

508 MINISTRY

A PRODUCT OF START MY BUSINESS INC.

The Wisconsin Property Tax Question

How one pastor is structuring her ministry to stop paying it, and how the same method applies in any state

A case study · Names and identifying details changed

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He builds these formations himself.

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SECTION 1

The situation, and the five questions she asked

A woman in a small town in western Wisconsin owns a five-bedroom house with a mortgage and real equity in it. She wants to turn it into a home for women coming out of abusive relationships and crisis pregnancies, with counseling and discipleship on site. She keeps one bedroom. The other four go to residents.

She also owns a small skin-care company that has not launched yet, and she would like its income to fund the ministry. She is gathering trustees. And she wants the whole thing to outlive her and pass cleanly to whoever comes next.

She called with one question underneath all the others: **does a faith-based nonprofit have to pay property tax in Wisconsin?** The short answer is no, if four things are true. Getting from where she is to where those four things are true is the entire plan.

The five questions, and the short answers

HER QUESTION	THE SHORT ANSWER
What liability does a trustee carry?	A trustee who stays inside the written instrument and acts in good faith is not the one on the hook. The document is what limits them. Section 11.
Can the 508 buy the house? Can the LLC?	Yes to both. The better question is who *should* own it, because in Wisconsin the owner is what decides the property tax. Section 5.
Does a faith-based nonprofit pay property tax in Wisconsin?	Not if four tests are met and one form is filed by March 1. A land trust by itself does not get you there. Sections 4 and 5.
How is a 508(c)(1)(A) different from a 501(c)(3)?	No IRS application and no annual Form 990 for a church, plus private governance. The operating rules are the same.
Will a few months of Airbnb hurt?	Before the transfer, no. After the house belongs to the ministry it is the one activity that can cost the exemption. Section 7.

ONE THING TO HOLD ON TO

Every plan in this document runs on one principle: the ministry has to be real. Regular gatherings, records of who was served, money that moves for the mission and not for any one person. Do that and every benefit below follows. Skip it and none of the paperwork matters. Wisconsin assessors are told in writing to look past the mission statement at what the organization actually does.

SECTION 3

The three-part structure

Three pieces, each doing one job. This is the part that transfers to any state.

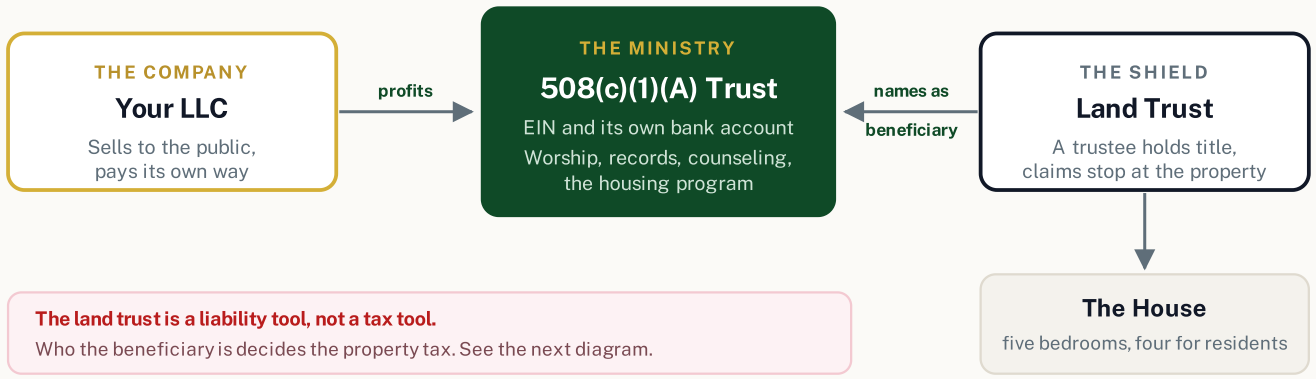


FIGURE 1

Three pieces, each doing one job. The company earns and sends profits up. The ministry does the work. The land trust holds the real estate so a claim on the house stops at the house.

The ministry

Receives donations and the company's profits. Runs the program. This is the entity the IRS and the assessor look at.

The company

Sells, advertises, and holds inventory without the activities being mistaken for the ministry's. Profits go to the ministry as its primary beneficiary.

The land trust

Keeps the house off a personal balance sheet and out of the ministry's public records. A few hundred dollars.

The land trust is a liability tool, not a tax tool. A land trust is a title-holding trust: a trustee holds the deed, a beneficiary holds the real interest, and the trustee directs the property. Wisconsin trusts are governed by the Wisconsin Trust Code, Wis. Stat. ch. 701. It is not the thing that removes property tax. Section 5 explains what does.

Why this fits a housing ministry

Regular worship and discipleship with records is the strongest piece of church standing that is within your control. A monthly small group or prayer call, recorded and filed, is exactly the kind of record that supports standing if anyone ever asks. Housing and counseling for women in crisis is the benevolent work that sits on top of it. Wisconsin's exemption statute names both words, *religious* and *benevolent*, in the same sentence.

SECTION 4

Wisconsin property tax: the actual rule

Here is the statute, the four tests, and the one deadline. Everything below is from Wis. Stat. 70.11 as published September 4, 2026, and from Chapter 19 of the Wisconsin Property Assessment Manual, the book every local assessor is required to follow.

WIS. STAT. 70.11(4)(A), IN PLAIN WORDS

Property **owned and used exclusively** by churches, or by religious or benevolent associations, is exempt from general property tax, up to **10 acres** of land needed for the buildings, **while the property is not used for profit**. The same sentence also exempts property a church owns and uses as **housing for its pastor**, whether or not it sits next to the church.



FIGURE 5

The four tests an assessor applies under Wis. Stat. 70.11(4)(a). All four have to be true on January 1 of the year you claim.

The parts people miss

- **Wisconsin presumes property is taxable.** Wis. Stat. 70.109 says exemptions are strictly construed and the burden of proof is on the one claiming it. You prove it. The assessor does not have to disprove it.
- **Ownership is decided as of January 1.** Assessments are made as of the close of January 1 each year (Wis. Stat. 70.10). Whoever owns and uses the house on that date sets the tax for the whole year.
- **One form, one deadline, no extensions.** When taxable property becomes exempt, the owner files Form PR-230 with the local assessor on or before March 1. The assessment manual says it plainly: state law provides no extensions to the March 1 filing deadline.
- **Then a report every other year.** Owners of exempt property file Form PC-220, the Tax Exemption Report, by March 31 of even-numbered years.
- **Benevolent does not mean free.** The manual says an organization does not have to provide its services for free or at reduced cost to be benevolent. What it has to show is activity that makes people less dependent on government care, or improves their social, physical or mental condition. A home for women leaving abuse is a textbook example.

SECTION 5

The land trust trap

This is the answer to the question behind her question. **A land trust inside a 508(c)(1)(A) does not, by itself, remove property tax.** Who the land trust's beneficiary is, and how the house is used, is what removes it.

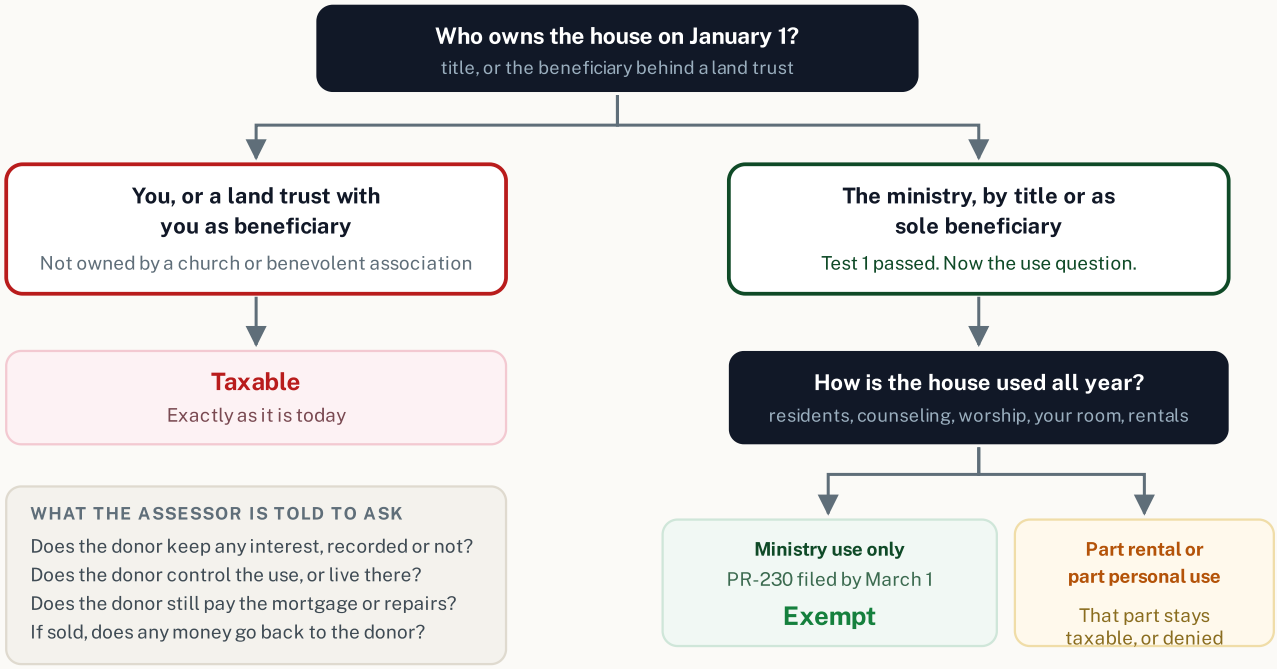


FIGURE 2

The path a Wisconsin assessor walks for a house given to a ministry. The assessor questions come from Chapter 19 of the Wisconsin Property Assessment Manual, "Donated Property."

What this means in practice

Set the land trust up with the ministry as the beneficiary and it does both jobs. Set it up with you as the beneficiary and you keep the liability shield but the tax bill stays. The statute says *owned*; the manual says the real and personal property must be owned by the association. A land trust with the ministry as sole beneficiary is the ministry's property in substance, and it is presented that way.

The safest sequence. Because 70.109 tells assessors to read exemptions strictly, you either deed the house to the ministry outright, or you get the local assessor to confirm in writing that a land trust with the ministry as sole beneficiary will be treated as ministry ownership. Get that confirmation before you rely on it, not after.

SECTIONS 6 AND 7

Her bedroom, and the Airbnb question

The parsonage clause

She lives in one of the five rooms, and that room has its own answer. If she is the **ordained pastor** of the ministry and the ministry owns the house, the housing-for-pastors clause in the same sentence of 70.11(4)(a) covers her room. The assessor will ask for ordination papers, and the assessment manual tells assessors to give wide berth to what counts as ordained. If she is not ordained, expect that share of the house to stay taxable. It is worth settling early, because it changes the arithmetic on one fifth of the building.

Airbnb: green, caution, red

GREEN

Airbnb while the house is still hers. Build up cash. Stop before the deed changes.

CAUTION

Residents paying a program fee for room and board. Fine if the fee is set by the mission, not the market, and funds the program.

RED

Airbnb or market-rate rental after the ministry owns it. Costs the exemption on that part, or on all of it.

Wisconsin does allow an exempt owner to lease part of its property, but only if all of the rent goes to maintenance or construction debt on that property, and, except for residential housing, only if the tenant would itself be exempt (70.11, introductory paragraph). Nightly guests do not fit that. Separately, Wis. Stat. 70.1105 lets the assessor tax the portion of an exempt property used in an unrelated business.

SECTION 8

The mortgage is the real gate

Nearly every residential mortgage has a due-on-sale clause. Transfer the deed without the lender's consent and the lender may call the loan.

Federal law protects exactly one transfer: moving your home into a revocable living trust where you stay the beneficiary and keep living there (12 U.S.C. 1701j-3(d)(8)). That is precisely the transfer that does *not* get the exemption, because you are still the owner in substance. A transfer to the ministry is not protected. So the house moves one of three ways.

PATH	HOW IT WORKS	BEST WHEN
Lender consent	Ask the lender in writing to allow the transfer with the loan staying in place. Some say yes, especially credit unions and local banks. Costs nothing to ask.	Low balance, good payment history.
Ministry buys the house	The ministry takes its own loan (banks do lend to churches and nonprofits) or uses donor capital, pays off your mortgage, and pays you the difference. Also the cleanest way to get equity out.	You want your equity in cash and a clean break.
Run the ministry first, transfer later	The ministry starts now and operates in the house under a written use agreement with you. The deed moves when the loan allows. No exemption until it moves, but everything else works from day one.	You want to start serving people this season.

TWO SMALLER THINGS THAT CHANGE WHEN THE MINISTRY OWNS IT

The homeowner's policy becomes a nonprofit policy in the ministry's name, with residents disclosed. And owner-occupied credits on the bill, like the Wisconsin lottery and gaming credit, end because you are no longer the owner. If the exemption comes through, the whole bill ends with them.

THE FREE PHONE CALL THAT DECIDES THE PATH

Ask the lender one question: *"If I transfer the deed to a nonprofit I am founding, will you allow the loan to stay in place?"* Their answer picks the path. Write down who you spoke to and when.

SECTION 9

The two dates that decide it

Everything else is strategy. These two dates are the whole game, and missing either one costs a full year.

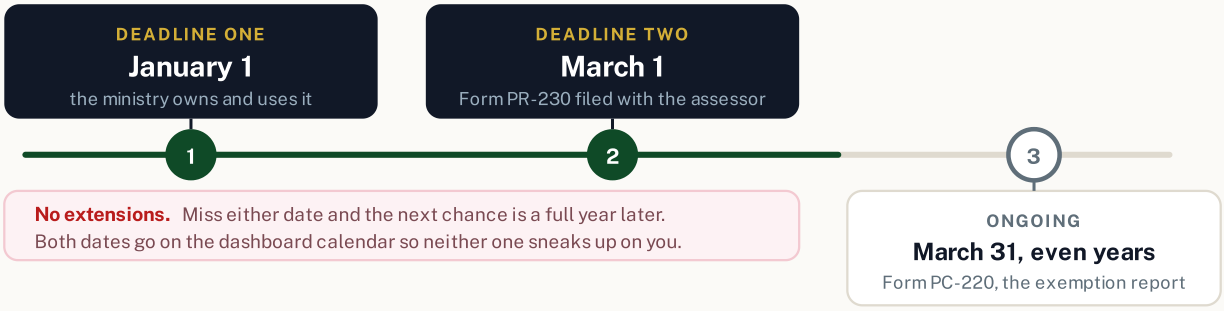


FIGURE 3

The Wisconsin calendar. Ownership is fixed as of the close of January 1 (Wis. Stat. 70.10). The exemption request is due March 1, and the state assessment manual states plainly that there are no extensions.

Why the season you start in matters. Beginning in the fall leaves roughly ten weeks after the documents are done for the lender, the insurance and the deed before January 1. That is enough. Beginning in December is tight.

SECTION 10

Getting her equity out

Her equity is tied up in the house, and she would like it out while still leaving the ministry something that can be handed to the next person. Those two goals fit together. Four ways, cleanest first.

OPTION	WHAT HAPPENS	HER EQUITY	PROPERTY TAX
Sale to the ministry	An appraisal sets the price. The ministry borrows or raises the money, pays off the loan, pays her the balance. The ministry owns the house outright.	Paid in cash at closing	Exempt path open
Bargain sale	The ministry pays part of the value and she gifts the rest. The gift portion can be a charitable deduction with a qualified appraisal and Form 8283.	Part cash, part deduction	Exempt path open
Gift with a note	She deeds the house to the ministry and it signs a note to pay her over time out of donations and company profits. Needs lender cooperation and careful drafting so it is not treated as a retained interest.	Paid over time	Open, but the assessor will look hard at the note
Use agreement, she keeps title	She stays the owner. The ministry uses the house under a written agreement and may pay rent. Simple, fast, nothing to refinance.	Stays in the house	Taxable

What the exemption is worth over time

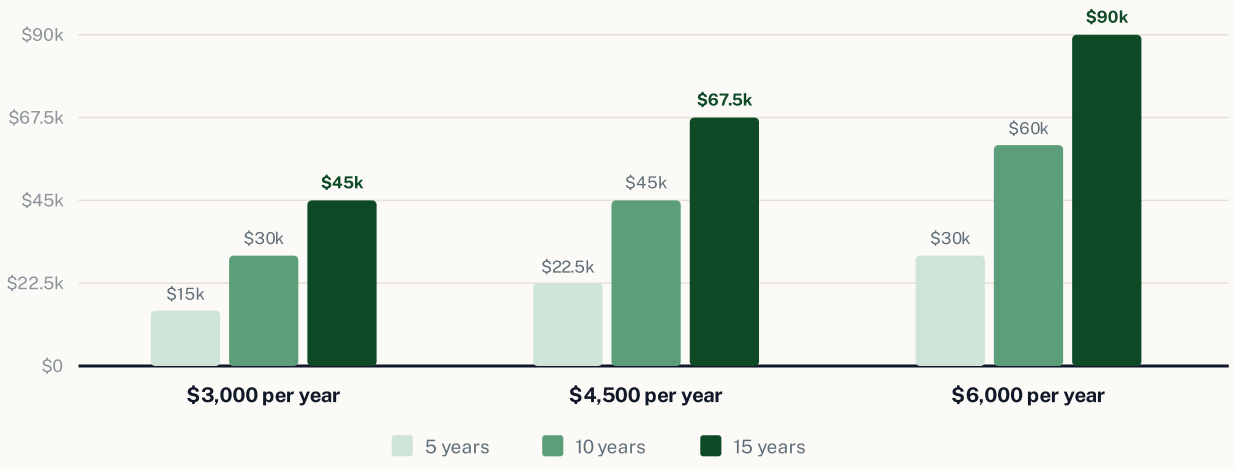


FIGURE 4

Cumulative property tax kept in the ministry instead of paid out, at three illustrative annual bills. Illustration only. Put your own December bill on the line and multiply.

SECTION 11

Trustees: what they can do, and what they are liable for

You need at least three. They should not all be family or all share an address, because you want at least one person who can vote on anything that pays or benefits you without a conflict.

What the instrument does for them

Money rules

No trustee moves money alone. Two signatures over a set amount, or a beneficiary present, or a fixed day each month for financial actions.

Scope rules

Trustees act only for the stated purposes. They cannot sell the house, borrow against it, or change the mission without a vote the instrument spells out.

Records rules

Minutes for every decision, a ledger for every dollar. This is what protects a trustee if a question ever comes up later.

Succession rules

A named successor trustee, so the ministry keeps running when the founder steps back.

Where personal liability actually comes from

Wisconsin adopted the Uniform Trust Code as Wis. Stat. ch. 701. A trustee owes the trust good faith, loyalty, prudence and honest records. Personal liability follows a breach of those duties, not the title itself.

- **Contracts.** A trustee who signs a contract for the trust, in that capacity, and says so in the contract, is not personally liable on it. The trust is (Wis. Stat. 701.1010).
- **Injuries on the property.** A trustee is personally liable for a tort only if personally at fault. Otherwise the claim is against the trust, which is why the house gets its own insurance and its own land trust.
- **Mistakes in good faith.** The instrument can excuse ordinary mistakes. It cannot excuse bad faith or reckless indifference, and you would not want it to.

WHAT TO TELL THE PEOPLE YOU ARE ASKING

"You would be one of three trustees. The document says exactly what you can and cannot do. You cannot move money alone. You are not personally on the hook for the ministry's contracts or for someone slipping on the porch, as long as you act in good faith and inside the document. We keep minutes and a ledger so there is always a record of what was decided and why."

SECTION 12

Applying this method in your state

Wisconsin is the worked example here, not the limit. The structure is the same everywhere. What changes state to state is the statute number, the form, and the dates.

Every state that exempts religious and charitable property asks some version of the same four questions: **who owns it, what is it used for, is anyone profiting, and how much land is involved.** The order and the wording differ. The logic does not.

The six things to find out about your own state

FIND OUT	WHY IT MATTERS
1. The statute	Find the section that exempts property owned and used by religious or charitable organizations. Read the actual sentence, not a summary of it.
2. The ownership test	Does your state look at title only, or at who really benefits? This is where land trusts get people in trouble.
3. The assessment date	Most states fix status on a single day. That date, not your closing date, is what counts.
4. The form and its deadline	Nearly every state makes you apply. Many, like Wisconsin, allow no extensions.
5. The renewal cycle	Annual, biennial, or never. Put it on a calendar the day you are approved.
6. The parsonage rule	If a pastor lives on site, find out whether your state exempts that portion and what it wants as proof.

THE STRUCTURE TRAVELS, THE PAPERWORK IS LOCAL

The 508(c)(1)(A) trust, the operating company that funds it, and the land trust that holds the real estate work the same way in every state. What we do for each client is take that structure and map it onto the statute, the form and the calendar where the property actually sits.

One thing that is true everywhere. Exemptions are read strictly and the burden of proof is on you. Assume you have to show your work: the ownership documents, the records of what the organization actually does, and the minutes that prove it is a real organization and not a label on a house.

Where to start

- **See how ministries run a facility.** The demos are real dashboards built for real organizations: 508ministry.com/demos/
- **Read the full breakdown and the package.** startmybusiness.us/create-a-508-c1a-you-can-put-your-llc-or-corp-into
- **Your document vault, once the instruments are ready.** mytrustsoftware.com
- **Talk it through.** outreach@508ministry.com · (888) 534-4145

Any questions, reply to the address below. I am the one who answers.

Blessings,



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