

# Memorandum

To: Church Treasurers, Pastors  
District Superintendents, District Finance Directors  
From: Paul Lorimer, VP Finance & Operations  
Date: July 2007

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This memo is designed to provide some answers to tax-receipting questions relative to short-term missions trips (this same memo was provided in 2003). It will provide some guidelines for church treasurers to consider when dealing with this issue. This memo is divided into three methods in which an individual or group might go on a short-term missions trip: (1) as a direct ministry of the local church, or (2) as a ministry of another registered Canadian charity, or (3) as a ministry of an organization that is not a registered Canadian charity. Tax receipting short term missions trips can be complicated because these trips sometimes include both a ministry component and a personal vacation component.

## **Short-term missions trips as a direct ministry of a local church**

Where the planned trip is a bona fide ministry of the local church, all designated gifts for such a program are tax-receptable. To be a bona fide ministry of the local church, the board of elders would need to pass a motion to that effect. This decision of the board, in and of itself, does not make it a bona fide ministry of the local church. The church must, in fact, have "care, direction and control" over the activity or project. If these procedures are carefully followed, it permits anyone to donate to the bona fide missions trip and receive a tax receipt, including a donor who might also be a participant of that trip.

Each church should develop a criteria/process to evaluate whether a particular requested trip should be approved as a ministry of the local church, either in part or as a whole. Here is an example of some criteria used by one church which, from my perspective, offers a lot of wisdom. The individual would need to be: (a) a member or adherent of the local church, (b) be active in ministry either inside or outside of the church, and (c) have either a source of some income or a willingness to work to also contribute towards the cost of this trip. There is a Process in place to approve the individual going within the particular short-term missions trip parameters (e.g. meeting with a pastor, or with a missions/finance committee/individual, prior to a recommendation going to the board of elders).

The church process also includes an understanding in advance that should donations exceed the stated amount required, any additional donations would become a part of the local church's missions fund available for other missions purposes. The same would apply where the individual who had donated to the fund but subsequently was unable to participate in the planned trip - The process for a church of 100 may be a bit different from the process for a church of 1,000. Also, the process applied to a 3-week teen missions trip might be different from the process applied for an adult seeking to serve overseas for 12 months. Here are some additional points that deal with possible personal vacation portions of a trip:

1. Where the trip is a missions trip operated by the local church and there is no non-mission side trip component, the airfare and all other expenses are legitimate expenses of the church for charitable purposes, All funds designated for this trip are tax-receptable gifts to the church.
2. Short-term missions trips frequently involve side trips of a non-mission related nature, which need to be clearly distinguished from the missions purpose. There are two alternatives, each needing its own approach:
  - 2.1 Where the trip includes a non-mission side trip but the dominant purpose of the trip remains missions, all designated gifts for the trip are tax-receptable as long as the church makes sure that any expenses relating to the non-mission component are excluded from what is funded by the local church.
  - 2.2 Where the non-missions component of a trip is so large that the mission activity is no longer the dominant purpose, the local church's involvement and funding is limited to the missions component only. The local church may not pay for anything more than the expenses of the mission activity in the side trip. No part of the airfare can be funded by the local church. The total air-fare in this alternative is a personal expense since the dominant purpose is of a non-mission nature-

To determine the dominant purpose of a trip that has both a mission and a personal component, one must look at the underlying reason why the trip is being planned. The answer to the question, "Would the trip be cancelled if the personal portion is not possible?" Or, vice versa, "Would the trip not be made if the missions component is not

possible?" Looking at the total days of ministry overseas as compared with the total days of the overall trip is another practical assessment tool to determine the dominant purpose. If more than half of the trip is exclusively for ministry purposes, then the trip usually would have missions as its dominant purpose.

Let's say a group (or even a person) is going on a two-week short term missions trip to Ecuador. The group also plans to spend an additional seven days of personal vacation while there. Since the dominant purpose of the trip is ministry, the total cost of the three-week air-fare ticket is part of the charitable missions expense that can be tax-receipted. However, if the situation were reversed and the traveler is spending just one week doing ministry and is spending two weeks of personal vacation time, then the dominant purpose of the trip usually is personal vacation and none of the three-week air-fare cost is part of the charitable missions cost that can be tax receipted. Any costs that are not part of the charitable missions expenses are therefore not tax receiptable and would best be cared for directly by those who are traveling overseas.

What about the cost of meals and accommodation for the days of doing ministry in Ecuador? Let's say that there are two weeks of solid short-term missions work. All reasonable costs of meals and accommodation while doing the two weeks of ministry are charitable expenses that can be 100% tax receipted. (In this instance, donations towards these particular ministry costs can be tax receipted, regardless of whether or not the airfare to get there was included in the overall mission trip charitable expense that was tax receiptable). However, 211 costs of meals and accommodations that relate to the personal vacation portion of the trip are personal expenses, since these are not a charitable expense that can be tax receipted. It is best for the church to just handle tax-receiptable funds and not become involved in personal funds for personal vacation parts of an overseas trip.

### **Short-term missions trips managed by another registered Canadian charity**

For Option 2, let's assume that a group of young people from your church plan to go with Teen Missions on a missions trip. A primary means of funding that trip might be for donors to provide donations directly to Teen Missions in Windsor, Ontario. Teen Missions, in turn, would issue the income tax receipts to donors and would equally assume the "care, direction and control" of those ministry funds.

Another option would be for funds to be donated to the local church to support the ministry cost of a person (or group of people) going on the Teen Missions project. In this case, the church can tax receipt the funds and re-send the funds to Teen Missions in Windsor, Ontario. One registered Canadian charity (such as your church) can receive funds that are within its charitable mandate (like missions trips), then transfer funds to another registered Canadian charity (such as Teen Missions), provided that the funds coming and going seem to be for a reasonable amount. If any oversubscribed donations are to remain in the church's mission fund, it is best for donations to be for "Joe Smith's missions trip" Alternatively, if oversubscribed funds are to be donated to Teen Missions, then donations could be earmarked "Teen Missions - Joe Smith".

### **Short-term missions trips that are not managed by a registered Canadian charity**

In some cases, a person might connect with a U.S. missions group or an international missions group, where there is no link with a registered Canadian charity. In this situation, Canadian donors giving funds directly to the U.S. charity could not receive a Canadian income tax receipt. If a Canadian receipt cannot be gained by this direct gift, the church should not get in the middle as a "conduit" and issue Canadian tax receipts then forward funds to a different organization that is not a registered Canadian charity. It is illegal for a Canadian charity to act as a conduit and provide a tax receipt if the direct donation of that same gift to the foreign charity would not be tax receiptable in Canada. There are no conduit issues for Options 1 and 2 above, but there are conduit issues with Option 3 where the missions organization is not a registered Canadian charity.

It is important to state that we are not attempting to limit where God is calling people to serve, whether that be service via a registered Canadian charity, a foreign charity, a direct faith-based ministry, etc. Our only concern here as treasurers, is to determine what part of this calling is eligible for a Canadian income tax receipt and what part of this calling is not eligible for a Canadian income tax receipt. Canadians are blessed by having a generous income tax credit system for charitable donations, where most charitable donations are credited to the individual at the highest marginal rate of income tax. In an effort to enjoy this privilege for many years to come, it is important that we do not intentionally or unintentionally provide tax receipts in areas that may be illegal (such as acting as a conduit), or that may be unethical and illegal (such as tax receipting personal overseas vacation costs).

In closing, it's also important to keep good records for the spending of short-term missions funds for all bona fide short term missions trips. Trust that these guidelines may be helpful as you make decisions in this area of ministry.