



APPLYING THE NEIGHBORHOOD LAND RULE TO CHURCHES

Section 514 provides a special “neighborhood land rule” that exempts rents from debt-financed church property from the unrelated business income tax so long as a church

- has a definite plan to use the land for exempt purposes within 15 years, including a “specific improvement and a completion date, and some affirmative action toward the fulfillment of such a plan”;
- informs the IRS of its plan at least 90 days before the end of the fifth year after acquiring the land and requests a ruling;
- does not abandon its intent during the 15 years following acquisition; and
- demolishes any structures on the property as part of its plans to use the property for exempt purposes.