



NOTE:

This document is intended to provide Nazarene churches and church leaders with current and accurate information about charitable contributions.

However, such information is intended solely for the purpose of reporting church income within the denominational reporting system.

It is not intended to be sufficient for dealing with a particular legal problem, and the authors and distributors do not warrant or represent its suitability for such purpose.

The reader should not rely upon this document as a substitute for independent legal consultation or tax advice.

Examples regarding Definition of Income

REGULAR TITHES AND OFFERINGS

Most churches are primarily funded by non-designated tithes and offerings. These are charitable contributions, thus included in church income.

SUNDAY SCHOOL OFFERING

All money received for the Sunday School offering is church income because it qualifies as a charitable contribution.

EASTER OFFERING

All funds collected for World Evangelism Fund offerings are church income. Note that while the Easter Offering is reported in church income, when submitted to the General Treasurer, these funds will be subtracted from church income before allocation percentages are applied.

EXAMPLE: Faith Church of the Nazarene raised \$15,000 on Easter Sunday for the World Evangelism Fund. This is church income because it qualifies as a charitable contribution. The same is true for all mission offerings such as WM Broadcast, Alabaster, Deputation, VBS, and Thanksgiving offerings.

BUILDING FUND

Funds collected for buildings, property improvements, or debt reductions are church income.

EXAMPLE: Your church receives \$300 each week in the offering for the building fund. This is church income because it qualifies as a charitable contribution.

REVIVAL OFFERINGS

Money collected to support a revival or special services to further the mission of the church are included in church income.

EXAMPLE: A church receives a check from a member in support of a revival being held in the church. Even though all of the money received during the week will be given to the evangelist, the gift is used to further the mission to “make Christlike disciples in the nations,” and the donor received no personal benefit in exchange for the gift. It is, therefore, church income.

LOVE OFFERINGS

Whether for staff, visiting missionaries, or a distressed family, love offerings to individuals are not tax-deductible. However, a contribution to a church fund, such as a fund to help distressed families or a mission effort, is deductible.



FUNDING THE MISSION

NOTE:

Deputation offerings that are used for the missionary purposes of the church are charitable contributions if the funds are accountable and under the control of the church, as is the case in the Church of the Nazarene.

While deputation funds are reported as church income, when submitted to the General Treasurer, these funds will be subtracted from church income before allocation percentages are applied because it is an approved Mission Special.

Love Offering for Visiting Musician

EXAMPLE: First Church invited a music group to sing at a weekend service. The group comes with the understanding that the church will collect a love offering in addition to the regular collection of tithes and offerings. No specific amount has been guaranteed to the group. The church collects \$472 and gives the entire sum to the group. This is church income because the funds were received to help the church accomplish its mission. This concept applies to other love offerings such as those for guest speakers and evangelists.

Deputation Offering

EXAMPLE: A missionary family visits Grace Church to talk about their work in India. At the end of the presentation, a deputation offering for the work of the mission is collected. Even though the money will be given to the missionary, the gift is used to further the mission to “make Christlike disciples in the nations” and the donor received no personal benefit in exchange for the gift; it is, therefore, church income.

Love Offering for a Family in Need (with a Benevolence Fund)

EXAMPLE: Pastor Jones asked his congregation to help a family facing a serious financial crisis and requested contributions to the church-controlled benevolence fund. This is a charitable contribution to a church ministry and is, therefore, church income.

Love Offering for a Family in Need (without a Benevolence Fund)

EXAMPLE: Pastor Jones asked his congregation to help a family facing a serious financial crisis. An offering was collected for the family. The offering is not church income because it was taken for and given to a specific family. Gifts to individuals do not qualify as charitable contributions.

WORK AND WITNESS

Churches involving themselves in a short-term mission trip typically handle a mixture of funds, some of which are church income and some of which are not. Note that while Work and Witness funds are reported as church income, when submitted to the General Treasurer, it will be subtracted from church income before allocation percentages are applied.



FUNDING THE MISSION

Project Money

Money raised for Work and Witness projects is a tax-deductible contribution and eligible for a receipt by the church.

EXAMPLE: Your church is planning a Work and Witness trip to Belize to complete a building on the campus of the district center. The team needs to raise \$10,000 for this project. All funds raised for this project are considered church income because they are charitable contributions.

Work and Witness Travel Money donated for a Specific Individual's Expenses

EXAMPLE: Joe gives \$2,000 to the church for his travel, housing, and food expenses for the upcoming Work and Witness trip to Brazil. While his expenses may be tax-deductible on his personal taxes, this is not eligible as a contribution to the church and, thus, is not counted as church income.

Work and Witness travel money donated for a general travel fund

EXAMPLE: Joe donates \$2,000 to his church's Work and Witness travel fund. The fund is completely under the control of the church and may be used for travel expenses of any participant. This is a gift to the church and not to an individual; therefore, it is included in church income.

FUND RAISING

The IRS clearly defines the deductibility of contributions when there is an exchange of goods or services, called quid pro quo contributions. Only the portion of the contribution that actually qualifies as a charitable contribution is considered church income.

EXAMPLE: The women's ministry sponsors a special dinner to raise funds to remodel the church nursery. The dinner has a ticket price of \$100, but the cost per plate (including facility rental and catering) is actually \$15. The \$85 per plate profit is considered church income because it qualifies as a charitable contribution.

SUBSCRIPTIONS AND REGISTRATION FEES

This kind of money is often labeled, "pass-through money." The money passes through the church treasury but is not a charitable contribution. Pass-through or in-and-out funds are funds that the church handles, perhaps deposits, and disburses, which are not contributions to the church or its ministry. These pass-through funds are not included in church income.



FUNDING THE MISSION

Holiness Today Subscriptions

EXAMPLE: A church receives a check from a member to purchase a Holiness Today subscription. This money is not considered income to the church because the person writing the check is getting a benefit in exchange for the money – a subscription to Holiness Today.

Youth Camp Registration as Pass-Thru

EXAMPLE: Ten children from your church plan to attend the district children’s camp this summer. The families pay \$150 for each child, and your church writes one check to the district for the entire amount. This is not church income because the camp fees are not donations to the church; the funds are simply passing through the accounting system.

Youth Camp Registration as Church Donation

EXAMPLE: A church receives a \$1,000 gift designated for sending teens to youth camp. The money is sent to the camp to pay registration for three students. This is income to the church because the money was used by the church to further its mission to make Christlike disciples. The donor received no tangible benefit for the donation.

DONATION OF VEHICLES

The IRS defines the deductible amount of donated vehicles whether the vehicle is used by the church, given away by the church, or liquidated. In any case, the recipient church must issue a 1098-C to the donor and to the IRS. In general, the charitable donation of a vehicle is limited to a sale price if the vehicle is liquidated.

EXAMPLE: Mr. Johnson donates a van with a Blue Book value of \$2,000 to the church. The church immediately sells the van at auction for a winning bid of \$1,750. The charitable deduction is limited to \$1,750. Since it was a non-cash donation of less than \$5,000, it should not be included in church income. Had the vehicle sold for more than \$5,000, it would have been included as church income.

INTEREST AND CAPITAL GAINS

Neither interest nor capital gains generate a charitable contribution receipt. They are not included in church income.

EXAMPLE: Calvary Church sells a parsonage that is no longer in use. No part of the sales price counts as church income because it is not a charitable contribution.





FUNDING THE MISSION

BORROWED FUNDS

As is the case with the current Annual Pastor's Report, borrowed money is not included in church income.

EXAMPLE: City Church borrows \$1 million to build additional Sunday School rooms. This is not church income because it does not qualify as a charitable contribution.

FUNDS RECEIVED AS A SETTLEMENT FOR AN INSURANCE CLAIM

As with the current definition of "raised for all purposes," any money received as an insurance reimbursement for loss would not be considered church income and would have no impact on fund allocations. Any funds received by the church through an insurance settlement are not church income because they are not charitable contributions.

EXAMPLE: Trinity Church suffered tornado damage to their fellowship hall and received a \$600,000 settlement for damage. The money is not a charitable contribution and should not be included in church income.

INDIVIDUAL CONTRIBUTIONS SENT DIRECTLY TO THE GLOBAL MINISTRY CENTER

Individuals who send donations directly to the Global Ministry Center for such programs as WM Broadcast, JESUS Film Harvest Partners, NCM, or World Evangelism Fund may choose a local church to receive credit for their gift. These gifts will be included in church income (as recorded by Global Treasury Services). It is the church's option to decline credit for any such gift, along with the associated income. It makes no difference in fund calculations either way. It is simply the preference of the church.

Giving credit accepted

EXAMPLE: Ms. Smith, utilizing the Nazarene.org online donation system, donates \$5,000 for the World Evangelism Fund and designates Main Ave. Church as the credit-receiving church. The \$5,000 appears both on the church's giving record to WEF and the summary of Main Ave.'s total church income. The \$5,000 is church income, if so desired by the church.



FUNDING THE MISSION

Giving credit declined

EXAMPLE: Mr. Smith, sends a check to the Global Ministry Center for Nazarene Child Sponsorship in the amount of \$1,000 and designates Calvary Church as the credit receiving church. The \$1,000 appears both on the church's giving record of Ten Percent Mission Specials and the summary of Calvary's total church income. Utilizing the online reporting application at www.fundingthemission.org, Calvary's pastor clicks "decline credit" The \$1,000 is neither credited to the church's Ten Percent total nor included in their reported income total. The \$1,000 is not considered church income.

NON-CASH DONATIONS

Churches provide donors of non-cash contributions with charitable receipts that do not have values associated with them unless the property exceeds \$5,000 in value. For simplicity, only non-cash donations of \$5,000 or more, those requiring qualified appraisals and use of IRS Form 8382, are counted as church income.

EXAMPLE: Mrs. Smith donates some land, valued at over \$500,000 to Central Church. The church decides to use the property for additional parking. This is considered church income because it is a gift that qualifies as a charitable contribution. However, this contribution is a likely submission to the Rare Circumstance Adjustment Committee.

MATCHING FUNDS

Some corporate matching funds apply to the church's educational budgets. Employer/employee matching funds would not be included in church income. They are charitable contributions to the educational institution. The fact that the church may receive giving credit for their fund allocation is irrelevant.

EXAMPLE: A church member makes a \$250 donation to the Nazarene college on your educational region. This donation is matched by the member's employer for a total gift of \$500. Even though your church receives credit for the \$500 gift, it is not church income. While this qualifies as a charitable contribution for the donor, it is a contribution to the college and not to your church.



FUNDING THE MISSION

INCOME THROUGH FOUNDATIONS

Foundations, such as the Church of the Nazarene Foundation, channel millions of dollars into local Nazarene churches through Charitable Gift Annuities, settlement of estates, donor advised funds, etc. These generous donations typically qualify as charitable contributions but are received by the foundation rather than the local church. Such donations, whether from the Church of the Nazarene Foundation, another foundation or a foundation wholly owned by a local church, are considered church income when the funds become available for ministry. Legacy gifts are often large and may qualify for a Rare Circumstance Adjustment.

EXAMPLE: Mr. Jones desires to fund future youth ministry at his church. He gives \$500,000 to the Church of the Nazarene Foundation through a Donor Advised Fund to be distributed annually, in the amount of \$30,000 until depleted. The original gift of \$500,000 is not counted as church income when it is received by the Foundation; however, the annual distribution of \$30,000 is considered church income when it becomes available to the church.

RENTAL INCOME

Whether generated by rental property or simple facility usage fees, rental income is not considered church income because it is not a charitable contribution.

EXAMPLE: St. Paul's Church rents its parsonage for \$500 per month. No part of the \$500 is included in church income because it is not a charitable contribution.

Facility Rental

EXAMPLE: First Church rents the gymnasium facility to an outside organization for one evening per week and charges them \$30. No part of the \$30 is considered church income because it is not a charitable contribution. In similar fashion, fees charged for individuals or organizations to use the church for weddings, receptions, banquets, workshops, or meetings are not considered church income.



FUNDING THE MISSION

NOTE:

It may be best to make daycares, schools, compassionate ministry centers, and other such entities a separate charitable organization that operates independently of the church.

This prevents the co-mingling of funds and reduces the amount of money that passes through the church's treasury.

CHURCH-OWNED BUSINESSES

Churches that have daycares, schools, bookstores, radio stations, counseling services, etc. can earn profit that becomes usable for the local church. Receipts for the church-owned business are not considered church income. If a church realizes a net profit and funds become available for the ministry purposes, the church is encouraged to generously support denominational interests, but it is not reported as church income.

Child Care Fee

EXAMPLE: A church receives a payment from a parent whose child is enrolled at the church daycare. This money is not considered income to the church because the person is getting a benefit in exchange for the money – the care of the child.

Daycare Profit

EXAMPLE: Northside Church operates a daycare that raises \$5,000 a week from tuition and fees. These funds are not church income because they don't qualify as charitable contributions. The daycare provides \$1,000 per month to the church to use for the salary of a part-time children's pastor. The \$1,000 per month is a net profit to the church but is not included in church income because no part of it was a charitable contribution.