

March 2018

A Monthly Publication of the Christian Law Association

THE LEGAL ALERT

STEWARDSHIP AND CHURCH TAX





AND HE SAID UNTO THEM, RENDER THEREFORE UNTO CAESAR THE THINGS WHICH BE CAESAR'S, AND UNTO GOD THE THINGS WHICH BE GOD'S.
LUKE 20:25

Preparing to File your Taxes

Act early. Do not wait until April to start getting your tax information together. Even if you know you owe taxes, it is better to gather all of your information the beginning of February, have the return prepared, and then wait until the deadline to file it. If you are due a refund, you may want to file your return as soon as possible, except that early filers seem to be more prone to audit than those who file later. Make sure that you receive your W-2 and 1099-MISC forms by the end of the first week of February. Sort out your checks, credit card statements, paid invoices, bills, contribution receipts, etc. by category.

Get organized. Use a tax information organizer to help you summarize the information that is needed to prepare your tax return.

Provide the necessary records. The more complete the information you provide to the tax preparer, the better the job he can do. If the information is lacking, the tax preparation will take longer, cost more, and run a greater risk of error. To do a good job, the preparer must understand your situation thoroughly, so do not assume that anything is irrelevant. When in doubt, ask.

Filing On Time. The IRS will automatically allow you to extend your tax return deadline if you file Form 4868. The extension does not extend the due date for any tax owed, however. Estimate the amount of tax that you owe, attach it to Form 4868, and mail it to the IRS by the initial deadline. If you wait until the extended date to pay the tax owed, you will be assessed penalties and interest on the amount owed.

Extensions beyond four months must be approved individually by the IRS. Generally, you must have already filed a Form 4868 as a prerequisite to requesting another extension. File Form 2688 and state the reason why you need more time. Reasons that have been accepted by the IRS include: records were destroyed by casualty, fire, or theft; the IRS gave you incorrect information (but not information from the Federal Tax Questions telephone number); tax forms requested from the IRS were not received; your return was filed timely but was sent to the wrong service center; or you or someone in your immediate family was seriously ill or died. Procrastination is never a valid excuse. Again, this does not extend the due date of the taxes owed. Attach the approval of Form 2688 to your tax return.

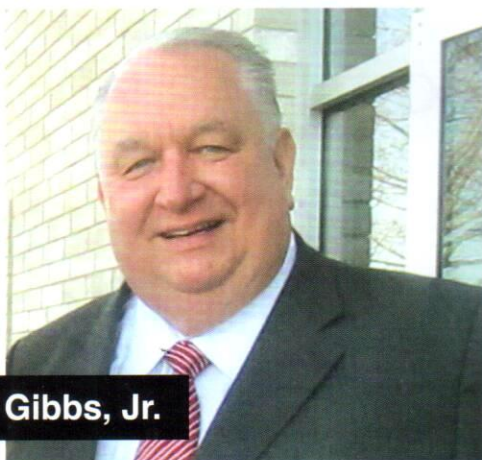
Even if you cannot pay the tax on time, make sure that you file the return on time. There are separate penalties for late filing and late payment of taxes.

If you delete the words “under penalty of perjury” from the return, the return will be considered an unsigned return. An unsigned return is treated as if you never filed a return at all.

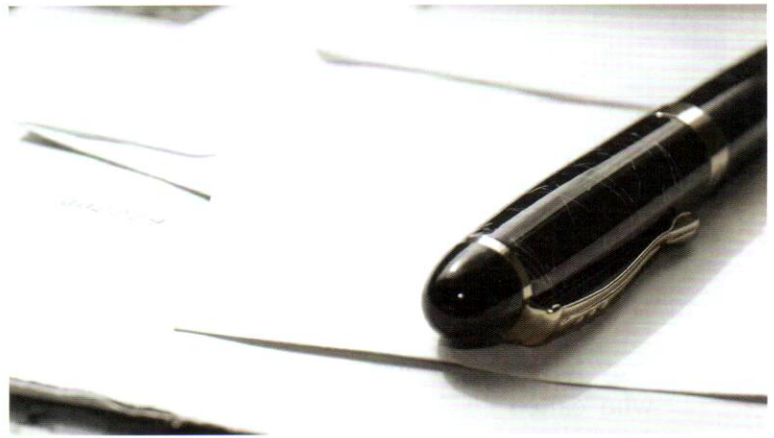
Non-Filers. If you have not filed tax returns for a number of years, you should file the delinquent returns before the IRS comes after you. If you file before the IRS contacts you, it will likely reduce (but not eliminate) the chance that any criminal charges will be brought against you. Mail the return for each delinquent year in a separate envelope.

Pre-Mailing Checklist. Do not e-file or mail your return until you have re-checked everything and made copies for yourself. If you are mailing in your return, do not forget to do the following:

1. Include your name, address, and social security number on the first page of your return. If you use the IRS pre-addressed label, correct any wrong information.
2. Attach copy B of your W-2 form to your federal income tax return.
3. Sign and date the return. (Both spouses must sign a joint return).
4. If you owe taxes, staple your check or money order to the return. Write on the check your social security number, the form number, and the tax year to which the check applies.
5. Include every form and related schedule.
6. Use stamps, not an office postage meter, when mailing your return.



Dr. David Gibbs, Jr.



The Deductibility of Charitable Donations

The Biblical mandate to tithe is clear, and Lord willing every Christian is giving of their first fruits to their local church because it is the right thing to do. That said, donations to an organized church do come with some additional tax benefits as well. While you may be aware that donations to non-profit entities are tax-deductible, are you certain you are maximizing your deductible donations? Here are some tips for you to remember regarding donations at tax time:

Donations are only deductible when given to qualified exempt organizations.

Almost all organizations must formally apply for 501(c)(3) status in order to receive tax-deductible donations. Organized churches, assuming they meet some very minimal requirements, are a rare exception and can automatically receive tax-deductible donations without going through the formal exemption process. If you are planning on claiming deductions for your donations, take the time and ensure your intended recipient qualifies.

Charitable contributions especially matter when you itemize your deductions.

Taxpayers have the option of choosing the standard deduction or itemizing their deductions when filing their taxes. For many families, there may not be enough itemizable deductions available to surpass the amount provided by the standard deduction. In that case, while every family should absolutely still honor the Biblical command to tithe, it is important to understand that donations will not have any effect on your taxes.

Sometimes, you can actually receive something in return for your donation.

If you donate to an event where you receive either a meal, a ticket, or something else in return for the donation, it does not automatically exclude the donation from being deductible. However, it does reduce the deductible amount donated. If you receive a meal worth \$50 for a \$100 donation, you would only be able to deduct the remaining \$50 that you did not receive something for.

Donated property must be properly valued.

While it is certainly simpler to account for donated funds, it is possible to deduct donated goods. However, only the “fair market value” of the goods can be deducted. This is a general calculation based on what the donated item would actually sell for on the open market. If you donate a used t-shirt, the deduction amount will be relatively small. It is also important to



note that very large donations, such as cars or boats, have additional rules you should look into and be aware of. Our attorneys can assist you.

Make sure you get a receipt.

Any donation exceeding \$250 in value, whether cash or property, must be accounted for with a proper contribution receipt from the organization. This receipt must show the amount of the donation, a description, and whether you received anything in exchange.

Top Ten Frequent Filing Mistakes

Tax laws can be very obtuse and complex, particularly for ministries. Unfortunately, we have helped many organizations after they have already made a mistake. To help you avoid these issues, we have compiled a list of some of the most frequent mistakes made by individuals and organizations when filing taxes below.

1. Entering the incorrect amount of tax from the tax table.
2. Computing the credit for dependent care expenses incorrectly.
3. Failing to claim the earned income credit.
4. Entering the income tax withholding and estimated tax payments on the wrong line.
5. Using the wrong social security number.
6. Indicating that your overpayment is to be credited to estimated tax when you really want it refunded to you.
7. Adding income, deductions, or credits incorrectly.
8. Entering the wrong tax in the wrong box.
9. Computing the amount of refund or tax due incorrectly.
10. Computing deductible medical or miscellaneous expenses incorrectly.

Contact our ministry if you have any questions regarding taxes. Our attorneys would be glad to assist you.

PREPARING FOR THE TAX PREPARER

Tax returns can become very complicated very quickly. A small mistake can easily lead to a lengthy, extended audit that becomes a paperwork nightmare for the ministry. If you are not confident about doing your church's taxes correctly, you should certainly consider hiring a professional tax preparer to ensure your return is done accurately. The peace of mind would be well worth the initial cost. For those of you who decide to use a tax preparer, here are some tips to help you make the right choice:

- Check qualifications beforehand.

The IRS website offers a searchable database of credentialed tax preparers with specific qualifications.

- Check disciplinary background beforehand.

Even credentialed preparers can have a bad background. Check with third parties like the Better Business Bureau, and if he has any licenses, such as a CPA or a JD, check with their respective state boards for discipline history.

- Check fee amount beforehand.

Ask ahead of time what the preparer charges for his work. Do not provide any information regarding your taxes or possible return amount before the preparer states his fee. Do not use preparers who base their

fees on a percentage of your potential refund, or advertise a "larger refund" than other preparers.

- Check on ease of contact with preparer.

Be sure to ask how to reach the preparer, and what hours he is available for contact. Does he have a physical location you can visit? The last thing you want is a preparer who vanishes or becomes impossible to reach after the return is filed.

- Ensure the preparer requires copies of your records.

A thorough tax preparer is someone who requires you to provide copies of all needed documents, such as records and receipts. This requirement will help protect your ministry and his business.

- Ensure the preparer allows you to review the return before filing.

Do not use a preparer who asks you to pre-sign a blank return. Ensure the preparer makes a practice of allowing you sufficient time to review the proposed final tax return and ask any questions you may have. Always ensure the bank information on the return matches your information, not the preparer's.

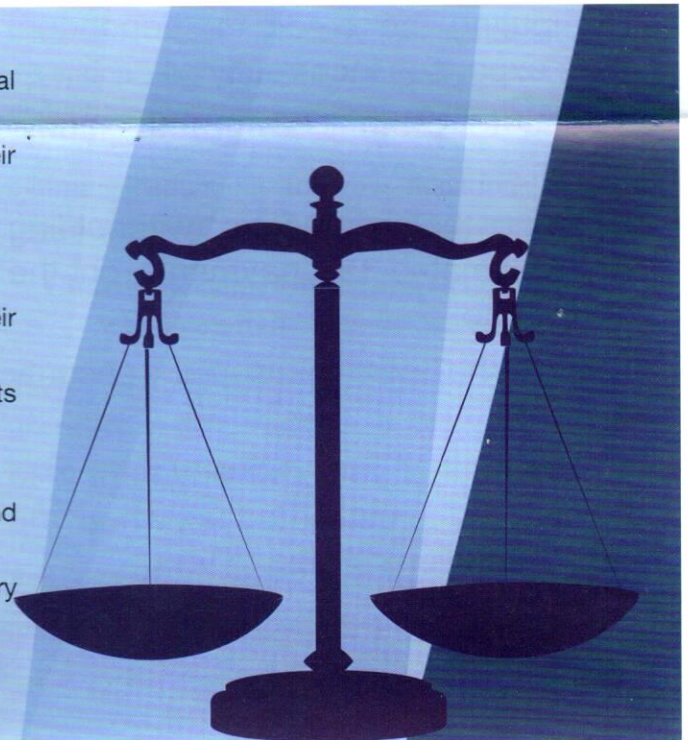
Contact our ministry if you have any questions.

ABOUT THE CHRISTIAN LAW ASSOCIATION

The Christian Law Association is a ministry of legal helps.

CLA serves through the following ways:

- Free legal defense of those facing difficulties for the Biblical faith
- Free legal counsel to churches and Christians for their ministries
- Legal seminars for ministries to help prevent lawsuits
- Preaching in churches across the country
- Legal books and other resources to inform Christians of their rights
- *The Legal Alert* radio program broadcast on over 1,300 outlets around the world
- Publication of a monthly newsletter, *The Legal Alert*
- Free legal consulting to local, state, and federal officials and legislators to provide maximum religious liberty
- Intercessory prayer ministry for requests sent to the ministry offices
- Free legal help to homeschooling families
- Prayer for our national leadership and government





- Pray for a school board member in **VIRGINIA** who called CLA because he needed advice to continue opening board meetings with a word of prayer against criticism.
- Please pray for church leadership in **OKLAHOMA** making decisions on volunteers after calling CLA to receive advice about how to handle negative background checks.
- Pray for a Christian in **INDIANA** who called our office for help seeking an accommodation from his workplace to have Sundays off in order to attend worship services.
- Pray for a **TEXAS** Christian who called CLA after he was reprimanded at his job for attending church on Sundays.
- Please pray for a church in **MISSOURI** who called our ministry for legal help as it considers the pros and cons of incorporating.
- Pray for a church in **MINNESOTA** that called for legal advice as it desires to correctly apply a housing allowance for staff members.
- Please pray for a Christian school in **NORTH CAROLINA** that contacted CLA for help as it weighs several legal issues pertaining to moral matters and healthcare coverage.
- Pray for a church in **FLORIDA** that needed legal guidance in the matter of its facilities being used by groups outside of the church.
- Pray for a church in **NORTH CAROLINA** that called CLA for legal help as it determines a policy for weddings in its facilities.
- Pray for a church in **FLORIDA** that contacted us seeking guidelines for enlisting volunteers to transport people to church.
- Pray for churches in **TEXAS, NORTH CAROLINA, DELAWARE,** and **WISCONSIN** that contacted CLA for legal advice as they decide about security measures to protect their membership.
- Pray for a street-preaching ministry in **FLORIDA** that called CLA hoping to minister publicly from the platform of an open truck.
- Pray for a person in **TENNESSEE** who contacted CLA after he was threatened with jail time for sharing the Gospel from house to house.
- Please pray for a believer in **CONNECTICUT** who contacted CLA for legal assistance after being prohibited from having religious items in a personal work space.
- Please pray for a **MICHIGAN** Christian who contacted our ministry asking for legal help as he desired to start a Bible club in a public school.

**HEAR MY PRAYER,
O GOD;
GIVE EAR TO THE
WORDS
OF MY MOUTH.
PSALM 54:2**