

Diocese of San Diego

POLICY ON PROHIBITING CERTAIN FINANCIAL INCENTIVES

A growing number of corporations and commercial enterprises are offering financial incentives to parishes, schools and diocesan institutions. These offers pertain to various telephone services, private insurance packages, household and personal products, banking services, credit cards and the like.

Any form of express or implied endorsement or promotion of a commercial enterprise or its product or service which encourages parishioners or other constituents to purchase the goods or services puts the parish, school or institution in the position of favoring one business over another for commercial benefit. This includes announcements, meetings, letters, sharing of mailing lists or other arrangements. A parish, school or institution that accepts these incentives risks being subject to unrelated business income tax liability as determined by the Internal Revenue Service.

In some situations there may even be conflicts of interest, such as the case where an employee, volunteer, or council/board member also works for the commercial enterprise involved. It is important that the Church remain above reproach in connection with the business affairs of others.

In addition, in the event of a customer's dissatisfaction or consumer complaint with respect to the product or service, or if any harm comes to an individual as a result of the product or service that was "endorsed by the Church", the parish, school, or institution, and the diocese could be faced with adverse publicity and possibly even lawsuits.

More importantly, however, the diocese and its parishes, schools or institutions must avoid any perception that the Church is "for sale". **Therefore, involvement with such programs is hereby prohibited.** This prohibition has the support of the diocesan Office for Civil Affairs as well as the Office for General Council of the United States Conference of Catholic Bishops.

There is nothing wrong with a company or any vendor publicly or unilaterally announcing (e.g. through a television or radio ad or parish bulletin advertisement) that it will voluntarily remit a percentage of sales to a charity. Nor is there anything wrong with a company donating, on an unconditional basis, money, goods or services for an event and for the parish, school or institution to publish a simple, unsolicited acknowledgment of its gratefulness for any such donation.

However, the sale of scrip should be considered to be an exception to this rule. Although the sale of scrip clearly raises all of the issues mentioned above, many schools and parishes rely heavily on the income that it generates, and have built programs that depend on that income. Therefore, it would be impractical to prohibit the sale of scrip at this time. Fortunately, the IRS has exempted scrip from unrelated business income tax, as long as the program is organized and the sales are conducted exclusively by volunteers.

This prohibition also applies to a trust set up by a commercial venture to act as a conduit for the financial compensation to the parish, school or other entity.

The foregoing prohibition does not apply to traditional once-a-year fund raisers such as festivals, magazine drives, and candy and Christmas wrapping sales, nor does it apply to bingo. In order to avoid tax liability, all activities must be conducted and organized exclusively by volunteers.

It should also be noted that the use of church property by a commercial or “for profit” company could result in the loss of the exemption from property tax on the property that is used, as well as creating an income tax liability on the profits generated. Therefore, **any use of parish property by a commercial or “for profit” company, including any lease of parish property to communications companies for antenna or other equipment, is prohibited.**