**Private Letter Ruling**

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| **Ruling Number:** | **P-1999-150** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Charitable organizations composed of churches, businesses, and lay persons that are separately incorporated.** |
| **Keywords:** |  |
| **Approval Date:** | **07/12/1999** |

**Body:**

Office of Policy and Research  
  
  
July 12, 1999

XXXXXXXXXXXXXXXXXXX  
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XXXXXXXXXXXXXXXXXX  
  
  
  
XXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXX  
  
  
  
Dear XXXXXXXXX:  
  
I have been asked to respond to your letter dated December 11, 1998. In it, you ask if your client qualifies as a religious organization for purposes of Kansas sales tax.  
  
In your letter you stated:

This law firm represents XXXXXXXXXXXXXXXX XXXXXX. Our client requests a Private Letter Ruling from the Department of Revenue (“Department”) pursuant to K.A.R. 92-19-59, interpreting statute K.S.A. 79-3606(aaa) and the corresponding regulations with respect to XXXXXXXXX.  
  
Specifically, XXXXXXXXX requests the Department to clarify whether XXXXXXXXX is a “Religious Organization” as defined by the statute and regulations.  
  
I first summarize the organizational structure of XXXXXXXXX. Second, an overview of the mission and purpose of XXXXXXXXX is presented.  
  
XXXXXXXXX is a separately incorporated, non-profit Kansas corporation. XXXXXXXXX was formed by the XXXXXXXXX The members of XXXXXXXXX are XXXXXXXXX. XXXXXXXXX.  
  
XXXXXXXXX is recognized as a Section 501(c)(3) tax exempt entity by virtue of the Internal Revenue Service’s group ruling for all XXXXXXXXX entities within the XXXXXXXXX. Enclosed are a copy of the group ruling letter from the Internal Revenue Service as well as a copy of XXXXXXXXX Articles of Incorporation and Bylaws.  
  
XXXXXXXXX in Kansas. The XXXXXXXXX is a district within the State of Kansas composed of XXXXXXXXX. Each of these Churches conducts religious worship services on a regular basis. XXXXXXXXX exists solely to reflect gospel values, that is to implement those tenants of the XXXXXXXXX faith that speak to caring for the poor, hungry, disabled, sick, troubled, etc. XXXXXXXXX mission and service are faith-based. XXXXXXXXX allows the XXXXXXXXX to carry out this mission in a more organized fashion than if left to each individual parish or group of worshipers.  
  
XXXXXXXXX  
  
XXXXXXXXX

Kansas sales tax law exempts “all sales of tangible personal property and services purchased by a religious organization which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code, and used exclusively for religious purposes. . .” K.S.A. 79-3606(aaa).  
  
For purposes of the Kansas retailers’ sales tax act, the term “religious organization” means any organization, church, body of communicants, or other group that gathers in common membership for mutual support and edification, in piety, worship, and religious observance, at an established place of worship which the organization maintains for the purpose of conducting regularly scheduled religious services or meetings, and of which no part of the net earnings of such organization inures to the benefit of any private shareholder or individual member. *Notice 98-05; See K.S.A. 79-4701(e); K.S.A. 8-1730a.* An organization that is composed of religious organizations may derive exemption from its members if all of its members are themselves exempt religious organizations and the derivative organization is organized and operated exclusively to assist its member organizations in carrying out their religious purpose. Such an organization must itself be exempt from tax under I.R.C. §501(c)(3). *Notice 98-05; See Trustees of The United Methodist Church v. Cogswell, 205 Kan. 847 (1970).*  
  
Charitable organizations that are composed of churches, businesses, and lay persons are separately incorporated organizations that are not composed exclusively of churches or other religious organizations, but include lay people and businesses. Therefore, these groups do not qualify as a religious organization for purposes of the exemption extended at K.S.A. 1998 Supp.79-3606(aaa).  
  
Your organization’s Amended Bylaws state in XXXXXXXXX., regarding membership “Any other eligible person may become of a member of the corporation. . .”  
  
It is the opinion of the Kansas Department of Revenue that your organization does not meet the necessary criteria to be a religious organization exempt pursuant to K.S.A. 79-3606(aaa).  
  
This is a private letter ruling pursuant to K.A.R. 92-19-59. It is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to an accurate determination by the department, this ruling is null and void. This ruling will be revoked in the future by the operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or published revenue ruling, that materially affects this private letter ruling.  
  
Sincerely,  
  
  
Mark D. Ciardullo  
Tax Specialist  
  
  
MDC  
  
  
**Date Composed: 07/15/1999 Date Modified: 10/11/2001**