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**TO:** Sondra Rieder  
**FROM:** Steve Handrick  
**DATE:** October 14, 2010  
**SUBJECT:** Funeral Services

IRS letter ruling, LTR 20016032, ruled that funeral homes are not required to issue information returns to service providers because they provide no management or oversight functions nor do they have an economic interest. The funeral home serves as a liaison between the families and the providers of services, which in this case are employees of the church. Section 2.6041-1 of the IRS regulations further states that **the person obligated to report the payment is the person closest in the chain to the payee**, which in this case would be the church.

Employees of the church are not independent contractors in this situation, as they are being directed to perform services that the Church normally provides to its parishioners. Payments received from families for these services (whether via the funeral home or directly from the family) should be deposited into the Parish account for distribution to the appropriate individual(s) as compensation through the Parish's payroll account. Any monies or checks received directly by an employee of the Parish for these services, should be signed over to the Parish, deposited into the Parish's account and re-distributed to the Parish employee via the payroll account.

All payments received by or for the Priest for these services are to be deposited into the "Works of Charity" account per the Parish Administration Manual.

**Reg § 1.6041-1 Return of information as to payments of \$600 or more.**

**(e) General rule.**

- (1) *In general.* A person that makes a payment in the course of its trade or business on behalf of another person is the payor that must make a return of information under this section with respect to that payment if the payment is described in paragraph (a) of this section and, under all the facts and circumstances, that person—

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IRS CIRCULAR 230 NOTICE

Any tax advice expressed in this communication (including any attachments) is not intended to be used, and cannot be used, for the purpose of avoiding penalties imposed on the taxpayer by any government taxing authority or agency. In addition, if any such tax advice is made available to any person or party other than the party to whom the advice was originally directed, then such advice, under IRS Circular 230, is to be considered as being delivered to support the promotion or marketing (by a person other than Hawkins, Ash, Baptie & Company, LLP) of the transaction or matter discussed or referenced. Thus, each taxpayer should seek specific tax advice based on the taxpayer's particular circumstances from an independent tax advisor.

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- (i) Performs management or oversight functions in connection with the payment (this would exclude, for example, a person who performs mere administrative or ministerial functions such as writing checks at another's direction); or
  - (ii) Has a significant economic interest in the payment (i.e., an economic interest that would be compromised if the payment were not made, such as by creation of a mechanic's lien on property to which the payment relates, or a loss of collateral).
- (2) *Determination of payor obligated to report.* If two or more persons meet the requirements for making a return of information with respect to a payment, as set forth in paragraph (e)(1) of this section, **the person obligated to report the payment is the person closest in the chain to the payee**, unless the parties agree in writing that one of the other parties meeting the requirements set forth in paragraph (e)(1) of this section will report the payment.