



SOUTHERN BAPTISTS OF TEXAS  
FOUNDATION

# Curtis Boozer, DMin

- Worked as a CPA in public practice, specifically serving churches
- Served as the CFO for manufacturing enterprises and as President before call to ministry – turnaround specialist
- Served in industry for 25 years
- Served as the Exec. Pastor to two multi-site mega churches for the past 15 years
- Studied at Texas A&M, Southwestern Baptist Theological Seminary and Rawlings School of Divinity, Liberty University

# Church Taxes

- The good news is that Churches are tax exempt by definition from federal taxes
- Unfortunately, there are a few areas where a Church can have taxable activity with taxing agencies

# Types of Taxes

- Unrelated Business Income Taxes
- Property Taxes – Real Estate or Royalty Related activities
- Sales Taxes

The good news is that with proper planning you can avoid activities that fall into the taxing authorities oversight

# Unrelated Business Income Tax (UBIT)

- Common examples of potentially taxable activities:
  - Church-run coffee shop, book store sales of nonreligious items, parking lot fees to public, advertising income, rental income from debt-financed property, certain paid services to the public.
- IRS requires the Church to file a 990-T if gross income exceeds \$1,000 per year
- No blanket percentage — exemption depends on the type of income.

# Practical Risk-reduction Steps:

- Track income streams separately; maintain solid records and allocations.
- Limit frequency/scale of commercial activities, use volunteers when feasible.
- Consider separate taxable entities (a separate for-profit subsidiary) for large commercial operations.
- Consult a tax advisor experienced in nonprofit/faith-based tax law before starting or expanding activities likely to generate UBI.

# Property or Royalty Related Taxes

- Real property used for religious worship in Texas is generally exempt from local ad valorem (property) taxes. Property used for commercial or unrelated purposes can be taxable.
- Royalty receipts (for example, oil & gas royalties from church land) are not subject to Texas property tax, but they are taxable income for the recipient for federal tax purposes (and may be unrelated business taxable income (UBIT) for a church).
  - Royalties and federal tax: royalty income is income — evaluate for UBIT and federal tax reporting
  - If significant, consider creating a separate taxable entity.

# Sales Taxes in Texas

- Sales of taxable tangible personal property or taxable services to the general public (for example, selling goods, charging admission, or running a commercial concession), are generally subject to Texas sales tax unless a specific exemption applies.
  - Exemptions:
    - Meals and many food products sold by a church or at a church function are nontaxable (Church Coffee Shop on location)

# Church Bookstore

- Items will be subject to Sales Tax
- Can sale for cost, but any “profit” makes the sale subject to sales tax (i.e., Church logo-bearing apparel)

# Activity Fees

- Be careful to consider cost of activity before setting a price that generates a surplus

Q & A



844.351.8804

[cboozer@sbtxasfoundation.com](mailto:cboozer@sbtxasfoundation.com)