



## 501(c)(3) Charitable Organization Group Exemption Process Update

March 2025

Dear Pastor, Leader, and/or Finance Administrator,

Thank you for your interest and application for 501(c)(3) charitable organization group tax exemption status with LMC.

LMC had hoped that with the work being done by our attorney and congregations, we could submit the complete application to the IRS promptly. Unfortunately, we believe that it is no longer possible for several reasons.

1. Currently, the IRS is not and has not been accepting new 501(c)3 group exemption status applications as they are reviewing the process and procedure. The IRS recently issued a proposed Revenue Procedure dealing with group exemptions. A Revenue Procedure is official IRS guidance about the rules for a particular aspect of tax law. The Revenue Procedure affects the group exemption application process and would update and supersede all prior Revenue Procedures on the subject. Pending the finalization of the Revenue Procedure the IRS will not be accepting group exemption applications.
2. The text of the proposed Revenue Procedure, while ensuring some historic safeguards for Churches and associations of churches, is more stringent and based on denominational assumptions about centralized control that are foreign to LMC and our new way forward in mission.

So, where does this news leave us? LMC will not apply for 501(c)(3) group exemption status for its member congregations. The following options are for each congregation to review.

1. As a congregation, you can continue without an IRS determination of exemption. IRS regulations do not require churches or religious organizations to hold a formal 501(c)(3) determination of exemption from the IRS. The following is a quote from the IRS website: Churches, Integrated Auxiliaries, and Conventions or Associations of Churches | Internal Revenue Service:

*Churches (including integrated auxiliaries and conventions or associations of churches) that meet the requirements of section 501(c)(3) of the Internal Revenue Code are automatically considered tax-exempt by Act of Congress [See, 26 U.S. Code § 508(c)(1)(a)], and are not required to apply for and obtain recognition of exempt status from the IRS. Donors are allowed to claim a charitable deduction for donations to a church that meets section 501(c)(3) requirements even though the church has neither sought nor received IRS recognition that it is tax-exempt. In addition, because churches and certain other religious organizations are not required to file an annual return or notice with the IRS, they are not subject to automatic revocation of exemption for failure to file. See Annual Return Filing Exceptions for a complete list of organizations that are not required to file.*

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2. LMC's attorneys have indicated that congregations who believe they need the IRS determination of exemption can apply for it themselves utilizing Form 1023. The individual organization process remains open and typically takes 6-12 weeks for approval. For congregations that have assets of less than \$250K and do not have gross annual receipts of more than \$50K, there is an "EZ Form 1023".
3. Filing for a determination of exemption with Form 1023 does not require the services of an attorney. A certified public account (CPA) in your congregation could help with this.

We thank you for your patience as we have navigated this together. To recap, LMC will not be applying for 501(c)(3) group exemption for charitable organizations on behalf of our member congregations.

Please feel free to reach out with any questions to Mindi Hoover at [mhoover@lmcchurches.org](mailto:mhoover@lmcchurches.org).

From the Conference Executive Council of LMC  
March 21, 2025