Completing this section is optional for employers, but will help ensure employees understand their coverage choices.

13. Is the employee currently eligible for coverage offered by this employer, or will the employee be eligible in the next 3 months?

- Yes** (Continue)
13a. If the employee is not eligible today, including as a result of a waiting or probationary period, when is the employee eligible for coverage? _____ (mm/dd/yyyy) (Continue)
- No** (STOP and return this form to employee)

14. Does the employer offer a health plan that meets the minimum value standard*?

- Yes (Go to question 15) No (STOP and return form to employee)

15. For the lowest-cost plan that meets the minimum value standard* offered only to the employee (don't include family plans): If the employer has wellness programs, provide the premium that the employee would pay if he/ she received the maximum discount for any tobacco cessation programs, and didn't receive any other discounts based on wellness programs.

- a. How much would the employee have to pay in premiums for this plan? \$ _____
- b. How often? Weekly Every 2 weeks Twice a month Monthly Quarterly Yearly

If the plan year will end soon and you know that the health plans offered will change, go to question 16. If you don't know, STOP and return form to employee.

16. What change will the employer make for the new plan year? _____

- Employer won't offer health coverage
 - Employer will start offering health coverage to employees or change the premium for the lowest-cost plan available only to the employee that meets the minimum value standard.* (Premium should reflect the discount for wellness programs. See question 15.)
- a. How much would the employee have to pay in premiums for this plan? \$ _____
 - b. How often? Weekly Every 2 weeks Twice a month Monthly Quarterly Yearly

SELF-REPORTING VIOLATIONS

Beginning January 1, 2014 (temporary relief extended through June 30, 2015), employers offering premium reimbursement plans that do not comply with the Affordable Care Act are required to self-report violations using IRS Form 8928.

If there is a violation, there are a few options:

1. An employer can claim the exemption from the penalties/excise tax if the failure to comply “was due to reasonable cause and not due to willful neglect and the failure was corrected within 30 days of identifying the violation.”
2. Stop the violation immediately.
3. Prepare Form 8928 to meet the self-reporting requirements.

There are still many areas of ACA that are unclear and we expect additional guidance to continue but each organization needs to be proactive in identifying issues and complying with the new requirements.

IRS Form 8928: Reporting

Form **8928**
(Rev. May 2016)
Department of the Treasury
Internal Revenue Service

Return of Certain Excise Taxes Under Chapter 43 of the Internal Revenue Code (Under sections 4980B, 4980D, 4980E, and 4980G)

OMB No. 1545-2146

► Information about Form 8928 and its separate instructions is at www.irs.gov/form8928.

Filer's tax year beginning _____ and ending _____	
A Name of filer (see instructions) First Baptist Church	B Filer's employer identification number (EIN) 73-00000000
Number, street, and room or suite no. (if a P.O. box, see instructions) #1 Pearly Gate Street	
City or town, state or province, country, and ZIP or foreign postal code Newtown, OK 70000	
C Name of plan FSA	E Plan sponsor's EIN 73-00000000
D Name and address of plan sponsor First Baptist Church	F Plan year ending (MM/DD/YYYY) 12/31/2019
	G Plan number

Part I Tax on Failure To Satisfy Continuation Coverage Requirements Under Section 4980B
Complete a separate Part I, lines 1 through 6, for failures due to reasonable cause and not to willful neglect, and a separate Part I, lines 12 through 14, for other failures, for each qualifying event for which one or more failures to satisfy continuation coverage requirements that occurred during the reporting period (see instructions).

Section A – Failures Due to Reasonable Cause and Not to Willful Neglect	For IRS Use Only	
1 Enter the total number of days of noncompliance in the reporting period	1	
2 Enter the number of qualified beneficiaries for which a failure occurred as a result of this qualifying event 2	2	
3 If you entered 2 or more on line 2, multiply line 1 by \$200. Otherwise, multiply line 1 by \$100	3	
4 If the failure was not discovered despite exercising reasonable diligence or was corrected within the correction period and was due to reasonable cause, enter -0- here, and go to line 5. Otherwise, enter the amount from line 3 on line 6 and go to line 7	4	
5 If the failure was not corrected before the date a notice of examination of income tax liability was sent to the employer and the failure continued during the examination period, multiply \$2,500 by the number of qualified beneficiaries for whom one or more failures occurred (multiply by \$15,000 to the extent the violations were more than de minimis for a qualified beneficiary). If the failures were corrected before the date a notice of examination was sent, enter -0-	5	
6 Enter the smaller of line 3 or line 5	6	
7 If there was more than one qualifying event, add the amounts shown on line 6 of all forms, and enter the total on a single “summary” form. Otherwise, enter the amount from line 6 above	7	
8 Enter the aggregate amount paid or incurred during the preceding tax year for a single employer group health plan or the amount paid or incurred during the current tax year for a multiemployer health plan to provide medical care 8	8	
9 Multiply line 8 by 10% (0.10)	9	
10 Amount from section 4980B(c)(4)	10	500,000
11 Enter the smallest of lines 7, 9, or 10. For a third-party administrator, HMO, or insurance company, the amount you enter on this line filed for all plans you administer during the same tax year cannot exceed \$2 million; reduce the amount you would otherwise enter on this line to the extent the amount for all plans would exceed this limit	11	

Section B – Failures Due to Willful Neglect or Otherwise Not Due to Reasonable Cause		
12 Enter the total number of days of noncompliance in the reporting period	12	
13 Enter the number of qualified beneficiaries for which a failure occurred as a result of this qualifying event 13	13	
14 If you entered 2 or more on line 13, multiply line 12 by \$200. Otherwise, multiply line 12 by \$100.	14	
15 If there was more than one qualifying event, add the amounts shown on line 14 of all forms, and enter the total on a single “summary” form. Otherwise, enter the amount from line 14 above	15	

Section C – Total Tax Due Under Section 4980B		
16 Add lines 11 and 15 ►	126	16

Name of filer: **First Baptist Church**

Filer's EIN: **73-0000000**

Part II Tax on Failure To Meet Portability, Access, Renewability, and Other Requirements Under Section 4980D

Complete a separate Part II, lines 17 through 23, for failures due to reasonable cause and not to willful neglect, and a separate Part II, lines 29–32, for other failures to meet certain group health plan requirements that occurred during the reporting period (see instructions).

Section A – Failures Due to Reasonable Cause and Not to Willful Neglect

		For IRS Use Only		
17	Enter the total number of days of noncompliance in the reporting period		17	85
18	Enter the number of individuals to whom the failure applies	18	2	
19	Multiply line 17 by line 18.	19	170	
20	Multiply line 19 by \$100		20	17,000.00
21	If the failure was not discovered despite exercising reasonable diligence or was corrected within the correction period and was due to reasonable cause, enter -0- here, and go to line 22. Otherwise, enter the amount from line 20 on line 23 and go to line 24		21	0
22	If the failure was not corrected before the date a notice of examination of income tax liability was sent to the employer and the failure continued during the examination period, multiply \$2,500 by the number of qualified beneficiaries for whom one or more failures occurred (multiply by \$15,000 to the extent the violations were more than de minimis for a qualified beneficiary). If the failures were corrected before the date a notice of examination was sent, enter -0-		22	
23	Enter the smaller of line 20 or line 22		23	
24	If there was more than one failure, add the amounts shown on line 23 of all forms, and enter the total on a single "summary" form. Otherwise, enter the amount from line 23 above		24	0
25	Enter the aggregate amount paid or incurred during the preceding tax year for a single employer group health plan or the amount paid or incurred during the current tax year for a multiemployer health plan to provide medical care.	25		
26	Multiply line 25 by 10% (0.10)		26	0
27	Amount from section 4980D(c)(3)		27	500,000
28	Enter the smallest of lines 24, 26, or 27		28	0

Section B – Failures Due to Willful Neglect or Otherwise Not Due to Reasonable Cause

29	Enter the total number of days of noncompliance in the reporting period		29	
30	Enter the number of individuals to whom the failure applies	30		
31	Multiply line 29 by line 30.	31		
32	Multiply line 31 by \$100		32	
33	If there was more than one failure, add the amounts shown on line 32 of all forms, and enter the total on a single "summary" form. Otherwise, enter the amount from line 32 above		33	

Section C – Total Tax Due Under Section 4980D

34	Add lines 28 and 33	127	34	0
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Part III Tax on Failure To Make Comparable Archer MSA Contributions Under Section 4980E

35	Aggregate amount contributed to Archer MSAs of employees within calendar year		35	
36	Total tax due under section 4980E. Multiply line 35 by 35% (0.35)	128	36	

Part IV Tax on Failure To Make Comparable HSA Contributions Under Section 4980G

37	Aggregate amount contributed to HSAs of employees within calendar year		37	
38	Total tax due under section 4980G. Multiply line 37 by 35% (0.35)	137	38	

Part V Tax Due or Overpayment

39	Add lines 16, 34, 36, and 38		39	0
40	Enter amount of tax paid with Form 7004		40	
41	Tax due. Subtract line 40 from line 39. If less than zero, enter -0-, and go to line 42. If the result is greater than zero, enter here and attach a check or money order payable to "United States Treasury." Write your name, identifying number, plan number, and "Form 8928" on your payment		41	0
42	Overpayment. Subtract line 39 from line 40		42	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

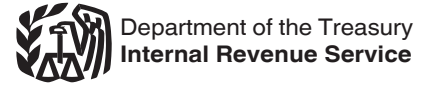
Your signature
 405-000-0000 Telephone number
 Date

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name <input type="text"/>	Firm's EIN <input type="text"/>			
Firm's address <input type="text"/>	Phone no. <input type="text"/>			

Instructions for Form 8928

(Rev. September 2016)



For use with Form 8928 (Rev. May 2016)

Return of Certain Excise Taxes Under Chapter 43 of the Internal Revenue Code

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about Form 8928 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form8928.

General Instructions

Purpose of Form

File Form 8928 to report the tax due on the following failures by group health plans or employers.

- A failure to provide a level of coverage of the costs of pediatric vaccines (as defined in section 2612 of the Public Health Services Act) that is not below the coverage provided as of May 1, 1993.
- A failure to satisfy continuation coverage requirements under section 4980B.
- A failure to meet portability, access, renewability, and market reform requirements under sections 9801, 9802, 9803, 9811, 9812, 9813, and 9815.
- A failure to make comparable Archer medical savings account (MSA) contributions under section 4980E.
- A failure to make comparable health savings account (HSA) contributions under section 4980G.

Who Must File

Form 8928 must be filed by the following.

1. Any employer, group health plan, plan administrator, or plan sponsor liable for the tax under section 4980B for failure to provide the required level of pediatric vaccine coverage or to offer continuation coverage to a qualified beneficiary.
2. Any employer or group health plan liable for the tax under section 4980D for failure to meet portability, access, renewability, and market reform requirements for group health plans under sections 9801, 9802, 9803, 9811, 9812, 9813, and 9815.

3. Any employer liable for the tax under section 4980E for failure to make comparable Archer MSA contributions for all participating employees.

4. Any employer liable for the tax under section 4980G for failure to make comparable HSA contributions for all participating employees.

When To File

For a failure under section 4980B or section 4980D, if the failure is by an employer or other person responsible for providing or administering benefits under the plan (such as an insurer or third-party administrator), file Form 8928 on or before the due date for filing the person's federal income tax return.

If the failure under section 4980B or section 4980D is by a multiemployer or multiple employer plan, file Form 8928 on or before the last day of the seventh month following the end of the plan year.

For a failure under section 4980E or section 4980G, file Form 8928 on or before the 15th day of the 4th month following the calendar year in which the noncomparable contributions were made.

Extension. File Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, to request an automatic extension of time to file Form 8928. You must file Form 7004 on or before the regular due date of Form 8928. See the Instructions for Form 7004 for more information. Form 7004 does not extend the time to pay excise taxes due under Form 8928.

Where To File



Send Form 8928 to the following address.

Department of the Treasury
Internal Revenue Service
Cincinnati, OH 45999-0009

Private delivery services. You can use certain private delivery services designated by the IRS to meet the

“timely mailing as timely filing/paying” rule for tax returns and payments. These private delivery services include only the following.

- DHL Express (DHL): DHL Express 9:00, DHL Express 10:30, DHL Express 12:00, DHL Express Worldwide, DHL Express Envelope, DHL Import Express 10:30, DHL Import Express 12:00, and DHL Import Express Worldwide.
- Federal Express (FedEx): FedEx First Overnight, FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Next Flight Out, FedEx International Priority, FedEx International First, and FedEx International Economy.
- United Parcel Service (UPS): UPS Next Day Air Early AM, UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

Interest and Penalties

Interest. Interest is charged on taxes not paid by the due date even if an extension of time to file is granted. Interest is also charged on penalties imposed from the due date, including extensions, to the date of payment for failure to file, negligence, fraud, gross valuation overstatements, and substantial understatements of tax. The interest rate is determined under section 6621.

Penalty for late filing of return. If you do not file a return by the due date, including extensions, you may have to pay a penalty of 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a return that is more than 60 days late is the smaller of the tax due or \$100. The penalty will not be imposed if you can show that the failure to file on time was due to reasonable cause. If you file late, you must attach a statement to Form 8928 explaining the reasonable cause.

form. See the discussion under Part I earlier.

Part II. Tax on Failure To Meet Portability, Access, and Renewability Requirements Under Section 4980D

Complete a separate Part II, Section A, lines 17 through 23, for each failure to meet portability, access, and renewability requirements that occurred during the reporting period that was due to reasonable cause and not to willful neglect. If multiple such failures occurred with different noncompliance periods, complete lines 17 through 23 in a separate Part I, Section A, for each failure. Then complete a "summary" Form 8928 with items A through G and enter the total amount of the excise tax on line 24 of that summary form and complete lines 25 through 28 for all failures due to reasonable cause and not to willful neglect.

Complete a separate Part II, Section B, lines 29 through 33, for each failure to meet portability, access, and renewability requirements that occurred during the reporting period that was due to willful neglect or otherwise not due to reasonable cause. If multiple failures occurred with different noncompliance periods, complete lines 29 through 32 on a separate Part II, Section B, for each failure. Then complete a "summary" Form 8928 with items A through G and enter the total amount of the excise tax on line 33 of that summary form for all such failures.

Write "Summary Form" at the top to indicate that this is a summary form and attach all copies to it.

Waiver of excise tax. The Secretary may waive part or all of the excise tax under Part II, to the extent that payment of the tax would be excessive relative to the failure involved. This only applies to failures due to reasonable cause and not due to willful neglect.

Exception for certain insured small employer plans. If you are a small employer who provides health insurance coverage solely through a contract with a health insurance issuer, you will not be liable for the excise tax under Part II for any failure (other than a failure under section 9811) that is solely the result of the health insurance coverage offered by the issuer.

"Small employer" is generally defined as an employer who employed an average of at least 2 but not more than

50 employees on business days during the preceding calendar year, and who employs at least 2 employees on the first day of the current plan year. Special rules apply to employers not in existence in the preceding year. See section 4980D(d)(2)(B).

Section A. Failures Due to Reasonable Cause and Not to Willful Neglect

If the failure or failures were due to reasonable cause and not to willful neglect, complete Part II, Section A, lines 17 through 28.

Line 17. Calculate the total number of days of noncompliance within the reporting period beginning on the date the failure first occurred and ending on the date the failure is corrected.

TIP *The noncompliance period may include portions of more than 1 plan year (in the case of an employee benefit plan) or 1 tax year (in the case of an employer or third-party administrator). In that case, only the portion of the noncompliance period falling within that plan year or tax year would be used to calculate the excise tax due for that year.*

Line 21. No tax is due for any failure under Part II, Section A, if it is established to the satisfaction of the Secretary of the Treasury that no one liable for the tax knew, or exercising reasonable diligence would have known, that the failure occurred. Additionally, no tax is due if the failure under Part II, Section A, was due to reasonable cause and not due to willful neglect and the failure was corrected during the 30-day period beginning on the first date anyone liable for the tax knew, or exercising reasonable diligence would have known, that the failure existed.

For this purpose, a failure is treated as corrected if the failure is retroactively undone to the extent possible and the person to whom the failure relates is placed in a financial position which is as good as such person would have been in had the failure not occurred.

In the case of a church plan, the failure must be corrected before the close of the correction period, as defined under section 414(e)(4)(C).

Line 22. The minimum excise tax under Part II, Section A, is \$2,500 for each qualified beneficiary for whom one or more failures occurred if the failure or failures were not corrected before the date a notice of examination of income

tax liability was sent from the IRS and the failure or failures continued during the examination period. The minimum excise tax under Part II, Section A, is \$15,000 if the failure or failures are determined to be more than de minimis.

Exception for church plans. The \$2,500 (or \$15,000, if applicable) minimum excise tax does not apply to a church plan, as defined in section 414(e). If your plan meets the requirements for a church plan, enter "0-" on this line and go to line 23.

Line 24. If you had more than one failure during the reporting period, complete lines 17 through 23 in a separate Part II, Section A, for each failure and enter the total from line 23 from all copies of Part II, Section A, on line 24 of your summary form. See the discussion under Part I earlier.

Line 25. For a single employer plan, enter on this line the aggregate amount paid or incurred during the preceding tax year by the employer (or a predecessor) for its group health plan. For a multiemployer plan, enter on this line the amount paid or incurred during the current tax year to provide medical care, directly or through insurance or reimbursement.

Section B. Failure Due to Willful Neglect or Otherwise Not Due to Reasonable Cause

If the failure or failures were due to willful neglect or otherwise not due to reasonable cause, complete Part II, Section B, lines 29 through 33.

Line 29. Calculate the total number of days of noncompliance within the reporting period beginning on the date the failure first occurred and ending on the date the failure is corrected.

Line 33. If you had more than one failure during the reporting period, complete lines 29 through 32 in a separate Part II, Section B, for each qualifying event and enter the total from line 32 from all copies of Part II, Section B, on line 33 of your summary form. See the discussion under Part I earlier.

Part III. Tax on Failure To Make Comparable Archer MSA Contributions Under Section 4980E

An employer is liable for tax under section 4980E if he fails to make comparable contributions to the Archer MSAs of all comparable participating

XIII. Other Legal Issues

Americans with Disabilities Act

The Americans With Disabilities Act protects qualified individuals with disabilities from employment discrimination. A person has a disability if he/she has a physical or mental impairment that substantially limits a major life activity (major life activity is defined as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, learning, breathing, working).

An employer simply cannot discriminate merely on the basis of disability. An employer still has the right to employ the best-qualified person. However if a disabled person is not hired and brings a lawsuit, the defendant must prove the non-disabled person who was hired was better qualified and the decision was not based on disability.

Most churches are not affected now by this act unless the church has 15 or more employees. The church with 15 or more employees may be impacted; the law is just unclear at this point.

Churches are not yet bound to abide by the public accommodation portion of the Americans With Disabilities Act. However, churches may be bound by local codes when building or remodeling.

Why Incorporate?

Incorporation is a method by which individuals unite under a common purpose which results in certain advantages and protections.

Every congregation should be incorporated. The type of incorporation recommended is the not-for-profit corporation. However, if the church is already incorporated as a corporation, it is not necessary to change. The value of corporate status lies in the protection from legal liability it affords for the individuals who are members of the church. Without this status, the members are individually responsible for acts of the church that might cause injury or for defaults by the church on such items as loans.

If the church has a school, the school should normally not be separately incorporated but should be included with the congregation's incorporation. The same would be true for other church controlled organizations and endowment or designated funds. The decision to incorporate these separately should be based on the nature and relationship of the organization and the advantages and disadvantages that come with a separate corporation.

How to Incorporate

In Oklahoma, the process to incorporate is very straightforward and easy. The process is completed through the Secretary of State's office in Oklahoma City. If you want to check the availability of the proposed name, you can contact them at the Business Filing Division, 405-522-4560. Prior to filing the certificate of incorporation, a name may be reserved for a period of sixty (60) days by filing a name reservation application and paying a \$10.00 fee.

Prepare and file with the Secretary of State **Two** signed certificates of incorporation with a filing fee of \$25.00 payable to the Secretary of State, 2300 N. Lincoln Blvd., Room 101, State Capital Building, Oklahoma City, OK 73105-4897. Documents to be processed in person must be delivered to the Secretary of State's office between 8:00 a.m. and 4:00 p.m. (Monday-Friday).

Tax Exempt Status of Churches

Congress has enacted special tax laws applicable to churches, religious organizations and ministers in recognition of their unique status and of their rights guaranteed by the First Amendment of the United States Constitution. Churches and religious organizations are generally exempt from income tax and receive other favorable treatment under the tax law; however, certain income may be subject to tax. It is also important for a church or religious organization to understand the tax law to avoid jeopardizing their tax-exempt status by engaging in activities that violate the Internal Revenue Code.

Churches and religious organizations, like many other charitable organizations, qualify for exemption from Federal income tax under IRS Section 501(c)(3) and are generally eligible to receive tax-deductible contributions. To qualify for tax exemption, such organizations must meet the following requirements:

1. The organization must be organized and operated exclusively for religious, educational, scientific, or other charitable purposes,
2. Net earnings may not inure to the benefit of any private individual
3. No substantial part of its activity may be attempting to influence legislation
4. The organization may not intervene in political campaigns, and
5. No part of the organization's purposes or activities may be illegal or violate fundamental public policy.

IRS 501 (c) (3) Tax Exemption

Churches that meet the requirement of the tax code are automatically considered exempt and are not required to apply for and obtain recognition of tax-exempt status from the IRS.

Although there is no requirement to do so, churches seek the status because such recognition assures the church, its members and contributors that the church is recognized as exempt and qualifies for related tax benefits.

Baptist churches who are members of the Southern Baptist Convention are covered under what is called "a group exemption ruling." The Southern Baptist Convention applied for and has an approved ruling that it is an organization exempt from income taxes. The group exemption identifies affiliated churches as related to the Convention and thereby, are exempt as well.

The Executive Committee of the Southern Baptist Convention have given us the following guidelines to receive verification of a churches IRS 501 (c) (3) tax exemption. Each church must request this verification directly from the Executive Committee office on church letterhead signed by the pastor. When the Executive Committee receives the request, they provide a personalized cover letter to the Pastor that made the request as well as a general letter for IRS purposes that states the church name, location, and what page that particular church is located on the Directory of Southern Baptist Churches. This letter is signed by the Vice President for Business and Finance of the Executive Committee of the Southern Baptist Convention, per the IRS. It is a letter that provides the church proper documentation for the IRS if audited or questioned.

To request tax exemption status send your request in writing either by mail or fax to:

Finance Office
Executive Committee
Southern Baptist Convention
901 Commerce Street
Nashville, TN 37203

Phone - 615 244-2355
Fax - 615 742-8919

Unfortunately, this does not apply to associations within the Southern Baptist Convention. Although, associations are technically not required to apply because they are a church organization, many of the associations in Oklahoma are covered by a group exemption letter through the BGCO.

IRS Revocation of Church’s Tax Exempt Status Upheld

The Internal Revenue Service was correct to strip a tax-exempt status from a New York church, a federal judge ruled March 30, 1999. U.S. District Judge Paul L. Friedman said the IRS acted lawfully when it removed tax breaks from the Church at Pierce Creek, in Binghamton. He rejected the Church’s charge that the IRS violated its religious freedoms and engaged in selective prosecution.

During the 1992 presidential campaign, the Church at Pierce Creek, a nondenominational congregation, placed full-page newspaper ads that said candidate Bill Clinton “is promoting policies that are in rebellion to God’s Laws.” The ads warned Christians “not [to] put the economy ahead of the Ten Commandments.”

The IRS’ two-year investigation concluded the Church had violated the federal tax code. It prohibits churches that claim exemption from taxation from taking sides in election campaigns. The IRS ruled that the church no longer was entitled to exemption, and permanently revoked its tax-exempt status in 1995.

2015 NOTE: In 2015, the Internal Revenue Service issued new regulations concerning political activities for tax-exempt organizations, including churches. Their focus was to define what constitutes political activity and how much revenue tax-exempt groups can spend to try to influence elections.

The IRS has again started monitoring political activities of churches and flagging those whose activities may violate election restrictions for tax exempt organizations. Specifically, they are looking at churchs’ engagement in substantially influencing legislation and participating and/or intervening in any political campaign, even to an insubstantial degree.

Legal DOs and DON'Ts for Churches (Political & Legislative Involvement)

DO

- √ Discuss biblical instruction pertaining to moral and cultural issues such as abortion, same-sex marriage, etc.
- √ Sermons on moral and social issues and civic involvement
- √ Encourage members to voice opinions in favor of or in opposition to certain legislation*
- √ Support or oppose other political appointments of non-elected officials
- √ Support or oppose judicial, department, or cabinet appointments
- √ Educate on political process and political/social/legislative issues
- √ Allow use of church facilities by political candidates (as long as all other candidates are allowed or invited)
- √ Support or oppose legislation unrelated to the church organization*
- √ Petition drives supporting or opposing legislation
- √ Support or oppose legislation that directly relates to the organization**
- √ Engage in voter registration activities that avoid promoting any one candidate or particular political party
- √ Distribute candidate surveys and incumbent voting records (avoiding editorial opinions and making sure they cover a wide range of issues)

DON'T

- Endorse or oppose political candidates
- Contribute to political action committees
- Publish church bulletin editorial where the pastor or staff member endorses or opposes a candidate
- Campaign or fundraise for candidates
- Grant use of name to support a political candidate
- Support or oppose judicial candidates
- In-kind and independent expenditures for or against political candidates

* Churches and other 501(c)(3) organizations may support or oppose legislation so long as such activity comprises an insubstantial part of the overall operation.

** A church or any other 501(c)(3) organization may without limitation support or oppose legislation that directly affects the organizational structure and operation. For example, a church may without limitation oppose legislation attempting to repeal the tax-exempt status of the church.

Jeopardizing Tax-Exempt Status

All churches must abide by certain rules to preserve their tax-exempt status. A church that violates the five requirements of IRC § 501(c)(3) may lose its tax-exempt status. However, churches and associations of churches are exempt from filing IRS Form 990 and the e-file postcard and will not jeopardize their tax-exempt status by failing to file Form 990.

According to the IRS, there are more than 1.8 million organizations that are tax-exempt under IRS Code Section 501(c)(3), not including churches and religious organizations. Between 1998 and 2002 the assets of tax-exempt organizations grew from \$2 trillion to more than \$3 trillion.

Because of the growth in this area, the IRS has developed a list of abuses by tax-exempt organizations for greater scrutiny. The list includes charitable donations, appraisals of donated property, excessive compensation, loans to key employees, excess benefit transactions, and political intervention/involvement. Examples of activities that could jeopardize your property tax exemption could include allowing any for profit activity or home school groups that are not tax exempt. The IRS has dedicated additional resources to identifying and correcting abuses in these areas.

Issues Related to Use of Facilities for Other Than Non-Profit Activities

As a part of the being designated and retaining the exempt status for churches, the IRS requires that (1) the organization be organized exclusively for exempt purposes; (2) the organization be operated exclusively for exempt purposes; (3) none of the organization's net earnings inures to the benefit of any private individual; (4) the organization does not engage in substantial efforts to influence legislation; and (5) the organization does not intervene or participate in political campaigns. Failure to adhere to these requirements can result in the revocation or loss of tax exempt status. In particular, items (2) and (3) may present issues that could jeopardize the exempt status of a church.

With the growth of home school groups, many churches may be unnecessarily jeopardizing their exempt status by allowing use of their facilities to these and other groups. Even if the groups are receiving free use of church facilities, the church would be allowing inurement or personal gain and could bring into question if the facility is being used exclusively for exempt purposes. The issue is not limited to use by home school groups. That just appears to be the latest and most prevalent issue.

In Oklahoma, this could also bring into question the real estate tax exemption if the property is not used exclusively for their exempt purpose. Many of the larger counties have already challenged and/or revoked a portion of the church real estate property tax exemption and many of the smaller counties are taking this position as well. Each Oklahoma County Assessor makes the determination.

So, what are the options?

1. Many of the groups using church facilities would qualify for exempt status if they applied. Churches may allow the use of the facilities to other non-profit organizations without jeopardizing their exempt status or real estate property exemption. One option may be to require proof of exempt status before allowing other than occasional use, as well as requiring proof of liability coverage and having the church as a named secondary insured.
2. If rent is charged, then it may be subject to Unrelated Business Income Tax which would require filing an annual tax return to report earnings and expenses if the income is more than \$1000. There are several exemptions to this requirement that should be considered on a case by case basis. However, this may not solve the issue of using the facility exclusively for exempt purposes.
3. Refuse to allow church facilities to any organization that is not a non-profit organization.
4. ?? – There may be options that I haven't thought of or considered.

Jeopardizing Property Tax Exemption

In Oklahoma, allowing for-profit activity on church property may result in partial or even complete loss of the property tax exemption depending on the level of non-exempt activity that occurs on church property. Check with your county assessor's office to learn more.

Oklahoma Tax-Exemption Status—Sales & Property Tax

In Oklahoma, churches may apply for an exemption from sales tax by filing an *Application for Sales Tax Exemption* with the Oklahoma Tax Commission. Also, churches in Oklahoma can obtain tax-exempt status from property tax.

Sales Tax Exemption Changes

Two changes in Oklahoma law add two more sales tax exemptions that affect churches. The first change exempts "[s]ales of boxes of food by a church or by an organization, which is exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3). To qualify under the provisions of this paragraph, the organization must be organized for the primary purpose of feeding needy individuals or to encourage volunteer service by requiring such service in order to purchase food. These boxes shall only contain edible staple food items."

The second change exempts "[s]ales of tangible personal property or services to any person with whom a church has duly entered into a construction contract, necessary for carrying out such contract or to any subcontractor to such a construction contract."

Oklahoma Application for Sales Tax Exemption

Form 13-16-A
Revised 7-2017



OKLAHOMA TAX COMMISSION APPLICATION FOR SALES TAX EXEMPTION

1. Federal Identification Number <div style="border: 1px solid black; display: flex; justify-content: space-around; padding: 2px;"> 730000000 </div>	2. Is Organization Incorporated? <input type="checkbox"/> Yes <input type="checkbox"/> No	
3. Legal Name of Organization First Baptist Church	4. Business Phone Number 000-000-0000	
5. Organization Physical Location (street and number or directions) Do NOT use post office box or rural route number. #1 Pearly Gate Street		
6. City Newtown	7. State OK	8. Zip Code 70000
9. Mailing Address (street and number, post office box or rural route and box number) P.O. Box 100		
10. City Newtown	11. State OK	12. Zip Code 70000

TYPE OF ORGANIZATION (check ONLY one)

<input type="checkbox"/> Biomedical Research Foundations. (See instructions-Item 1) <input type="checkbox"/> Boys & Girls Clubs of America Affiliate. (See instructions-Item 2) <input type="checkbox"/> Boy Scouts of America; Girl Scouts of U.S.A.; Camp Fire U.S.A. Council Organizations. (See instructions-Item 3) <input type="checkbox"/> Career Technology Student Organizations. (See instructions-Item 4) <input type="checkbox"/> Charitable Health Organizations. (See instructions-Item 5) <input type="checkbox"/> Children's Homes on Church-owned Property. (See instructions-Item 6) <input type="checkbox"/> Children's Homes Supported by Churches. (See instructions-Item 69) <input checked="" type="checkbox"/> Church. (See instructions-Item 7) <input type="checkbox"/> City or County Trust or Authority. (See instructions-Item 8) <input type="checkbox"/> Collection and Distribution. (See instructions-Item 9) <input type="checkbox"/> Community Blood Banks. (See instructions-Item 10)	<input type="checkbox"/> Community Mental Health Center. (See instructions-Item 11) <input type="checkbox"/> Community-based Health Center. (See instructions-Item 12) <input type="checkbox"/> Community-based Autonomous Member. (See instructions-Item 13) <input type="checkbox"/> Construction Projects by Organizations Providing End-of-Life Care and Access to Hospice Services. (See instructions-Item 14) <input type="checkbox"/> Cultural Organization for Disadvantaged Children. (See instructions-Item 15) <input type="checkbox"/> Disabled American Veterans, Dept. of Oklahoma, Inc. (See instructions-Item 16) <input type="checkbox"/> Federal Government or its Instrumentality. (See instructions-Item 19) <input type="checkbox"/> Federally Chartered Credit Union. (See instructions-Item 20) <input type="checkbox"/> Health Center. (See instructions-Item 21) <input type="checkbox"/> Federally Recognized Indian Tribes. (See instructions-Item 22)	<input type="checkbox"/> Grand River Dam Authority. (See instructions-Item 23) <input type="checkbox"/> Hazardous Waste Treatment Facility. (See instructions-Item 24) <input type="checkbox"/> Indigent Health Care Revolving Fund Clinic. (See instructions-Item 25) <input type="checkbox"/> Marine Corps League of Oklahoma [1356(78)] (SB 353-Effective July 1, 2018) (See instructions - Item 76) <input type="checkbox"/> Meals on Wheels. (See instructions-Item 26) <input type="checkbox"/> Metropolitan Area Homeless Service Provider. (See instructions-Item 27) <input type="checkbox"/> Museums Accredited by the American Association of Museums. (See instructions-Item 29) <input type="checkbox"/> NRA/Other Organizations That Defend 2nd Amendment Rights. (See instructions-Item 30) <input type="checkbox"/> National Guard Association of Oklahoma [1356(77)] (SB 353-Effective July 1, 2018) (See instructions - Item 75) <input type="checkbox"/> National Volunteer Women's Service Organization. (See instructions-Item 31)
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TYPE OF ORGANIZATION (check ONLY one)

<input type="checkbox"/> Nonprofit Corporation Rural Water District. (See instructions-Item 72) <input type="checkbox"/> Oklahoma Coal Mining. (See instructions-Item 32) <input type="checkbox"/> Older Americans Act. (See instructions-Item 33) <input type="checkbox"/> On-site Universal Pre-Kindergarten Education. (See instructions-Item 34) <input type="checkbox"/> Organizations for Rehabilitation of Court-adjudicated Juveniles. (See instructions-Item 35) <input type="checkbox"/> Organizations for Educating Community Regarding the Developmentally Disabled. (See instructions-Item 36) <input type="checkbox"/> Organizations Funding Scholarships in the Medical Field. (See instructions-Item 37) <input type="checkbox"/> Organizations Operating As Collaborative Models Connecting Community Agencies In One Location. (See instructions-Item 74) <input type="checkbox"/> Organizations Providing Education Relating to Robotics. (See instructions-Item 67)	<input type="checkbox"/> Organizations Supporting State Parks in Oklahoma. (See instructions-Item 64) <input type="checkbox"/> Parent-Teacher Associations or Organizations. (See instructions-Item 38) <input type="checkbox"/> Preservation of Wetlands and Habitat for Wild Ducks. (See instructions-Item 39) <input type="checkbox"/> Preservation and Conservation of Wild Turkeys. (See instructions-Item 40) <input type="checkbox"/> Private Schools-Elementary/Secondary. (See instructions-Item 41) <input type="checkbox"/> Private School-Higher Education. (See instructions-Item 42) <input type="checkbox"/> Public School Districts. (See instructions-Item 43) <input type="checkbox"/> Public Schools of Higher Education. (See instructions-Item 44) <input type="checkbox"/> Qualified Neighborhood Watch Organizations. (See instructions-Item 45) <input type="checkbox"/> Rural Electric Cooperative. (See instructions-Item 47) <input type="checkbox"/> Public Nonprofit Rural Water District. (See instructions-Item 48)	<input type="checkbox"/> School Foundations. (See instructions-Item 17) <input type="checkbox"/> Shelter for Abused, Neglected or Abandoned Children. (See instructions-Item 49) <input type="checkbox"/> Spaceport User. (See instructions-Item 68) <input type="checkbox"/> State of Oklahoma, Local or County Government Entity. (See instructions-Item 50) <input type="checkbox"/> Veterans of Foreign Wars of United States, Oklahoma Chapters. (See instructions-Item 51) <input type="checkbox"/> Veterans' organizations that financially support area veteran's organizations for constructing a memorial or museum. (See instructions-Item 77) <input type="checkbox"/> Volunteer Fire Department-Title 18. (See instructions-Item 52) <input type="checkbox"/> Youth Athletic Teams. (See instructions-Item 66) <input type="checkbox"/> Youth Camps. (See instructions-Item 54) <input type="checkbox"/> YWCA OR YMCA. (See instructions-Item 55)
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Additional documentation may be required.

13. This is to certify that the organization and responsible person(s) listed understand that only purchases of items for use solely by the organization are exempt from sales tax. Exemptions issued by this application will be properly utilized and safeguarded from abuse.

Signature of Authorized Representative (If a corporation/LLC should be an officer or member)

14. Name (printed) of Authorized Representative

15. Title of Authorized Representative

16. Date

Mandatory inclusion of Social Security and/or Federal Identification numbers is required on forms filed with the Oklahoma Tax Commission pursuant to Title 68 of the Oklahoma Statutes and Regulations thereunder, for identification purposes, and are deemed part of the confidential files and records of the Oklahoma Tax Commission. **Your federal identification number does not qualify you for the sales tax exemption.**

Please note: All exempt purchases must be invoiced to the organization and paid by funds or check directly from the organization to qualify for the exemption.

Attach all required documents and mail to:

**Oklahoma Tax Commission
Taxpayer Assistance Division
PO Box 26920
Oklahoma City, OK 73126-0920**

The Oklahoma Tax Commission is **not** required to give actual notice of changes in any state tax law.



REQUIREMENTS AND DOCUMENTATION TO QUALIFY...

The following is a list of exemptions that specifically qualify for an Oklahoma sales tax exemption. Following the exemption will be the statute cite and OTC Rule number, if applicable.

Statutes, unless otherwise stated, will be in Title 68 of the Oklahoma Statutes. The Oklahoma Tax Commission Administrative Rules can be found online at www.tax.ok.gov. Application form, unless otherwise stated, will be 13-16-A.

Section 1356.2 of the Oklahoma Statutes prohibits a person from claiming a sales tax exemption granted an organization pursuant to Section 1356 or 1357 of Title 68 in order to make a purchase exempt from sales tax for his/her personal use and further provides that any person who knowingly makes a purchase in violation thereof shall be guilty of a misdemeanor, subject to a fine equal to double the amount of sales tax involved and/or incarceration for not more than 60 days. Violators shall also be subject to an administrative fine of not more than \$500 which shall be deposited to the General Revenue Fund.

Not all entities that are recognized by the Internal Revenue Service as income tax exempt pursuant to 26 U.S.C. 501(c)(3) qualify to be exempt from sales tax in Oklahoma. To qualify for an exemption you must complete the application and provide the necessary documentation listed under the exemption for which you are applying.

(1) Biomedical Research Foundations [1357(25); 710:65-13-174]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application:

- (1) A letter from the Internal Revenue Service (IRS) recognizing the foundation as exempt from federal income taxation pursuant to 26 U.S.C. 501(c)(3); **and**
- (2) A written description of the qualifying activities of the foundation, as may be evidenced by copies of:
 - (A) Articles of incorporation;
 - (B) By-laws;
 - (C) Brochure; and
 - (D) Notarized letter from the President or Chairman of the foundation.

(2) Boys & Girls Clubs of America Affiliates [1356(20)]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application:

- (1) A letter from the Internal Revenue Service (IRS) recognizing the foundation as exempt from federal income taxation pursuant to 26 U.S.C. 501(c)(3); **and**
- (2) Documentation verifying the club **IS NOT** affiliated with the Salvation Army.

(3) Boy Scouts of America; Girl Scouts of U.S.A.; Camp Fire U.S.A. Council Organizations [1356(9); 710:65-13-341]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application, documentation that the applicant is a COUNCIL organization.

(4) Career Technology Student Organizations [1356(50); 710:65-13-210(n)]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application, documentation that the organization is under the direction and supervision of the Oklahoma Department of Career and Technology Education.

(5) Charitable Health Organizations [1356(61); 710:65-13-353]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application:

- (1) A letter from the Internal Revenue Service (IRS) recognizing the organization as exempt from federal income taxation pursuant to 26 U.S.C. § 501(c)(3);
- (2) Proof of membership in a tax-exempt organization primarily engaged in advancing the purposes of its member organization, including a description of the activities of the membership organization; **and**
- (3) Documentation showing that the organization is primarily engaged either in providing educational services, programs or support concerning health-related diseases and conditions to individuals suffering from such diseases or their caregivers and family members and or health related research of such diseases or conditions, along with a written description of the activities of the organization, as may be evidenced by copies of one or more of the following:
 - (A) Articles of incorporation;
 - (B) By-laws;
 - (C) Brochure; **or**
 - (D) Notarized letter from the President or Chairman of the organization.



REQUIREMENTS AND DOCUMENTATION TO QUALIFY...

(6) Children's Homes on Church Property [1357(15); 710:65-13-33]

The sale of tangible personal property or services to children's homes **located on church-owned property and operated by a qualified organization** is exempt from sales tax. "Qualified organization" means, for purposes of this Section, an organization which is exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C. § 501(c)(3). [See: 68O.S. Section 1357(15)]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application:

- (1) A letter from the Internal Revenue Service (IRS) recognizing the organization as exempt from federal income taxation pursuant to 26 U.S.C. § 501(c)(3);
- (2) Evidence of ownership of the property.

(7) Church [1356(7); 710:65-13-40]

Generally, sales made directly to a church are exempt from sales and use tax. Only sales purchased by the church, invoiced to the church, and paid for by funds or check directly from the church, will qualify for the exemption.

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application:

- (1) IRS letter recognizing organization as tax exempt pursuant to 26 U.S.C. § 501 (c)(3) **or**
- (2) Documentation which shows that the church consists of a body of believers which holds religious services **and** public notification of the place and time of those services such as: a copy of a newspaper ad, a copy of a yellow pages ad; or a newsletter or bulletin sent to regular attendees or distributed during a service.

(8) City or County Trust or Authority [1356(1); 60 O.S. § 176 et seq.; 710:65-13-550]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application:

Enabling document for the Trust or Authority showing organization under 60 O.S. § 176 et seq.

(9) Collection and Distribution [1357(14); 710:65-13-339]

Qualification for Collection and Distribution Organization exemption. Sales tax does not apply to the sale of tangible personal property or services to or by organizations exempt from taxation pursuant to 26 U.S.C. § 501(c)(3) and;

- (1) are **primarily** involved in the collection and distribution of food and household products to other organizations that facilitate the distribution of such products to the needy and such distribute organizations are exempt from taxation pursuant to 26 U.S.C. § 501(c)(3) **or**
- (2) facilitate the distribution of such products to the needy.

Supporting documentation required. To claim exemption under this Section, the following information must be submitted to the Commission along with the application:

- (1) Letter from the Internal Revenue Service (IRS) recognizing the organization as exempt from federal income taxation pursuant to 26 U.S.C. § 501(c)(3);
- (2) A written description stating the activities of the organization, as evidenced by copies of:
 - (A) Articles of incorporation;
 - (B) By-laws;
 - (C) Brochure; **or**
 - (D) Notarized letter from the President or Chairman of the organization; and,
- (3) For organizations described in (1) a list of organizations, including federal employee identification numbers, to which items were distributed for the previous calendar year must also be provided.

This exemption is issued for a three-year period. It must be renewed at the end of the three years.

(10) Community Blood Banks [1357(25); 710:65-13-175]

Supporting documentation required. To support the exemption claimed under this Section, the applicant must submit to the Commission, along with the application:

- (1) A letter from the Internal Revenue Service (IRS) recognizing the organization as exempt from federal income taxation pursuant to 26 U.S.C. § 501(c)(3); **and**
- (2) A written description of the qualifying criteria that the organization meets, as may be evidenced by copies of:
 - (A) Articles of incorporation;
 - (B) By-laws;
 - (C) Brochure; **and**
 - (D) Notarized letter from the President or Chairman of the organization.

Excess Benefit Transactions

Since 1996, The Internal Revenue Service has given more flexibility in correcting perceived abuse of excessive compensation for executives in tax exempt organizations.

An excess benefit transaction is an excess payment to a disqualified person. An excess payment means that the value of the benefit received from the organization is greater than the benefit given (including services) by a disqualified person.

The definition of a disqualified person for purposes of the excess benefit transaction begins with a five year look back period. Anyone in a position to exercise substantial influence over the affairs of the organization in the last five years ending on the date of the transaction is a disqualified person. It is not necessary for the person to actually exercise substantial influence, only that he be in a position to exercise substantial influence. Certain individuals are automatically deemed to have the requisite substantial influence:

- Voting members of the organization's governing body (Board of Directors/Trustees)
- Anyone who regardless of title is in charge of implementing the decisions of the governing body
- Anyone who regardless of title is in charge of managing the organization's finances

Others who are considered to have substantial influence unless the organization can prove otherwise include:

- Family members of anyone listed above
- Substantial contributors i.e., those who have contributed \$5,000 or more or more than 2% of all contributions to the organization
- A person who manages a discrete segment or activity that represents a substantial portion of the organization's total activities, assets, income or expenses

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the organization and all entities it controls are taken into account. Common examples of an excess benefit transaction include:

- Payment of unreasonable compensation
- Sale of property by the organization for less than fair market value
- Sale of property to the organization for more than fair market value
- Expense reimbursements under a nonaccountable plan not treated as compensation
- Payment of personal expenses
- Embezzlement

If none of these transactions has occurred or any other transaction where more value is given than received, there is no excess benefit transaction.

An excess benefit transaction can be alleged where there is no documentation regarding the method that the organization uses to determine compensation for its disqualified persons including the appropriate comparable data used in the determination. If it is determined that the compensation exceeds the appropriate comparable compensation levels, an excess benefit transaction will be deemed to exist.

An excess benefit transaction may have serious implications for the disqualified person that entered into the transaction with the organization, any organization managers that knowingly approved of the transaction, and the organization itself. The disqualified person is subject to an excise tax of 25% of the excess benefit received. If the excess benefit transaction is not corrected, i.e., the excess benefit returned to the organization within the prescribed time, a penalty equal to 200% of the excess benefit is assessed.

In addition, if the excise tax is assessed against a disqualified person, then any organization manager who participated in the excess benefit transaction is subject to a tax of 10% of the excess benefit. This tax will not be assessed if the manager can prove that their participation was not willful and is due to reasonable cause. If more than one manager participates in a transaction, each of them is liable for the tax.

Transactions that can become excess benefit transactions should be carefully monitored by the organization for the benefit of all interested parties. Procedures for maintaining relevant records can help alleviate any problems in this area.

Why have a Church Audit?

In 2017, the US Chamber of Commerce published a report stating that approximately 75% of employees steal from their employers with the most common item stolen is cash with the average amount stolen is \$20,000. No one wants to admit that there could be weaknesses or vulnerabilities in our church but there are ways to eliminate or at least minimize situations where theft occurs.

Internal Controls should be in place to protect the church and their employees. These could include:

- Segregation of Duties
- Making Timely Deposits
- Check Signing Authority
- Control Access to Blank Checks, Accounting Systems and Cash
- Discourage or limit override of controls
- Bank Account Reconciliation
- Let Technology Help

An audit is the best way:

- ❖ To protect the persons elected by the local church to offices of financial responsibility from unwarranted charges of careless or improper handling of funds;
- ❖ To build trust and confidence of the financial supporters of the church in the way their money is being accounted for (trust and confidence lead to improved patterns of financial support);
- ❖ To set habits of fiscal responsibility to assure that when there is a personnel turnover there will be continuity in accountability and nothing falls through the cracks;
- ❖ To assure that gifts made to the church with special conditions attached are consistently administered in line with the donors' instructions and thus let donors know their gifts are used as intended; and
- ❖ To provide checks and balances for monies received and disbursed.

Conducting an audit is not a symbol of distrust.

It is a mark of responsibility.

It is good stewardship demonstrated for all to see.

It is a message to local church donors that you care about their gifts.

Certified Audit or Internal Control Review?

Certified audits are conducted by CPAs and are typically required when securing commercial loans or applying for a grant.

An internal control review (ICR) covers the same items as a certified audit but it is not certified and does not require completion by a CPA. ICRs cost significantly less than certified audits.

Both review the financial system; while the ICR typically reviews internal controls, church policies and procedures, and an equipment/inventory review.

Unrelated Business Income

Churches may engage in income-producing activities unrelated to their tax-exempt purposes, as long as the unrelated activity is not a substantial part of the organization's activities. Any net income from these activities will be subject to the Unrelated Business Income Tax (UBIT) if the following conditions are met:

1. the activity constitutes a trade or business,
2. the trade or business is regularly carried on; and
3. the trade or business is not substantially related to the organization's exempt purpose. Using the income to further a charitable or religious purpose does not make the activity substantially related to its exempt purpose.

Exceptions to UBIT – If an activity meets the above criteria, the income may not be subject to UBIT if it meets one of the following exceptions:

1. substantially all of the work is performed by volunteers;
2. the activity is conducted primarily for the benefit of its members; or
3. the trade or business involves selling merchandise that was donated.

In general, rents from real property, royalties, capital gains, interest and dividends are not subject to UBIT unless the church property where the activity is held is financed with borrowed money.

Examples of unrelated trade or business activities

Advertising – Selling advertising space in church bulletins or newsletters is generally subject to UBIT.

Fees to participate – festivals (food trucks, other vendors), craft fairs, exercise classes.

Sale of Merchandise and Publications – A book store open to the public would be UBIT; a book store available only to members and open only during service times would generally not be UBIT.

Rental Income – Generally, income from the rental of real property and personal property is not UBIT. It may be UBIT if:

1. Church rents out property on which there is outstanding debt. However, if the debt-financed property is expected to be used within 15 years for expansion, then it would not be subject to UBIT.
2. Personal services rendered in connection with the rental may be subject to UBIT.
3. Charging for use of a parking lot, may be UBIT.

Parking Lots – Use of the parking lot for members and visitors while attending services is not UBIT but if the lot is used by the general public for a fee, then it would be UBIT.

Cell towers – Cell towers installed on church property in exchange for rental fees is subject to UBIT. Until 2001, the IRS said this income was NOT subject to UBIT. In IRS Letter Ruling 2001-04031, they reversed themselves and concluded that these rents ARE subject to UBIT saying that although rents from real estate was exempt, rents from personal property is not exempt. Their position is that cell towers are personal property.

Document Retention List

TYPE OF DOCUMENT	MINIMUM TIME TO KEEP DOCUMENT
Articles of Incorporation, Constitution, and By-Laws	Permanent
Church Minutes	Permanent
Not-for Profit Letter	Permanent
General Ledger Books	Permanent
Personnel File (former employees)	7 years
Federal & State Employer Identification Number	Permanent
Property Tax Exemption Letter	Permanent
IRS Form 8274 (Church election of FICA exemption)	Permanent
Annual Contribution Statements	10 years
W-4, I-9, New Hire Reporting Form	7 years after employee leaves
IRS Form 941	7 years
Salary Reduction Agreements	7 years
Housing Allowance Designations	7 years
IRS Form 8282	7 years
IRS Forms W-2, W-9, W-11, & 1099 MISC	7 years
Invoices and Receipts	7 years
Offering Envelopes	3 years
Out-Dated Church and Personnel Polices	7 years
IRS Form 5578	4 years
Accounts Payable Ledgers and Schedules	7 years
Audit Reports	Permanent
Bank Reconciliations	2 years
Bank Statements	3 years
Checks (for important payments and purchases)	Permanent
Contracts, mortgages, notes and leases (after expired)	7 years
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanent
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, notes and leases (after expired)	Permanent
Depreciation Schedules	Permanent
Duplicate Deposit Slips	2 years
Employment Applications	3 years
Expense Analyses/Expense Distribution Schedules	7 years
Year End Financial Statements	Permanent
Insurance Policies (expired)	3 years
Insurance Records, Accident Reports, Claims, Policies	Permanent
Internal Audit Reports	3 years
Inventories of Products, Materials and Supplies	7 years
Payroll Records	7 years
Retirement and Pension Records	Permanent
Tax Returns and Worksheets	Permanent
Timesheets	7 years

Filing Requirements for Churches

Churches may be required to report certain payments to the IRS. The following is a list of the most frequently required information returns, how they are used and when they should be filed:

Form W-2, Wages and Tax Statement and **Form W-3**, Transmittal of Wage and Tax Statement. An organization with employees must:

- Furnish each employee with a complete W-2 by January 31 and
- File all Forms W-2 with Form W-3 to the SSA by the last day of February.

Form 941/944, Employer's Quarterly/Annual Federal Tax Return. Use Form 941 to report social security, medicare, and income taxes withheld and matched by the church. The return is due quarterly on the last day of April, June, October, and January (10 days later if all taxes were deposited when due).

Form WTH-10001, Oklahoma Employer's Withholding Tax Return. Use Form OW-9 to report Oklahoma income tax withholding. The return is due quarterly on the 15th day of April, June, October, and January.

Form 945, Annual Return of Withheld Income Tax. If a church withholds income tax, including backup withholding, from non-payroll payments, it must file Form 945 by January 31. This form is not required for those years where there is no non-payroll withholding.

Form 990-T, Exempt Organization Business Income Tax Return. Churches must file Form 990-T if they generate gross income from an unrelated business of \$1,000 or more for a taxable year. Form 990-T must be filed by the 15th day of the 5th month following the church's accounting period end.

Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Use this form to transmit Forms 1099-Misc, and certain other forms to the IRS. Form 1096 must be filed by February 28, in the year following the calendar year in which the payments were made.

Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes. Churches must file the 1098-C when it receives a donation of a vehicle claimed to have a value of more than \$500. Form 1098-C must be filed by March 1 (March 31, if filed electronically) following the calendar year in which the donation was made.

Form 1099, Miscellaneous Income. A church must file form 1099-Misc if it pays an unincorporated individual or entity \$600 or more in any calendar year for one of the following payments: gross rents, commissions, fees, or other compensation paid to a non-employee; prizes and awards; or other fixed and determinable income. The church must furnish each payee with a copy of Form 1099-Misc by January 31 and file Copy A with the IRS by February 28.

Form 8282, Donee Information Return. A church must file Form 8282 if it sells, exchanges, transfers, or otherwise disposes of certain non-cash donated property within two years of receipt of the donation. This applies to non-cash donations where the appraised value is \$5,000 or more. The church must file Form 8282 with the IRS within 125 days of the date of disposition and furnish the donor with a copy.

Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

Oklahoma Form 501, Annual Information Return. Form 501 is filed as an annual summary of IRS Form 1099.

Helpful IRS Publications

Pub 1, Your Rights as a Taxpayer

Pub 15, Circular E, Employer's Tax Guide

Pub 15-A, Employer's Supplemental Tax Guide

Pub 463, Travel, Entertainment, Gift and Car Expenses

Pub 517, Social Security and other information for Members of the Clergy and Religious Workers

Pub 525, Taxable and Nontaxable Income

Pub 526, Charitable Contributions

Pub 557, Tax-Exempt Status of your Organization

Pub 561, Determining the Value of Donated Property

Pub 598, Tax on Unrelated Business Income of Exempt Organizations

Pub 1771, Charitable Contributions: Substantiation and Disclosure

Pub 1828, Tax Guide for Churches and Religious Organizations

Pub 4221-NC, Compliance Guide for Tax Exempt Organizations (other than 501(c)(3) Public Charities and Private Foundations)

These publications are available from the IRS through their toll free number, (800) 829-1040 or from their website, www.irs.gov.

Helpful State Publication

Oklahoma Income Tax Withholding Tables

www.oktax.state.ok.us

Helpful GuideStone Publications

Ministers Tax Guide

Ministerial Tax Issues: Answers to Common Questions

www.GuideStone.org

Helpful Publications from Richard Hammar

Church & Clergy Tax Guide

www.churchlawtoday.com

Church Law & Tax Report

Church Financial Software

For a comprehensive listing of vendors offering different types of church software, check out <http://capterra.com/church-management-software> or go to www.ccmag.com.

Automated Church Systems Technologies
800.736.7425
www.acstechnologies.com

Diakonia
800.325.6642
www.faithfulsteward.com

Ardent Development
877.672.3421
www.churchradius.com

ICON Systems
800.596.4266
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CDM Plus - Church Data Master
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www.cdmpius.com

RDS
405.840.5177
www.rdsadvantage.com

Computer Helper Publishing
800.533.5227
www.churchwindows.com

Shelby Systems
800.877.0222
www.shelbysystems.com

Daymark Software Systems, Inc.
800.486.1800
www.daymarksys.com

Fellowship Technologies
877.318.5669
<http://fellowshiptech.com>

Water's Edge Ministry Services
866.693.8369
<https://www.watersedgeservices.org/>

Free Stuff

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Free Online calendar - www.Calendar.google.com

Free Spyware remover - "Spybot Search and Destroy" and "Ad-Aware"

Free Firewall Program - Comodo Firewall Pro. 3.0

Free Onscreen Calculator Program - Power Calculator

Free Secure Online Storage - DropBox.com

Free PDF Reader - <http://get.adobe.com/reader/> (Be careful to not download the Google toolbar)

Free Adobe PDF Generator - PrimoPDF.com

Free Multiple Monitor Software - DisplayFusion 3.1.9