



# IOWA ANNUAL CONFERENCE



## TREASURY NOTES

November 2008

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### Independent Contractor and Sales Tax

Recently our office was made aware of a situation in one of our churches where a member who is retired had been doing some janitorial and lawn care work for the church. The church was treating this service as an independent contractor. This person recently received a notice from the Iowa Department of Revenue that he owed sales tax going back several years for the services he provided to the church. Of course this came as a shock to both the person and the church.

I have asked some people in the legal profession for their opinion about this issue. Basically, they all agree. It appears that if a local church is hiring a church member to do some janitorial work or lawn care for the church on an independent contractor basis (that is, the church is not considering him/her an employee and is not performing withholdings for tax purposes from their wages), the person performing the service is subject to Iowa sales tax. The person cleaning the church or mowing the lawn as a contract employee should collect sales tax for their service and pay the sales tax to the Iowa Department of Revenue.

The Iowa Sales and Use Tax: Taxable Services Guide states that "Iowa sales tax is due when a taxable service is rendered, furnished or performed." Within the list of 76 taxable services, janitorial and building maintenance or cleaning, landscaping, lawn care, and tree trimming and removal are included.

The Iowa Administrative rules in its definition and scope of applicable services for sales or use tax purposes states, "persons engaged in the business of" as used herein shall mean persons who offer the named service to the public or to others for a consideration whether such person offers the service continuously, part-time, seasonally or for short periods."

An argument can be made with regard to lawn care services that sales tax may not be payable if

the person is not "engaged in the business of lawn care." In the case of a person who is not offering to do lawn care to the public or others, and is just doing it for the church, it appears such service may not be taxable. However, the Iowa Department of Revenue has not made that determination and it will need to be decided probably by an appeal and maybe a court. However, it is very clear if the person is caring for the church lawn and other peoples' lawns as well, the sales tax would apply.

With regard to janitorial services, however, the regulations appear to be broader in scope and if any kind of janitorial service is provided for consideration, it appears to be subject to sales tax unless performed in a private residence or in conjunction with new construction or reconstruction of a structure.

I do not know how prevalent this kind of independent contractor janitor situation may be within churches of the Iowa Annual Conference but I thought it was worth bringing to your attention.

### Another Sales Tax Issue

Often our office is asked if a church is exempt from paying sales tax. The Iowa Sales and Use Tax: Taxable Services Guide listing exempt entities states "Services provided to the following entities are exempt from sales and use tax: Iowa private nonprofit educational institutions, the federal government, Iowa governmental subdivisions, Iowa government agencies, certain nonprofit care facilities, nonprofit museums and nonprofit legal aid organizations. However, **SERVICES PROVIDED TO MOST NONPROFIT ENTITIES, CHURCHES AND RELIGIOUS ORGANIZATIONS ARE USUALLY TAXABLE.**" (*Emphasis the treasury notes editor*)

Thus, churches are to pay sales tax when purchasing items or services. However, churches do not have to collect sales tax for casual sales of items in which the money raised is used to support the mission of the church.

### 2009 Church Officer Forms

If you have already had your charge conference and turned in your forms - Thank you!! If you have not had your charge conference, please remember to mail in the top copy of the three part form to Jill Stanton and turn in the second copy at your charge conference.

As the information is being entered, it has been noticed that many forms are being turned in without the name of your lay member on the form. This is very important information. **Please turn in the name of your lay member to annual conference.** This will save phone calls to you later. Thank you!!

### Make Checks Payable

Throughout the course of a year there are many events held by various agencies of the conference that may collect fees. All checks should be made payable to the "Iowa Annual Conference of the United Methodist Church" and not to a particular event. The memo section of the check is where the event can be identified.

### 2008 Remit Forms Due Date

January 8, 2009 is the due date that remittance forms must be received in our office to receive credit towards your 2008 apportionments. Any 2008 apportionments received after that date will be credited to 2008 but will show on your January 2009 statement as "Prior year apportionments paid."

### 2009 Retirees Health Insurance Rates

Traditional Medicare Supplement New rates will be \$60.30 per month per person or \$723.60 per person yearly. There are some retirees who pay a higher rate due to the fact that their years of service were less than required. These individuals will need to increase their rates by 2.4%.

### Medicare Advantage Plan

New rates will be \$153.33 per month per person or \$1,839.96 per person yearly. As stated above if you do not have the years of service as required by legislation, you will need to increase your rates by 35.6%.

### A REMINDER

You will be receiving your **open enrollment packets** by the end of the first week in November. These packets include a health insurance change form if you wish to change to a different plan for 2009 please send that form back by November 15, 2008.

The packets also include the Flex, HSA and HRA enrollment forms. It is very important to open and complete all necessary forms and return to our office by November 30, 2008. Please share this information with your lay employees who regularly works 21 hours or more per week. Please make copies for them if they wish to enroll. The enrollment forms need to be returned to our office by November 30.

Also, included is a Before/After Tax Contribution form which you will need to complete if you are changing your contributions to your personal UMPIP Plan for 2009. If you change your contribution for 2009, you will need to complete the form, have your treasurer sign it and send a copy to our office so that we can make the necessary changes at the GBOPHB before December 15, 2008 so that your billings from the GBOPHB will be correct for your January 2009 billing. Please call or email Betty Palmer at (515) 974-8921 or [betty.palmer@iaumc.org](mailto:betty.palmer@iaumc.org).

### October Receipts

On behalf of the ministries that are supported by the apportionment funds, I want to thank you for your continued support. The apportionment receipts for October are again higher than the year 2007 and the four year average. Your efforts in meeting the covenant each United Methodist Church has with every other United Methodist Church is being fulfilled by your faithful payment of our shared ministry. Thank you for all the efforts you make to be in ministry and mission beyond your local community.

	2007	4YR AVG	2008 October
General Church	1,198,234 51.80%	1,146,261 49.88%	1,625,790 66.83%
Conference Ministries	5,980,121 59.10%	5,646,189 57.23%	5,806,954 57.43%
Conference Missions	1,525,520 51.37%	1,395,157 49.33%	1,614,332 51.52%
<b>Total Apportionments</b>	<b>8,703,875 56.51%</b>	<b>8,187,606 54.61%</b>	<b>9,047,076 57.71%</b>

*Give thanks with a grateful heart....*

