

TAX EXEMPT STATUS

FEDERAL

The Diocese of San Diego, its parishes, schools and agencies (“the Diocese”) have been granted an exemption from *federal* income tax and *federal* unemployment tax under a group ruling given to the United States Catholic Conference. In its ruling, the IRS held that the “the agencies and instrumentalities and all educational, charitable, and religious institutions operated, supervised or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the *Official Catholic Directory* 1946, are entitled to exemption from federal income tax under the provisions of section 501(c)(3) of the 1986 Code” as well as the tax imposed under the Federal Unemployment Tax Act (FUTA). A copy of the group ruling as well as a copy of the letter from the Office of the General Counsel outlining the ruling and other important tax related issues is available on the diocesan finance website at <http://www.diocese-sdiego.org/> or the USCCB website at <http://www.usccb.org/ogc/> (click on group ruling).

STATE

The state of California Revenue and Taxation Code provides an exemption from state income tax for entities and activities that are exempt from federal income tax under 501(c)(3) of the Internal Revenue Code. Our local assessor also provides an exemption from property tax for exempt organizations that are using property for exempt purposes. The Diocese of San Diego has filed for and has been granted exemptions from both of the aforementioned taxes under the conditions provided for under those rulings.

The Diocese of San Diego is not, however, exempt from California excise (sales) tax. Purchases made by the Diocese are subject to tax even though we are engaged in charitable activities. In addition, our exemption does not cover use tax. Sales made by the Diocese are generally subject to tax even though the proceeds from fund-raising sales may be used for philanthropic purposes (see the “Sales and Use Tax” summary on the diocesan website or access the Board of Equalization’s publication 18 at <http://www.boe.ca.gov/pdf/pub18.pdf>). Finally, the Diocese of San Diego is not exempt from state unemployment tax.