

CHAPTER NEEDS PER IRS COMPLIANCE - 2017

In recent years, many questions have been asked by our AFE chapters, all concerning dues reimbursements; why aren't we receiving them and what do we need to do to receive these reimbursements again?

We all know that governmental regulations are/can be amended each year, so what was accepted in previous years may not be so today. This fact could have some bearing on the answers; however, the more accurate answer to both questions above can be lack of knowledge...lack of knowledge due to bad, or no, communication from chapter officer to officer passed down and/or lack of proper communication/education from the national office. We are attempting to rectify this communication deficiency.

Why aren't you receiving your chapter's dues reimbursement? Chances are your chapter's founding fathers did not meet all the requirements delineated on the table links below or the tax exemption was automatically revoked most likely due to not filing a tax form for 3 consecutive years. Per the IRS website: "*An automatically revoked organization is **not eligible to receive tax-deductible contributions** and will be removed from the cumulative list of tax-exempt organizations, [Publication 78](#).*" If the national office were to send money to a non-compliant chapter, it would be taxable.

Key points to table below:

- 1- Chapters do not have to incorporate, but an unincorporated chapter must have similar governing documents—e.g., a constitution, or articles of association, and bylaws. That being said, we strongly encourage incorporating to protect the chapter leaders from personal liability risk.
- 2- While Regions are a direct arm of the national organization, chapters are not.
- 3- Regions use the same EIN (Employer Identification Number) as the national organization. Any income/expenses incurred by the region must be reported up to the national office so it can be incorporated into the national tax form filing.
- 4- Chapters must have their own EIN, gain their own federal (and state if required) tax exemption (Form 1024) and file their own tax forms annually
- 5- EINs can be applied for and received [online](#)
- 6- EINs, once assigned, are permanent. Tax exemption, however, can be revoked. The most common reason is failure to file tax forms for 3 consecutive years
- 7- Yes, non-profit, tax exempt organizations **MUST** file tax forms every year
- 8- AFE and its chapters (if incorporated) must be incorporated under section 501c(6) of the IRS code
- 9- The AFE Foundation and chapter foundations, if any, should be incorporated under section 501c(3) of the IRS code
- 10- An automatically revoked (tax exemption) organization is not eligible to receive tax-deductible contributions and will be removed from the cumulative list of tax-exempt organizations, [Publication 78](#).

The table below gives links to various pages on the IRS website to aid you in becoming compliant, eligible to receive tax-exempt dues reimbursements. Notes have been added to briefly summarize the important points. Also, some bullet points have been deleted for the purposes of this paper. The entire table can be accessed [HERE](#).

Check below the table for a recap. Also more details are available in [Book 11](#) of the Chapter Management Book on the website.

Starting Out

- [Creating the Organization](#) - A nonprofit organization may be created as a corporation, a trust, or an unincorporated association
 - [Organizing Documents](#) - **State law** generally determines whether an organization is properly created and establishes the requirements for organizing documents
 - [Bylaws](#) - Bylaws are an organization's internal operating rules. Federal tax law does not require specific language in the bylaws of most organizations. State law may require nonprofit corporations to have bylaws, however, and nonprofit organizations generally find it advisable to have internal operating rules. Also covers annual accounting periods
- [Employer Identification Number](#) - You can apply for an EIN [on-line](#), by mail, or by fax. It is NOT your tax exemption number. MA, NY, SC require a state EIN also
 - [Application Form](#)
 - [On-Line EIN Application](#)
- [Types of Organizations Exempt under Code Section 501\(c\)\(6\)](#)
 - [Business Leagues - Requirements for Exemption](#) - To be exempt, a section 501(c)(6) organization must receive meaningful [membership support](#).

Applying to the IRS

- [Application Forms](#)
 - [Exemption Application \(Form 1024\)](#) – File to receive tax exemption status from the IRS
 - [User Fee](#) – **Don't forget the money**
 - [Power of Attorney](#) – if your chapter has a third-party management company
 - [Disclosure of Applications](#) - Exempt organizations must allow for public inspection and copying of their exemption applications, determination letters, and annual returns. The IRS also makes these documents available for public inspection and copying
- [IRS Processing](#)
 - [While You Wait](#) – **What to do if tax filing time and you don't have the tax exemption determination letter**
 - [Ruling and Determination Letters](#)
 - [Advance Rulings](#) - A ruling or determination letter may be issued in advance of operations if...
- [Help from the IRS](#)
 - [Application Process Step by Step](#) - a helpful wizard to navigate the process
 - [Customer Account Services](#) – contact information
 - [Publication 557, Tax-Exempt Status for Your Organization](#)

Required Filings

- [Annual Exempt Organization Return](#) – Basic filing rules
 - [Requirements for Filing](#) - **#14: An exempt organization (other than a private foundation) that normally has annual gross receipts of \$50,000 or less and therefore is eligible to file an [annual electronic notice](#) (Form 990-N) instead of an annual information return**
- [Help from the IRS](#)
 - [Publication 4221-NC, Compliance Guide for Tax-Exempt Organizations \(Other than 501\(c\)\(3\) Public Charities and Private Foundations\)](#)

Ongoing Compliance

- [Jeopardizing Exemption](#) – various things you must do, or not do, to remain tax exempt
 - [Inurement](#)
 - [Not Filing Annual Return or Notice](#)
- [Lobbying and Political Campaign Activity](#)
 - [Proxy Tax](#)
- [Contributions](#) - Contributions to section 501(c)(6) organizations are not deductible as charitable contributions on the donor's federal income tax return

LET'S RECAP:

- 1- **ORGANIZE**: May incorporate, set up as a trust, or an unincorporated association (or organization) under Internal Revenue Service Code Section 501c(6). Partnerships cannot be non-profit
- 2- **DOCUMENTS**: Will need Articles of Incorporation (or organization if not incorporating), EIN, By-Laws (recommended). Of these, National only needs your EIN for its records plus whether your chapter is incorporated or not. We do not need copies of your Articles of Incorporation (or organization) or By-Laws. HOWEVER, sometimes these documents get misplaced with the passage of time (and new chapter officers), so it's a good idea to provide a copy to National for a backup copy.
- 3- **TAX-EXEMPTION**: File Form 1024 for tax exemption from the IRS. Some states also require a tax exemption.
- 4- **FILE**: Each year file a 990 tax form. The form 990, 990EZ or 990N must be filed by the 15th day of the 5th month after closing your tax year. For Example: If your tax year ends on Dec. 31 each year, then you must file no later than May 15 (15th day of the 5th month after Dec. 31). If your gross income is \$50,000 or less, then you may file the 990N (Electronic Postcard) which is nothing more than an informational form to let the IRS know you're still active. A chapter's tax-exempt status will be automatically revoked upon failing to file for three consecutive years.

Summarizing compliance requirements for AFE:

Provide to AFE National...

- 1- Date your chapter became
 - o A state and IRS recognized non-profit corporation, trust or unincorporated organization
 - o tax-exempt
- 2- **EIN**
- 3- Date most recent 990 tax form filed
- 4- Did you file last year?
- 5- Did you file year before last?
- 6- **Financial** form at end of year
- 7- **Officer** list by end of year or during the year if changes
- 8- Copies of Chapter meeting minutes (audit requirement)

