

April 2017

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Recommended Citation

(1976) "Questions to George Reed, John Myers and Andrew Parker," *The Catholic Lawyer*. Vol. 22 : No. 3 , Article 15.

Available at: <https://scholarship.law.stjohns.edu/tcl/vol22/iss3/15>

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QUESTIONS TO GEORGE REED, JOHN MYERS AND ANDREW PARKER

Q. Edward McDonough. Salt Lake City. I think I heard Mr. Myers say that the filing of a 990 would toll the statute. Wouldn't it rather be that the filing of a 990 by an organization with sufficient information to alert the Revenuers that a 990-T might have been due would commence the running of the limitations period, rather than toll the running of the limitations period with regard to the 990 and income that tax might have been due thereon?

A. Yes, it doesn't toll the statute. I misspoke. You are correct.

Q. Mike McNamara from Atlanta. In Atlanta, each of our parishes is not separately incorporated. In this case, can we file a consolidated or a joint 990 and 990-T. And, if so, how would this affect the \$1,000 exemption on gross receipts?

A. I am sure you can file a joint or consolidated return. I do not know what procedures you have got to go through. I am also satisfied it does not affect your \$1,000 per parish exclusion.

Q. Andy, would you want to try that one?

A. Mr. Parker: The comment I would have here relates to an observation that I have heard Father Whelan make before. He said he believes that the Church would like to follow sort of a consolidation policy with respect to the filing, but he indicated that he would like for those questions to be referred here to the Washington office because while you like to be consolidated for some purposes, there are other purposes in which you like to remain very separate and distinct. So I think this is a policy question which you might want to clear through the Washington office.

That's a good suggestion. Just as a matter of observation, could you imagine preparing a return for all of the organizations that come under the Group Ruling? That's what you have to do. All of the organizations' information would have to be included in that one return.

Q. I'm Francis O'Connor, from Dubuque, Iowa. My question relates to both the preparation of the 990 as well as the 990-T and how it relates to the treatment of contributed services by monks, priests and sisters, as to whether the value of the contributed services is to be reflected in the Form 990 or ignored? And if it is to be treated one way in the 990, do you have a recommendation to treat it the same or differently in the 990-T?

A. Mr. Reed: Francis, in that connection, take for example a hospital. If you have a contract between the hospital and the mother house, in which the mother house agrees to send Mr. X, Y and Z to the hospital on a contract basis, it should not be considered compensation by the government; it should not be considered compensation when you are filing the Form 990. This is something we will have to work out with the government. We do intend to establish a committee to review this specific problem in depth.

Mr. Myers: I do certainly think it is an expense. I do at this time report it as an expense, but as George said, not as compensation, but as a special item of expense.

Q. I have a very specific question. You have mentioned the Philadelphia

Service Center as the place to obtain forms. By the way, I am Jack Welsh from Jackson, Mississippi. Do people in other parts of the country deal with other Service Centers, I expect they probably do.

A. Yes, you can get the 990-A and the instruction sheets for them and the 990-T and the instruction sheet for it from any local office. This packet is a packet that is sent out to people who are already reporting and that is why it is difficult to get. What you see here is all the National Office has. There was nothing here in the local office. I am just saying if you want this particular packet because it seems to be useful until you start filing returns, I do not think you can get it anywhere but Philadelphia.

Q. Bernard Huger from St. Louis. If you fail to get your way with the Department of Treasury on integrated auxiliary and church definitions, would you stop there, or would you recommend going on and possibly taking this to court and fighting the battle there?

A. Mr. Reed: That, Bernard, would depend on what the ultimate regulation is. I am sure it will involve litigation. There is no doubt about it. For example, many organizations are committed to the proposition that certain agencies are an essential part of the Church. Take the Seventh Day Adventists. They take a flat position that every hospital is a part of the Church, and it is a violation of the first amendment to require them to file. The Baptists with whom we have discussed this issue talked the same way. If they are required to file, some of these organizations consider it an aspect of unconstitutional entanglement and would litigate. Now, if they exclude parochial schools entirely from their definition of the term "church" or from "integrated auxiliaries of the church," we would go all the way.

Q. Do you consider this to be a litigational type of issue, the definition of a "church"?

A. Mr. Reed: A related issue had been litigated before in connection with the Christian Brothers which involved the definition of the term "church."

Q. Another question of the other panelist, if you don't mind. In relation to the group filing of a 990 or 990-T, I am not quite sure how that works, if you could go over it again. If you had this type of factual situation of a single corporation operating let's say schools or hospitals, several under one corporation, and it is time to file a Form 990, do you get separate employer identification numbers; do you file one 990 and put everything in there?

A. Correct me if I am wrong, but I think you have to get a group ruling similar to that that the Catholic Church has.

Q. It is not a group; it is one corporation.

A. Well, if you've got one corporation, are the separate entities within it corporations themselves?

Q. They are not corporations themselves; they are one corporation.

A. Well, then you file one return.

Q. Even though they might have several identification numbers, it's got to be one return?

A. One return.

Q. Fabian Osowski, New Mallory Abbey, Dubuque, Iowa. I have a question for Mr. Parker. Regarding acquisition costs, particularly of land, say a religious order has obtained land in 1860 at the value of \$1.25 an acre. Then, subsequently, part of that land has been used for what possibly might be classified as unrelated

trade or business. Then there is part of that land sold. I'm under the assumption that you can pick up as an acquisition cost the value of the land at the time of the introduction of the Internal Revenue Code. Is this correct? March of 1913?

A. Yes, that's basically correct but let me mention that as long as the property is not debt-financed property, such that the sale or exchange of it would give rise to capital gains, the capital gains under those circumstances are not subject to this tax.

Q. I'm John Kearney from Brooklyn. Is there any indication that a cemetery operated by a diocese or a parish is likely to be held an unrelated business? There was something said about that earlier today.

A. Mr. Reed: In response to that question, John, on page 71 of the Senate Finance Committee Report in 1969, in connection with the Tax Reform Act, it specifically states that a cemetery will not be considered an unrelated business activity.

Mr. Krasicky: We've come to the end of this portion of our morning program. And I know I speak on behalf of every one of you when I express appreciation to George, and Jack, and Andy for their participation today. They've set us all off on a challenging problem which I think we'll all be working on for a long period of time and I know that it's been a big help to us and we want to thank them very much.