

PUBLIC SERVICE LOAN FORGIVENESS PROGRAM CHURCHES WITH NO EXEMPTION LETTER

There have been many questions by federal student loan recipients seeking loan forgiveness who have worked for churches that have no letter proving the church's federal income tax exemption.

Seeking guidance on how to respond to this situation, the Church Alliance, on behalf of the Church of God Benefits Board and other church organizations, sought direct information from the Internal Revenue Service on this issue. The IRS followed up with guidance consistent with the U.S. Department of Education's (ED), but with more specificity on religious organizations:

We appreciate your inquiry regarding the problems some religious entities are having when assisting their employees in applying for the Department of Education's Public Service Loan Forgiveness (PSLF) program.

You wrote with the concern that ED is verifying employers' tax identification numbers against the list of 501(c)(3) organizations maintained in the IRS database of Publication 78 data. As you correctly note, this list would not include some churches and religious employers who are not required to get a determination letter from the IRS. Consequently, you sought guidance on how to prove to ED that qualifying religious entities without determination letters should be treated as qualifying employers for the PSLF program. We reached out to ED, and they directed us to the following [FAQ on the Federal Student Aid website](#):

I work for a religious organization, am I eligible for PSLF?

Yes. Religious organizations are recognized by the IRS as 501(c)(3) organizations and are therefore eligible for PSLF. However, these employers do not always register their tax-exempt status with the IRS so they may not appear in our employer database when you first search for your employer using the Employer Identification Number (EIN) that appears on your W-2. To ensure your employer is added to our employer database correctly, we ask that you upload your W-2 when you manually create a case for employer eligibility review. However, if your employer provides you with an IRS form 1099 (instead of a W-2), you are considered a 'contract employee' and would not be eligible for PSLF. Your employer should include all hours for which you are compensated, regardless of which activities you are performing, to determine if you are employed full-time or part-time when certifying your employment.

ED explained that this database of qualifying employers is drawn primarily from the EO [Exempt Organization] Business Master File extract (commonly referred to as the EO BMF). However, as indicated in the FAQ, ED is willing to treat religious organizations that are not in the database as qualifying employers if the applicant submits a W-2 for an employer eligibility review. We were also told informally that ED often accepts a signed letter from the employer on letterhead."