

For Determining an organization can be a Satellite School

To be sure an organization is religious, start with the IRS Tax Exempt Organization Search to confirm 501(c)(3) status.

In the U.S., religious organizations, including churches, are not required to obtain 501(c)(3) status to operate as legitimate religious entities or to be recognized as such by the government or community. Many legitimate churches operate without ever appearing in the IRS Tax Exempt Organization Search database.

Under U.S. tax law, churches, synagogues, mosques, temples, and other religious organizations are automatically considered tax-exempt under Section 501(c)(3) of the Internal Revenue Code without needing to formally apply, as long as they meet the IRS's definition of a religious organization (e.g., having a distinct legal existence, recognized creed, and form of worship). This is unique to religious organizations, as other nonprofits (e.g., charities, schools) must apply for 501(c)(3) status.

All religious organizations must meet these foundational criteria:

- **Organized and Operated Exclusively for Exempt Purposes:** The organization must be organized (via articles of incorporation or bylaws) and operated primarily for religious, charitable, educational, or other exempt purposes. For religious organizations, the primary purpose must be religious in nature (e.g., worship, spreading a faith, or spiritual education).
- **No Private Inurement:** Profits or benefits cannot primarily serve private individuals (e.g., founders, leaders) but must support the organization's religious mission.
- **No Substantial Lobbying:** The organization cannot engage in substantial political lobbying or campaign activities.
- **No Illegal Activities:** The organization's activities must not violate public policy or law.

The IRS doesn't mandate a single definition but often refers to a set of 14 criteria (commonly associated with churches) to assess whether an organization qualifies as religious. While not all criteria must be met, the more an organization satisfies, the stronger its case.

- **Distinct Legal Existence:** The organization must be a legally recognized entity (e.g., corporation, association, or trust), typically established under state law.

Articles of Incorporation or Bylaws: These must state a religious purpose (e.g., "to promote Buddhist teachings" or "to worship God through Christian services").

- **Recognized Creed and Form of Worship:** The organization must have a defined set of beliefs or doctrines (e.g., Christianity, Islam, Buddhism) and regular practices of worship (e.g., services, prayers, rituals).
- **Definite and Distinct Ecclesiastical Government:** A structured leadership or governance system, such as a board, clergy, or elders, often with religious authority.

- **Formal Code of Doctrine and Discipline:** Written or understood rules guiding religious practices and member conduct.
- **Distinct Religious History:** A history or tradition tied to a religious movement or denomination (e.g., Catholic, Baptist, Jewish).
- **Membership Not Associated with Any Other Church or Denomination:** For independent organizations, a unique membership base, though some may be part of larger denominations.
- **Organization of Ordained Ministers:** Leaders (e.g., priests, rabbis, imams) trained and ordained within the religious tradition.
- **Literature of Its Own:** Religious texts, publications, or materials (e.g., bulletins, hymnals, or doctrinal writings).
- **Established Place of Worship:** A physical or virtual space for regular religious services (e.g., a church building, temple, or online worship platform).
- **Regular Congregations:** A group of individuals who gather consistently for worship or religious activities.
- **Regular Religious Services:** Scheduled worship or spiritual events (e.g., Sunday services, daily prayers).
- **Religious Instruction for Youth:** Programs like Sunday school, youth groups, or religious education.
- **Schools for Training Religious Leaders:** Seminaries or training programs for clergy, though not always required.
- **Community Recognition:** The organization is acknowledged locally or within a faith community as a religious entity.

To verify if an organization meets IRS criteria for a religious organization:

- **IRS Tax Exempt Organization Search** (www.irs.gov/charities-non-profits/tax-exempt-organization-search): If the organization has formal 501(c)(3) status, it may appear here, though many churches don't due to their automatic exemption.
- **Review Documents:** Check the organization's website or request their articles of incorporation, bylaws, or mission statement for a religious purpose and evidence of the 14 criteria (e.g., creed, worship, clergy).

For Determining if an organization in TX qualifies for not being charged sales tax. (Selling manuals to organizations)

As a 501(c)(3) religious organization in Texas looking to sell manuals to other religious organizations without charging sales tax, you need to ensure that the purchasing organizations qualify for a Texas sales tax exemption as religious organizations and that the transaction meets specific criteria under Texas tax law. The IRS criteria I previously outlined (e.g., distinct legal existence, recognized creed, regular worship) are relevant for determining whether an organization qualifies as a religious organization for federal tax-exempt purposes under Section 501(c)(3). However, Texas has its own rules for granting state sales tax exemptions to religious organizations, which are distinct but overlap with IRS standards.

In Texas, religious organizations can be exempt from paying sales tax on taxable items they purchase, and they can sell certain items tax-free to other exempt entities, provided specific conditions are met. The Texas Comptroller of Public Accounts oversees these exemptions. Here's what you need to know:

1. Texas Criteria for Religious Organizations to Qualify for Sales Tax Exemption

Texas law defines a religious organization for sales tax exemption purposes similarly to the IRS but with state-specific requirements. To qualify as a tax-exempt religious organization in Texas, the organization must:

- **Be an Organized Religious Group:** The organization must be an established entity (e.g., church, synagogue, mosque, or temple) with a primary purpose of conducting religious worship and activities.
- **Hold or Be Eligible for Federal 501(c)(3) Status:** The organization must either:
 - Have a valid IRS 501(c)(3) determination letter designating it as a religious organization, or
 - Meet IRS criteria for religious organizations (e.g., distinct legal existence, recognized creed, regular services, ordained ministers) if it hasn't formally applied for 501(c)(3) status. Texas accepts the IRS's 14 criteria (as outlined previously) to assess eligibility.
- **Be Affiliated with a Recognized Religion:** The organization must be part of a religion recognized in Texas or the U.S., with a history of worship practices. This includes traditional faiths (e.g., Christianity, Islam, Judaism) and non-traditional groups (e.g., Scientology, Wiccan communities) that meet the criteria.
- **Conduct Regular Religious Activities:** The organization must hold regular worship services, religious education, or rituals (e.g., Sunday services, daily prayers, or meditation sessions).
- **Not Be Primarily a Commercial Entity:** The organization's primary activities must be religious, not for-profit or secular (e.g., selling manuals cannot be the main focus).

Source: Texas Tax Code Section 151.310(a)(1) and Texas Comptroller's Publication 96-1045, "Tax Exemptions for Nonprofit Organizations" (www.comptroller.texas.gov/taxes/publications/96-1045.php).

To sell manuals to other religious organizations in Texas without charging sales tax, you must confirm that each purchasing organization is eligible for a Texas sales tax exemption. Here's how to verify:

- **Request a Texas Sales Tax Exemption Certificate (Form AP-204):**
 - The purchasing religious organization must provide you with a completed **Texas Sales and Use Tax Exemption Certificate** (Form AP-204), available at www.comptroller.texas.gov/forms/ap-204.pdf.
 - This form certifies that the organization is exempt from sales tax as a religious organization under Texas Tax Code Section 151.310. It must include:

- The organization's name, address, and Texas Taxpayer Number (if applicable).
- A statement that the organization is a religious organization engaged in religious activities.
- The signature of an authorized representative.
- You must keep this certificate on file for each customer to document why you didn't collect sales tax, in case of an audit by the Texas Comptroller.

You do not charge *Texas sales tax* for sales to religious organizations outside Texas, as the sale occurs outside Texas's taxing jurisdiction. However, you may need to collect *the purchaser's state sales tax* if:

- You have a **nexus** in their state (e.g., exceeding economic thresholds like \$100,000 in sales).
- The purchasing organization does *not* provide a valid state-specific exemption certificate confirming their tax-exempt status as a religious organization.

If the purchaser provides a valid exemption certificate (e.g., California's CDTFA-230-M) and the manuals are for religious purposes, the sale is **tax-free**, regardless of nexus. Without an exemption certificate, you must charge the purchaser's state sales tax if you have nexus there.

Verify the Purchaser's Tax-Exempt Status:

- Request a state-specific **sales tax exemption certificate** from the purchasing religious organization. Examples:
 - California: Form CDTFA-230-M.
 - Florida: Form DR-14.
 - New York: Form ST-119.1.
- The certificate should confirm their status as a religious organization and that the manuals are for exempt purposes (e.g., religious activities).
- Optionally, verify their 501(c)(3) status via the **IRS Tax Exempt Organization Search** (www.irs.gov/charities-non-profits/tax-exempt-organization-search) or check their religious activities (e.g., website, X posts) using the IRS's 14 criteria (creed, worship, services) to ensure they meet the state's religious definition.