

Administrative Guidelines for A New Church Plant



A Step-by-Step Guide for Organizing a New Church

It is highly recommended that you do these steps in the order given. If you get one before another, it will not be devastating, but could possibly be more confusing.

A. Getting Set-Up

1. Register Church's Trade Name:

- a. Search business database
 - i. <http://www.sos.state.co.us/biz/NameCriteria.do> by entering the name of your proposed church in the field next to "Name Availability" and click on Search.
 - ii. If the name is available, follow the steps to register the church's Trade Name. You will need to pay the *fee required to secure this Trade Name.
- b. In the process of securing the Trade Name, you will be appointing an agent, who can be the church planter.

2. File for Non-Profit Incorporation

- a. State of Colorado Website
http://www.sos.state.co.us/biz/FileDocNameAvailCriteria.do?transTyp=ARTINC_NP
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 - i. Enter your registered Trade Name. The next screen you will complete the "Articles of Incorporation (non-profit corporation) and pay a *fee to file.
 - Requirements to complete this form are: Constitution and By-Laws/Mission Statement/Registered agent/Address/Dissolution Statement
 - ii. Certificate of Good Standing – When you have completed the previous form and paid the fee, print the Certification of Good Standing.
 - iii. The Yearly Update is required to keep the "Certificate of Good Standing.
 - iv. Whenever asked for the purpose of existence, **ALWAYS** answer "Religious Non-Profit."
**Fee The amount of fee is specifically not mentioned in this document as they may periodically change.*
- b. Reasons for incorporating:
 - i. Liability (Protects leaders and other entities)
 - ii. **Greater ease** in doing business (i.e. signing leases, establishing credit for supplies, opening bank account, owning property)
 - iii. **Greater ease** in meeting requirements for tax exempt status
 - iv. Creates greater independence.
- c. Annual Reports are required to be filed with the Secretary of State in order to maintain Certificate of Good Standing. **DO NOT LET THIS SLIP THROUGH THE CRACKS!**
 - i. The Annual Report includes any necessary changes. A *fee will need to be paid at the time of filing.

- ii. You can sign up for a reminder email from the Secretary of State to be sent when Annual Reports are due. **However**, mark your calendar to ensure you do not miss the deadline!

3. Federal Employment Identification Number (EIN)

- a. You will need to have your legal name established to get your Federal EIN.
- b. Complete Form SS-4 <https://www.irs.gov/pub/irs-pdf/fss4.pdf>
- c. The EIN is issued by Internal Revenue Service. There is **NO** Fee.
- d. The EIN can be applied online.

4. 501(c)3 Status – Non-Profit

(There are companies which would be glad to assist you in getting your 501(c)3, but it is extremely costly.)

- a. As a church plant, you can work under the 501(c)3 of your sending church.
- b. Once a decision to be have your own, you may do it two ways:
 - i. You can apply for your **own** 501(c)3
 - Legally registered church trade name
 - Approved constitution and by-laws
 - Incorporated church plant with the State of Colorado
 - Registered for Federal EIN (See 3b above)
 - ii. You can apply to be under the Colorado Baptist General Convention
 - In agreement with the Baptist Faith and Message 2000
 - Give to the CBGC through the Cooperative Program via mail remittance or online eGive.
 - Complete the online form at <http://ColoradoBaptists.org/churchplanting>
 - Complete the Annual Church Profile (ACP) after being registered with in the Southern Baptist Directory.

5. SBCID Number –

- a. If you completed the CBGC 501(c)3 Application Form, you should have received your SBCID # with the CBGC 501(c)3.
- b. If not, contact your CPC or email the Church Planting Team at CPMA@ColoradoBaptists.org or Tbachman@ColoradoBaptists.org.

6. Colorado State Sales Tax Exemption

- a. Prerequisites to apply for Sales Tax Exemption
 - i. Copy of 501(c)3
 - ii. Current copy of financial statements (Income/Expenses)
 - iii. Articles of Incorporation
 - iv. Certificate of Good Standing
- b. Complete DR0715 <https://www.colorado.gov/pacific/sites/default/files/DR0715.pdf>
- c. Complete DR0716 <https://www.colorado.gov/pacific/sites/default/files/DR0716.pdf>
- d. Mail the completed Forms 0715 & 0716 and the required documents to the address on the forms.

7. Mailbox and postal issues

- a. Rent a small box from a UPS Store or similar business
 - i. Safe place to receive mail. Avoid identity theft.

- ii. Consistent place for package delivery,
- iii. Cut down on advertisement to your home address.
- b. Standard Mail (formerly called bulk-rate mailing)
 - i. Check with the United State Postal Service (USPS) for best methods
 - ii. Bulk rate is for more than 200 pieces of mail 4 times per year
 - iii. Permit and Annual Fees may apply
- c. Non-profit Standard Mailing – Check with USPS for requirements, rates and other costs.

8. Checking Account

- a. Bank account should be in Church Plant's name
 - b. Do Not use your personal account
 - c. Sending (or local supporting) church can handle this for you, but as soon as the church plant is set up to handle financial issues, it should be transferred.
 - d. The Sending (or supporting) church should handle the church plant as a SEPARATE account unless they have a solid designated account system.
 - e. Requirements to open an account in the church plant's name
 - i. Incorporation papers
 - ii. Employee Identification Number (EIN)
 - iii. 501(c)3 paperwork
 - f. Banks that do not require 501(c)3*
 - i. TCF (Denver Metro and Colorado Springs area)
 - ii. Wells Fargo
 - iii. Citywide Bank
 - g. Banks that require 501(c)3*
 - i. Key Bank
 - ii. US Bank
 - iii. ANB Bank
 - iv. Chase
 - v. Integrity Bank & Trust
 - vi. People's National Bank
 - vii. Northstar Bank
- *Check with your bank of choice for specific requirements
- h. Check signers
 - i. Trustworthy individuals, who can physically travel to bank
 - ii. Not the Church Planter. He is an employee receiving much of the funds
 - iii. Two unrelated signers from your supporting church

9. New Hire Employee Reporting

- a. Employers are required to complete the New Hire Report within 20 days of hire
- b. Follow instructions on at this link
https://newhire.state.co.us/newhire/do/vfs/Frag?file=/cm:nh_home.jsp
- c. Frequency of filing will vary by your church situation. Refer to the New Hire Link for details.

10. Employee Records required for all Employees, including the pastor:

- a. Form W-4 Employee's Withholding Allowance Certificate
- b. Form I-9 Employment Eligibility Verification Proof of Identification is required.

- c. The church must maintain these forms.

11. Guidelines for handling finances DO NOT SKIP THIS STEP OR DELAY!

- a. Develop written policies. Without written policies you have no “safety net” in place to protect the church plant or the people working with the finances
- b. Always have two (2) unrelated people count the money
- c. Always have two (2) unrelated signers on the checking account
- d. Someone to verify checks/statements prepared by the bookkeeper

12. Ministry budget for prelaunch

- a. Start with a budget
- b. Form a board/team in the beginning
- c. Consider a percentage based budget since revenue flows may be inconsistent

13. Reimbursements

- a. Follow IRS guidelines for handling reimbursable ministry related expenses and housing/parsonage allowances. *The CBGC Finance Team as a Reimbursable Policy available.*
- b. Create an approved reimbursement plan. Even though the IRS will only require receipts for purchases over \$75, it is best practice to have receipts for all reimbursables.
- c. For the most current Minister’s Tax Guide, go to www.Guidestone.org

14. Housing Allowance

- a. Must be approved by the ruling body of church plant before the beginning of the year.
The CBGC Finance Team has a Housing Allowance form available.
- b. Items may include;
 - i. Rent/Home purchase
 - ii. Utilities
 - iii. Real Estate Taxes
 - iv. Insurance
 - v. Repairs and maintenance
 - vi. Improvements
 - vii. Furnishings
 - viii. Other justifiable expenses
- c. If living in a parsonage, Housing Allowance must be limited to the fair market rental value of comparable furnished homes in your area.

15. Self-employment Tax Exemption (opting out of Social Security)

- a. See Form 4361 for instructions and more information.
- b. <https://www.irs.gov/pub/irs-pdf/f4361.pdf>
- c. Seek counsel before you are opt out...*remember you are opting out of all Social Security benefits.*

B. Federal Tax Issues

Churches are exempt from Federal Income Tax.
Churches are exempt from filing Form 990.

1. **A minister may choose to withhold his own taxes.** All ministers must complete Form W-4
 - a. Minister should note their withholding on line 5, usually this is a set amount, ie \$200
 - b. Do not mark exemptions above line 6
 - c. If no taxes are to be withheld, mark line 6 with zero or write Exempt.

2. **All staff members must complete I-9 and Form W-4.** These forms should be kept in a safe secure site for employment records. They will not be filed with the IRS.
 - a. Form I-9 <https://www.uscis.gov/sites/default/files/files/form/i-9.pdf>
 - b. Form W-4 <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

3. **Any non-employees who receives payment for services must complete a W-9.** In the event of compensation received for the calendar year of \$600 or more, the church must file a Form 1099 Misc.
 - a. Form W-9 <https://www.irs.gov/pub/irs-pdf/fw9.pdf>
 - b. Form 1099 <https://www.irs.gov/pub/irs-pdf/f1099misc.pdf>

4. **Tax Filing/Payment**
 - a. Monthly
 - i. You are required to make monthly advance payroll tax deposits unless the total due is less than \$2,500 for the quarter. (If you miscalculate, a penalty may be assessed.) **Note:** A new organization or one filing payroll tax returns for the first time is required to file monthly until *look back* period is established, even if total due is less than \$2,500 for the quarter
 - ii. The monthly payments are required to be deposited by the fifteenth following the end of the month of payroll. You should set-up an account with Electronic Federal Tax Payment Systems (EFTPS). <https://www.eftps.com/eftps/>
 - iii. If an advance payroll deposit is required, the deposit for non-ministerial staff must include the church's part and the employee's part of social security and Medicare tax plus all Federal Taxes withheld and all taxes withheld for any ministers. (The church is responsible for the company portion of the non-ministerial staff's FICA and Medicare taxes (7.65%).
 - b. Quarterly
 - i. File Form 941 Employer's Quarterly Tax Return <https://www.irs.gov/pub/irs-pdf/f941.pdf>. Form 941 is due one month after the end of each calendar quarter [April, July, October, January]. Note: A 941 is not required if the only payroll is for ministerial staff **and** NO taxes are being withheld.
 - c. Annually
 - i. Each ministerial and non-ministerial employee who was paid any amount of taxable compensation for the year must be provided a Form W-2 by January 31st.
 - ii. Each non-corporate independent contractor who received \$600 or more for the year in payment of services rendered must be provided a Form 1099 Misc by January 31st.
 - iii. Church must file W-2 with a Form W-3 Transmittal to the Social Security and a Form 1096 Transmittal for 1099 must be filed to the IRS by February 28th. Employees have one month to report errors on their W-2s and Form 1099s.

- d. Resources – Churches should consult IRS Publication 15, Circular E, Employee’s Tax Guide for current employees withholding tables as well as current payroll deposit requirements

NOTE for Individual Income Tax Filing:

- When entering the Wages, Tips and other Compensation, do not include Housing Allowance.
- Paid Preparer is only completed if another person or entity has been employed to complete this form.

C. Contributions Records Start immediately and maintain weekly. Playing catch up is not a good position.

1. **The church must provide donors a Contribution Letter** within 31 days of the end of the year (January 31st).
2. **The following statement needs to appear on the Contribution Letter:** *No goods or services were provided to the contributor in connection with the contributions.*
3. **Non-Cash Contributions** - The church does not state the value of any non-cash donation. The receipt will have a description and quantity of items donated, but no value. See Publication 1771 for details.
4. **Acknowledgement of vehicle donation** is required to the donor within 30 days after the donation is given. Form 1098-C is required to be filed with the IRS by February 28th following the year of donation.
5. It is recommended you **keep your records for 7 years**...IRS can audit back 6 years.

D. Insurance Issues

1. **Companies which will insure churches:**
 - a. Church Mutual Insurance www.churchmutual.com
 - b. Brotherhood Mutual Insurance www.brotherhoodmutual.com
 - c. State Farm (check with a local agent – usually will not cover a trailer)
2. **Liability Insurance** – Get some! A \$1 million policy is approximately 500-600/year (trailer, if cover, will be more).
 - a. If your church is incorporated, you need liability insurance.
 - b. If you are incorporated under a partner church, you can be covered by their policy until you are incorporated. Your church must be specifically listed on their policy.
 - c. Malpractice Insurance **Important**
 - e. Screening Process for church workers
 - i. Establish a screen process that is regularly and uniformly applied to all personnel working with preschoolers, children, youth and developmentally disable adults.
 - ii. All volunteers should complete the application to work with children and youth. Some insurance companies may require screening policies.
 - iii. The church is liable, so ask the hard questions.
 - iv. If you don’t have policies, get them and follow them.
 - v. Volunteers must complete and sign the permission letter to obtain their background report.
 - vi. Conduct background checks for all church staff and the volunteer.

Note: This is one background company that CBGC uses Trak-1 <https://trak-1.com/>. Check online for other good background check companies. Keep in mind what information they gather and from where.

E. Miscellaneous

1. Contracts

In establishing the church, a variety of legal contracts – from purchasing equipment to leasing space to contracting certain services will need to be made. Make sure who is authorized to sign these contracts. Churches often have the trustees take this responsibility. Read all contracts carefully and clarify (in writing is a good policy) any unclear elements of the contracts. Never sign just your name to a contract; you will be obligating yourself to this contract. You should sign legal documents as “John Doe for XYZ Baptist Church.”

2. Weddings

In Colorado, Ministers of the Gospel of any denomination may perform marriages. Ministers must complete and return a marriage certificate to the clerk of the county within 30 days after the marriage.

3. Copyright Licensing

The church is responsible for copyright issues. One of the major areas of violation in the church is copied and projected music. If you project or print words for song, obtain a license from Christian Copyright Licenses International (CCLI). You may also need a CVLI License for showing video clips from CCLI. <http://us.ccli.com/>

4. Transfer of property and debt

In traditional settings, sometimes land is purchased and debt is encumbered by the partner church on behalf of the new church. At the time of constitution and incorporation, legal action needs to be taken to transfer the property and debt to the new church. When transferring property, it is best to include a reverter clause.