



Start**CHURCH**

# How To Make Your Church Sales Tax Exempt

*The complete know-how for your church!*

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# How to Make Your Church Sales Tax Exempt – Ohio

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## About the Authors

StartCHURCH, Inc is a company dedicated to meeting the needs of organizations that have a vision to make a difference in their communities through establishing new churches and ministries. We believe in helping those who feel called to leadership within the Body of Christ, and have designed our products to aid ministers in fulfilling the call of God on their life.

With the resources provided by StartCHURCH, now pastors and church boards can have an easier time establishing their churches, without having to deplete their precious resources on lawyers and CPA's. While these products are not designed to replace the counsel of a reputable lawyer or CPA, organizations can save thousands of dollars by simply following the steps that have been laid out for them. No minister should have to feel alone in his or her efforts to raise up a ministry. We, at StartCHURCH, are here to help you with the legal process involved so that you can focus more of your time on effectively reaching out to those around you and less of your time on confusing legal paperwork.

### Important Notice

The information in this publication is only a guide and is not intended to be legal advice in any way or form. This guide is meant to be used as a reference work only, in that it may or may not help you make informed decisions concerning your church. It is not to be used in replacement of or as a substitute for a lawyer or CPA. As always, you should seek the counsel of a competent lawyer or CPA. The authors and or publishers are not responsible for any legal repercussions, adverse effects or consequences resulting from the use of any of the information discussed in this publication.

## Introduction

Applying for the Sales and Use Tax exemption is one of the wisest decisions you can make in the legal establishment of your church. Depending on which state you live in, it is like receiving a 5.00% - 8.25% increase in your operating budget. All of the purchases or lease agreements that your church makes exclusively for its own purposes will qualify to receive this exemption. Here is a good example of what this means for your church. If a church in Akron, Ohio purchases a church van for the price of \$17,500.00, after calculating the sales tax the total price will be \$18,506.25. However, if the church uses an Exemption Certificate, it will not have to pay the sales taxes. It will save \$1,006.25. That is a substantial savings that can be used for other outreach ministries.

God has given His pastors and leaders stewardship of the finances that His people give each week to the Kingdom. It is by no means prudent to allow time to pass you by each day and not go through all of the steps in this book. We have eliminated all of the information that is not necessary and have created a book that will take you step-by-step through the entire process without burdening you with legal jargon.

There is one thing to keep in mind. You must be diligent to ensure that the Ohio Certificate of Exemption be used solely on the purchases or lease of items directly used or consumed in carrying on the customary non-profit activities of the church. Be careful to use it wisely and in accordance with the laws of the state of Ohio.

## Helpful Hints

There are certain icons with which you should become familiar. They contain pertinent information that relates to the topic being discussed. The icons are pictured below.



When you see this icon, you are being given a tip on how to do something that is being discussed.



When you see this icon, you are being given information that must be followed carefully.

## Adobe Reader® 8

Our products now take full advantage of Adobe Reader® 8. We've attached forms (which you can fill out, and save right on your computer) and other valuable documents to many of our manuals. The documents should show automatically each time you open your manual. However, if they do not, please follow the steps below to insure that your manual will open correctly.

1. Check to see that you are using Adobe Reader® 8 or higher.
  - a. Usually the version number is listed in the name of the program. This means that if you have an Adobe Reader® shortcut on your desktop or if you find Adobe Reader® in your program, it should say the version number immediately following Adobe Reader. i.e. **Adobe Reader 7** or **Adobe Reader 8**.
  - b. If the number is not shown in the name, simply open the program (or just open your manual). Then from inside of the program click **Help** then select **About Adobe Reader....**
  - c. If your version is not 8 or higher visit [www.adobe.com](http://www.adobe.com) and download the latest version of Adobe Reader® from their website for free.
2. If the attachments are still not showing
  - a. Click on the **paperclip icon** in the bottom-left corner of the window.
3. If you do not have a paperclip icon in the bottom-left corner
  - a. Go to **View**
  - b. Select **Navigation Panels**
  - c. Choose **Attachments**

## Part 1

### Recommendations

- **Articles of Incorporation or Constitution:** The Articles of Incorporation will serve as proof of your nonprofit status and it will also describe your church's purpose. If you are not yet incorporated, you can use our “**How to Incorporate Your Church or Ministry**” at [www.startchurch.com](http://www.startchurch.com). If do not wish to incorporate, then will be required to include a copy of your Organization’s Constitution.
- **FEIN:** Make sure that the FEIN you have reflects the same name of your church. I.e. if you have incorporated, make sure that the FEIN is registered with the exact same name that appears on your Articles of Incorporation. If you have not obtained an FEIN for your organization, you should check out “**How to Apply for the FEIN**” at [www.startchurch.com](http://www.startchurch.com).
- **Bylaws:** The constitution and bylaws serve as a method of proof that your organization is a truly bona-fide church. If you have not written your Bylaws, you should check out “**How to Write the Bylaws**” at [www.startchurch.com](http://www.startchurch.com).
- **IRS Determination Letter:** The IRS Determination Letter is additional proof of your nonprofit status. If you do not have an IRS Determination Letter you can use our “**How to Make Your Church or Ministry 501(c)(3)**” at [www.startchurch.com](http://www.startchurch.com).



The resources above and many others can be found at [www.startchurch.com](http://www.startchurch.com). Feel free to check in periodically for new product offers and updates!

## Part 2

Fortunately, for the state of Ohio, an honor system is used that does not require a complex application like some states require. This manual will focus on making you familiar with the state sales tax laws that are pertinent for your church and on showing you how to use an exemption certificate correctly in order that your church may make purchases without having to pay the sales and or use tax.

### What is a use tax?

Use tax is very similar to sales tax. The only difference is that the use tax is usually for items that are purchased outside the state of Ohio through mail order. Normally, when you buy something from a company that is located in another state, you are not charged sales tax. By law, when the product arrives to you by mail you must send to the state of Ohio the sales tax that you would have normally paid, had you bought it in Ohio. The good thing is that churches are also exempt from this tax. There are other scenarios in which the use tax comes into play; however there is no need to go into that right now.

### Sales tax numbers are not issued by the state of Ohio

Contrary to a popular myth, the state of Ohio does not issue sales tax exempt numbers. Churches and many other non-profits are automatically exempt from having to pay sales taxes on purchases they make that are exclusively used to further the exempt purposes of the organization. Anything from pianos to chairs, computers, paper supplies, communion cups and vehicles can be purchased.

## Part 3

### Exemption Certificates

The proper way to make purchases that are exempt from sales tax is to use one of several certificates that are available. Below is a description of each one as well as instructions on how to use them. Remember, you can only use an exemption when purchasing items that are solely for the use of your organization.

### Single Use Certificate of Exemption

You can use this certificate to make most of your purchases, with the exception of materials used for the improvement of real estate and the purchase of vehicles or watercraft.

A single use certificate expires after the first use. You would use this certificate at a store to which you do not expect to return within the near future.

### Blanket Certificate of Exemption

This is the most common certificate. You simply fill it out once, give it to the seller, and you're done. It is exactly the same as the single use certificate, except that it covers all purchases you make at that store from the day you complete the certificate forward.

If you are making a purchase from the same store, and you will be using the items for something else, you need to make sure you let the seller know and pay the appropriate tax.

### Multiple Points of Use Exemption

Use this exemption for any services or computer software that you receive electronically. Remember, you can send the seller an electronic copy of this form that they can then keep for their records.

### Construction Contract Exemption Certificate and Contractor's Exemption Certificate

This particular type of certificate is used to purchase materials for the construction or remodeling of any part of your church real property. This certificate is used when the church buys the materials itself.

However, if the church hires a contractor, he should use the Contractor's Exemption Certificate to make his purchases. You should make him aware of such certificate in case he does not already know about it, to avoid any

misunderstandings with the contractor. Remember, not all contractors are aware of this beneficial exemption that applies to churches.

## **Certificate of Exemption Regarding Sale of a Motor Vehicle**

This particular type of certificate is used if the church ever buys a van or any other type of motor vehicle, such as a bus, truck or passenger vehicle. If you buy it directly from a dealership, then the certificate is given to the dealer and the dealership submits it to the Clerk of Courts. It is their responsibility to submit it on your behalf (Ohio Administrative Code; 5703-9-10 Remittance of sales and use tax on motor vehicle and house trailer sales by clerk of courts).

If the church purchases it directly from an individual, then the church takes the title and the certificate to the Clerk of Courts and registers the vehicle without having to pay sales taxes.

We have attached the actual certificates that your church will use when making purchases to this document. Feel free to use them as often as you'd like. Make sure that you use the correct one when making a purchase.

## **Additional Information**

A total of six calendar days may be used throughout the year for selling items without having to collect sales taxes on the items sold. This means your church may, on six any six days, make sales without having to collect sales tax.

However, should there be any other days (a seventh or more) during which the church sells items, it must collect sales taxes on the items sold during each of the days that exceeded the six-day limit.

This rule does not apply to purchases that the church makes.

## **Final Word**

You now have all of the information that you need to make all of your purchases exempt from sales tax in the state of Ohio. Be careful to fill out the certificates correctly and to also use the correct one when making certain purchases. May there be blessings to you and the ministry that God has placed into your hands.

**A fillable application is attached to this document and may be accessed at the bottom of your screen or by clicking on the paperclip icon to the left in Adobe Reader® 8 (or higher). If you do not have either Adobe Reader® 8 (or higher) or the paperclip icon you please see the instructions under the Introduction section.**