

Diocese of Covington

Policies & Procedures Manual

Section: Compliance – Laws and Regulations

Policy: Federal and State Taxes



Federal Taxes

The diocese, its parishes, agencies and other institutions are considered exempt organizations by both the Federal government and the Commonwealth of Kentucky and are therefore exempt from paying Federal and State income tax. However, non-charitable business income, such as income from advertising and rental of personal property are not exempt and should be reported to the Diocesan Finance Office.

State Taxes

Sales Tax – The Commonwealth of Kentucky exempts charitable organizations from paying and collecting sales tax. Purchases for charitable related activities should be accomplished by the sales tax exemption certification with the tax exempt number clearly identified. Forms can be obtained from the County Clerk's office or the Diocesan Finance Office.

The collection of sales tax on items sold by churches **is** required as with any other retailer. The collection of sales tax on items sold by schools, school sponsored clubs, organizations, affiliated groups, PTO's, boosters **is not required provided that the net proceeds** from such sales **are used solely** for the benefit of such **schools** or their students. This would include tax on festival food sales, admission tickets to plays or sporting events, booster sales of beverages and food, candy, snacks, fund raising, sales of foods, gifts, wrapping paper, etc. **In order to be exempt from sales tax, the net proceeds of these types of sales must go to the support of the school or its students.** In order to clearly indicate this support, it is suggested that regular payments be made from their accounts to the school.

Property Tax – Any property owned by a parish or school that is not used for religious or educational purposes will be subject to property tax by the county and town in which it is located. Rental or other such property used for non-charitable purposes will be subject to real estate tax.

Each Parish and/or school is responsible for filing for the property tax exemption for their parish by following the requirements of the Kentucky Revised Statutes. Those statutes require that an application be completed with all pertinent information needed for a determination of the proper tax exempt status of the parcel in question. The application form can be obtained from the Commonwealth's website by [clicking here](#).

Any inquiries by any governmental taxing agency such as the IRS or the Kentucky Revenue Cabinet are to be referred to the Diocesan Finance Office or the Chancery. The individual diocesan entity receiving such an inquiry shall not make a response without prior consultation with the parish.