

**Legal, Financial, and Other Factual Questions and Answers
for Patapsco Friends Concerning Becoming a Monthly Meeting**

Legal

A. Incorporation and Tax Exemption

Is it legally required for Patapsco to incorporate to become a monthly meeting?

No. But we currently receive certain legal benefits and advantages from our current relationship with the Sandy Spring Meeting as a result of its status as a “nonprofit,” tax-exempt corporation.

Are other Quaker monthly meetings incorporated?

It appears that the majority are, but certainly not all. The current trend appears to be for incorporation, and particularly when meetings seek to purchase land for a meetinghouse or cemetery.

How have other meetings handled incorporation and becoming a monthly meeting?

Patuxent Meeting (the newest monthly meeting in BYM) became a monthly meeting five years before incorporating.

Is formal federal tax-exempt status required so that members can make tax-deductible contributions to the meeting?

No application is required because we are a church. Due to separation of church and state guaranteed in the U.S. Constitution churches do not have to report to the government to be exempt from taxation. For other purposes filing of reports to the IRS may be required (e.g. to solicit grants or donations from foundations).

If we become a separate monthly meeting but are not incorporated, would our members’ donations to the Patapsco Monthly Meeting continue to be tax-deductible?

Yes.

What is the legal basis for incorporation for a religious organization like a Quaker monthly meeting to become incorporated? How long would it take, and is there an expense?

Regarding the legal basis and process, see the attached summary of Maryland Code, Associations and Corporations Article 5, Religious Corporations. The legal process is very simple and fast, and time required primarily depends upon our

deliberative process regarding the articles. We do have an example of articles of incorporation recently filed by the Patuxent Monthly Meeting which are simple, sufficient, and consistent with our Quaker values and procedures.

What steps are involved in incorporation?

See attached summary of Maryland law concerning religious organizations.

- Adopt articles of incorporation & by-laws at a business meeting.
- The committee explored how trustees in an incorporated Friends meeting would be “elected.” The use of “sense of the meeting” as a basis for election of trustees has been used in bylaws of other Quaker organizations such as FCNL and Friends Meetings.
- File the articles of incorporation and our name with the Maryland Dept. of Assessments and Taxation.
- Identify an individual to serve as an agent to receive legal documents.

If Patapsco Monthly Meeting became incorporated, would we need to register with the U.S. Internal Revenue Service (IRS) and file tax returns? Would we be required to pay taxes? Would we need a “tax ID number?” If so, for what purpose? Are there different requirements for state tax-exempt status and federal tax-exempt status? If so, what are the requirements for each?

We would not have to register with the IRS or file tax returns, although we may choose to do so. Religious organizations are exempt from IRS requirements. We would need to register with the Maryland Department of Assessments and Taxation to receive exemption from sales tax and personal property tax, and with the Howard County to be exempt from real property tax. We would have to obtain a federal tax identification number (a one-page, one-day process) if we had paid employees or consultants or chose to receive federal IRS tax-exempt status.

How do we gain a tax-exempt I.D. number?

We can obtain a federal tax id number without being incorporated. A simple application is required and the number can be obtained in a very short time.

Who would have the legal authority to make decisions, enter into contracts, or otherwise represent the Patapsco Monthly Meeting if we were incorporated? Would our “Quaker Process” of decisions be affected?

Our corporate trustees, selected as determined by our meeting. We could draft “articles of incorporation” modeled on those of the Patuxent Monthly Meeting so as to assure that our Quaker process would not be affected.

What are the advantages for a Quaker monthly meeting to be incorporated? What are the disadvantages?

As a nonprofit corporation, our meeting would have perpetual existence as a legal entity. Our members would be immune from personal liability, and the amount of liability of the corporation can more easily be limited. The nonprofit corporation would not have to pay state sales tax. Our relations with others (banks, realtors, insurance companies, public agencies) will be simplified. Operation as a tax-exempt nonprofit corporation is sometimes required to be eligible for some donations for our activities and services. The principal disadvantage is the planning and administration required to become incorporated and to file certain annual reports (not very difficult or time-consuming).

What legal/financial obligations will the officers of the meeting have if we become an unincorporated monthly meeting?

What arrangements would we need to make if we become an unincorporated monthly meeting?

- Send a minute to Sandy Spring Meeting
- Obtain a federal tax i.d. number.
- Register with Maryland Dept. of Assessments and Taxation for state tax exemptions we may desire (e.g. sales tax).
- Change the names and tax i.d.# on our bank accounts.
- Changes the tax i.d.# on our investment accounts.
- Change the insurance coverage over to our meeting directly (most likely the policy would be held in the name of the clerk).
- Notify Mt. Hebron Presbyterian Church of our change in status.

B. *Liability*

What liability would members and officer of the meeting have as an unincorporated organization?

As an unincorporated organization, all members share liability for legal obligations incurred, including the payment of legal judgments imposed by a court of law.

Would incorporation provide beneficial legal protection for the officers of the meeting?

Incorporation shields the members from liability and the directors and officers of the organization (mainly the trustees) can only be sued in their official capacities and not as individuals. Thus, the assets of individual members and trustees are not vulnerable to legal judgments or debts incurred by the meeting. Directors and officers are not shielded from liability for acting in a fraudulent manner or in bad faith, etc.

Financial

A. Obligation to BYM

Our obligation to BYM (should we choose to be affiliated with BYM) is based on the yearly apportionment. We have been estimating this amount and paying our portion to Sandy Spring Meeting. The amount for this should not be affected significantly by a change in our status as a monthly meeting. The apportionment is based factors such as the number of contributing households, size of our budget, etc.

B. Insurance Costs

Will the costs of our insurance increase? How much would D&O insurance cost us?
How much would liability coverage cost us as a separate legal entity?

Insurance coverage and costs remains the same whether or not we are incorporated. Coverage includes Director & Officer liability. Annual premium is \$200, expected to rise due to market conditions, regardless of our incorporation status.

C. Access to Scholarships/Resources from SSFM

We anticipate that Patapsco Friends would no longer be eligible for Sandy Spring's financial resources for tuition assistance, camp fees, etc. Assistance from BYM, other Quaker organizations and Patapsco Meeting would remain available to Patapsco Friends.

Community

A. Marriage and Family

How would the process for marriage under the care of the meeting be affected?

Couples wishing to marry or have a ceremony of commitment would meet only with members of Patapsco Friends Meeting for clearness for their union to be taken under the care of the meeting. If recommended by the M&O Committee, the request would be read at two business meetings of Patapsco Meeting for approval. An Oversight Committee would be appointed to assist the new couple to plan and carry out the wedding in a Friendly manner and to provide ongoing support and nurture for the relationship. The clerk of M&O or the clerk of the meeting would likely need to fulfill the legal obligation of signing the marriage license (if one is used) in lieu of a clergyperson. Becoming a monthly meeting would shorten and simplify the Quaker process for marriages.

B. Membership Issues

How would the membership process change?

Applicants for membership would meet only with members of Patapsco Friends Meeting for clearness to become a member of the Society of Friends. If recommended for membership by the M&O Committee, the request would be read at two business meetings of Patapsco Meeting for approval. A Nurture and Welcome Committee would be appointed and assist the new member to be properly welcomed. Thus, the process would be shortened by one month (we currently have one reading at Patapsco followed by two readings at Sandy Spring).

What would be required for people who are already Quakers to become members of Patapsco Meeting?

They would need to request transfer of membership from their current meeting to Patapsco Meeting. Clarification is needed as to what form the process would take for current members of Sandy Spring Meeting who are actively attending Patapsco.

C. Relationship to BYM

What are the required officers of a monthly meeting that is part of BYM?

Clerk, Treasurer and Recorder.

What are the required committees of a monthly meeting that is part of BYM?

Nominating, Ministry & Counsel, Overseers (Ministry and Counsel can be combined with Overseers, as Patapsco Meeting does).

Would there be any increased responsibilities for becoming a monthly meeting within BYM?

1. Appoint members to attend Yearly Meeting sessions and report back to the monthly meeting
2. Appoint representatives to Representative Meeting
3. Forward to the Yearly Meeting office statistical information, names and addresses of officers, etc.
4. When requested, suggest the names of persons for Yearly Meeting committees.
5. Forward copies of memorial minutes of Friends well-known beyond the monthly meeting.
6. Regularly forward monthly meeting newsletters and directory.

How often does Representative Meeting meet? What happens if we don't have a representative to send?

Representative Meeting meets four times a year. Small meetings do not always have a representative to send and this is not a huge problem.

What is the process for becoming a monthly meeting?

"An Allowed or Preparative Meeting which feels itself ready for Monthly Meeting status applies to its Monthly Meeting. The Monthly Meeting, if it concurs, forwards the application with approval to its Quarterly Meeting. Following its actions, the Quarterly Meeting forwards the application to Representative Meeting for its consideration and recommendation to the Yearly Meeting. The Yearly Meeting in session approves or, rarely, disapproves the establishment of a new Monthly Meeting."

How long will the process of becoming a monthly meeting take?

After approval by our meeting, a request will be considered by Sandy Spring Meeting in two business meetings, then it goes to the next gathering of Quarterly Meeting, then to BYM annual session. If we approved it by April it could reach BYM in time for the annual session in July.

What are the benefits of becoming a monthly meeting?

1. Simplification of membership and marriage processes.
2. Local control over decisions.
3. Clear identity in the community as an independent worshipping community.
4. Enhanced commitment to the long-term survival of the meeting.

What questions are to be considered when discerning whether a meeting is ready to become a monthly meeting within BYM?

1. Is a sense of community present among members and attenders of the Preparative Meeting? Is spiritual nurturing experienced within it?
2. Are meetings for worship and business held regularly and attended appropriately?
3. Is there a core group with the commitment to give permanence to the Meeting?
4. Is contact maintained with organizations in the wider community of the Religious Society of Friends?
5. Is witness for traditional social testimonies of Friends fostered?
6. Does the Preparative Meeting maintain a library of Friends materials? Does it encourage its members and attenders to grow in the knowledge of the Society?
7. Has the Preparative Meeting established relationships with other religious groups in its community?

Burial Grounds

What options are available for burial if we become a separate monthly meeting?

Friends discussed at length the issue of access for Patapsco Friends to Quaker burial grounds and how this would be affected if we become a monthly meeting. Currently, members have all of the rights of Sandy Spring members to be buried in their burial ground. Sandy Spring Friends referred our clerk to the Sandy Spring Manual of Procedure, which seemed to indicate that once Patapsco is an independent monthly meeting our members would have no preferential access to the Sandy Spring burial grounds, absent any special agreement that we might develop.

The history of the Ellicott City graveyard was discussed with the aid of Ken's historical knowledge. Ownership of the "public" (non-family) portion of the graveyard remains unclear: Sandy Spring and Stony Run Meetings could both have a possible claim to ownership. The West River burial ground is owned by a non-profit corporation that maintains it. The trustees include someone from the Chesapeake Quarterly Meeting. The remaining plots are being sold (not limited to Quakers). Thus, four options available to Patapsco Friends should we become a monthly meeting, are:

1. Negotiate with Sandy Spring preferential access to their burial ground.
2. Establish who owns title to the Ellicott City graveyard and gain legal ownership.
3. Individual Friends to purchase plots in the West River cemetery (which may not be available any longer).
4. To proceed as a monthly meeting with no special provisions for burial grounds.