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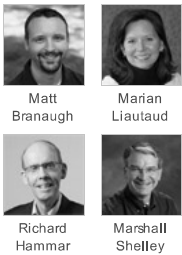


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October 13, 2011

Renting Out Extra Space May Cost Churches

One Idaho church receives an unexpected tax bill.
by Michelle Dowell

A church in Boise, Idaho, received an unexpected property tax bill of \$17,000 for leasing space to a local YMCA daycare, [according to Northwest Cable News](#). The church charges the nonprofit about \$9,500 a month to rent space often left unused during the week.

The county attorney reviewed the church's non-profit application and determined that the area dedicated to the daycare, representing 18 percent of the church's square footage, is making a profit. The county admits that it interpreted the tax law different in past years, but it believes this year's interpretation is more accurate. The church has appealed to a state tax appeals board. A decision may take months.

"Most states deny a property tax exemption to any property that is rented for profit," writes Richard Hammar in [a free lesson on this topic](#) on *ChurchLawAndTax.com*. "If a church charges rent for the use of its property, then this may jeopardize the exemption of the church's property from taxation. Usually, the exemption is lost only with respect to the property that is actually being rented rather than to the church's entire property, but this is not always the case."

For more information on what church leaders should consider when renting out church property, including federal tax issues and thinking through best policies and forms, see [Managing Church Facility Use](#) on *ChurchSafety.com*.

Michelle Dowell is the editorial coordinator for the Church Management Team at Christianity Today International.

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Posted by Michelle Dowell on October 13, 2011 8:00 AM

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