

Financial Facts

- The chapter officers and board of directors should be involved in setting financial goals for the Chapter and in preparing and approving the budget.
- The board should review the budget to ensure that the projected income (revenues) and expenses are realistic.
- The volunteer Treasurer is responsible for making sure that financial records are accurate and maintained.
- Each established Chapter should have a Federal Employer Identification Number (EIN), sometimes called a Tax ID. The EIN is a registration number with the Internal Revenue Service. You can apply for it online free at: <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-%28EIN%29-Online> Instructions, a blank form and sample can be found on GAPNA's website: <https://www.gapna.org/about/chapters/chapter-resources>
- It is not necessary for chapters to apply for state or federal tax-exempt status. Chapters may actually earn up to \$50,000 gross revenue per year without filing a tax return and paying taxes – however they **must** send in the e990-N postcard yearly. (*More information below*)
- If or when chapter funds exceed the \$50,000 threshold, filing a tax return will be the responsibility of the chapter.
- Chapters cannot share the national organization's tax-exempt status. Each local chapter must apply for individual recognition of exemption from income tax. The National Office has submitted an application for umbrella status for chapters, but we have not been approved as yet.

Financial Records

The treasury files should contain the following items:

- Copy of bylaws and policies with authorization of signers on bank account
- Copy of the approved budget
- Receipt book to acknowledge money received
- Check book to disburse funds as authorized
- Treasurer's accounting books (e.g., bank statements, deposit slips, cancelled checks)
- Up-to-date roster of members
- Tax records (if there are any)
- Federal EIN
- Letter from IRS with determination of tax exempt status (if applicable)
- Fundraising records
- Auditor's report (if applicable)
- Inventory of goods in stock (e.g., t-shirts, hats)

Tax records, your EIN, and letters from the IRS should be kept in your files indefinitely. Financial records also should be kept indefinitely. If the Treasurer's report is included in the minutes or newsletter, these items are in the permanent files and this will suffice. Separate financial records, bank statements, and annual reports should be kept with the Treasurer's files for three (3) years.

W9 Form

When a vendor donates something (money, goods, food, etc.) to your Chapter, they will ask you to fill out a W9 Form. You can download a blank copy from: <http://www.irs.gov/pub/irs-pdf/fw9.pdf?portlet=3>. This form is filled out by the Chapter and allows the vendor to take the donation as a business expense. The online form is interactive, which means you can fill it out and save it to your computer. A chapter officer will need to sign it for the vendor. Here is an example of the information requested:

- **Name:** Name of Chapter
- **Business Name:** Don't need to fill out – same as Name
- **Other:** Professional Association
- **Exempt Payee:** Don't check
- **Address:** Typically the Treasurer's or your PO Box (if you have one)
- **List Account Number:** Do not fill out
- **Social Security:** Do not fill out
- **Employer Identification Number:** Your Chapter EIN (Tax ID) number

A blank document and example can both be found on GAPNA's website:

<https://www.gapna.org/about/chapters/chapter-resources>

501(c)6 – Tax Exempt Status

What is it and What Does it Mean to Chapters

IRS.gov (4/30/10) - Section 501(c)(6) of the Internal Revenue Code provides for the exemption from federal taxes of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Trade associations and professional associations are business leagues. To be exempt, a business league's activities must be devoted to improving business conditions of one or more lines of business as distinguished from performing particular services for individual persons. No part of a business league's net earnings may inure to the benefit of any private shareholder or individual, and it may not be organized for profit to engage in an activity ordinarily carried on for profit (even if the business is operated on a cooperative basis or produces only enough income to be self-sustaining). The term *line of business* generally refers either to an entire industry or to all components of an industry within a geographic area. It does not include a group composed of businesses that market a particular brand within an industry.

Tax Exempt Facts:

- Many Chapters apply for and hold a 501(c)6 designation. The 501(c)6 designation is a trade association or business league status. **With this status vendors and others cannot make tax deductible contributions** however, their contribution may be deducted as a business expense using an IRS W9 form. Tax deductible contributions can only be given to charities and foundations that have a 501(c)3 status.
- A common question from Chapters is regarding **state sales tax exemption**. The 501(c)6 does not exempt you from paying state sales taxes. You must have an exemption from *your* state.

How to Apply for Federal Tax Exempt Status

Please note that it is not necessary that you apply for federal or state tax exemption.

A blank application for federal tax exempt status can be found on GAPNA's website:

<https://www.gapna.org/about/chapters/chapter-resources>

For complete and current information from the IRS about tax exemption, go to:

<http://www.irs.gov/charities/content/0,,id=96986,00.html>

Exempt Organization User Fees

There will be a \$400 fee to apply for designation as a federally tax exempt organization for organizations with annual gross receipts < \$10,000 during preceding 4 years. Click below to see the fee schedule:

<http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-User-Fees-2012>

Required Filing of a 990-series Form for Tax Exempt Organizations

The IRS requires all Chapters who gross less than \$50,000 to file an annual electronic 990-N, also known as an e-Postcard. These are due every year by **May 15th** to the IRS. For more information or to file your 990-N electronically, go to: <http://www.irs.gov/Charities-&-Non-Profits/Annual-Electronic-Filing-Requirement-for-Small-Exempt-Organizations--Form-990-N-%28e-Postcard%29>

For complete up-to-date information from the IRS on the electronic 990-N, click below:

<http://www.irs.gov/charities/article/0,,id=169250,00.html>

If you have not filed a 990-N postcard in more than a year, then it is possible that your existing EIN number has been revoked and you will lose your tax exempt status. **If an organization fails to file a 990-N notice as required for 3 consecutive years, it will automatically lose its tax exempt status.**

Summary of 501(c)6 Tax Exempt Status

- Exempt from federal income tax, as a nonprofit business league, but not a charitable organization (they are 501c3's)
- Not exempt from State sales tax
- Must file a 990-N postcard annually with the IRS (if under \$50,000 you can file the 990-N postcard online; if over \$50,000 you will need to file the 990-EZ or long form)
- Organization exists for the benefit of the organizations' members
- Must be an association of people having some common business interest and its purpose must be to promote this common business interest
- The organization will have no specific ownership and are generally controlled by members who do not receive stock. All profits are reinvested in the organization.
- No part of the organization's net earnings will be distributed for the benefit of any private shareholder or individual, and it may not be organized for-profit or engage in for-profit activities.
- The organization must be primarily supported by membership dues and other income from activities substantially related to its exempt purpose.
- Contributions are not tax deductible but can be a business expense. Chapters will fill out a W9 for the contributor.
- May engage in any amount of legislative activity relevant to the common business interests of the organizations' members, but lobbying should not be the organization's major focus.