

April 15 is approaching and this information has been compiled in response to questions from several PNCWA sections and short school organizers. It is intended to provide basic, general information to help you decide what, if anything, your section or group might want or need to investigate further. It is not intended to replace advice/information from legal or tax professionals. Section leaders and short school organizers should also consult with their Regional Director when considering Employee Identification Numbers (EIN).

The IRS webpage for information on groups organized as a 501(c)(3) is at this writing at <http://www.irs.gov/charities/charitable/index.html>

General Definitions/Explanations:

Tax-Exempt Organization: To be tax-exempt as an organization described in IRC Section 501(c)(3) of the Code, an organization must be organized and operated exclusively for one or more of the purposes set forth in IRC Section 501(c)(3) and none of the earnings of the organization may inure to any private shareholder or individual.

EIN (Employer Identification Number): The organization should also request an employer identification number, even if the organization does not have any employees. This is a number assigned by the IRS to an entity that is not an individual person. Think of it as a Social Security Number (SSN) for your organization. An EIN follows a pattern of 12-34567, while a SSN follows a pattern of 123-45-6789. You may download Form SS-4, Application for Employer Identification Number from the IRS website, and its related instructions to learn how to obtain an EIN. You may also obtain an EIN via telephone, by calling 1-800-829-4933, or by applying online. For more information regarding EINs, see Publication 1635, Understanding Your EIN.

Filing Requirements: Generally, tax-exempt organizations must file an annual information return. Tax-exempt organizations that have annual gross receipts not normally in excess of \$25,000 are not required to file the annual information return. In addition, churches and certain religious organizations, certain state and local instrumentalities, and other organizations are excepted from the annual return filing requirement. For more information, download Publication 557, Tax-Exempt Status for Your Organization. In addition, Publication 4221, Compliance Guide for 501(c)(3) Tax-Exempt Organizations, explains the filing and recordkeeping rules that apply to organizations that have tax-exempt status under section 501(c)(3).

UBIT (Unrelated Business Income Tax): Even though an organization is tax exempt, it still may be liable for tax on its unrelated business income. Unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function except that the organization needs the profits derived from this activity. An exempt organization that has \$1,000 or more gross income from an unrelated business must file Form 990-T, Exempt Organization Business Income Tax Return. For additional information, see the Form 990-T instructions. For the latest developments on filing unrelated business income tax returns, see Form 990-T Filing Developments.

Other Forms/Requirements: If you pay independent contractors, you may have to file Form 1099-MISC, Miscellaneous Income, to report payments for services performed for your trade or business. If the following four conditions are met, you must generally report a payment as nonemployee compensation.

1. You made the payment to someone who is not your employee;
2. You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations);
3. You made the payment to an individual, partnership, estate, or in some cases, a corporation; and
4. You made payments to the payee of at least \$600 during the year.

The Form 1099-MISC, Miscellaneous Income, is transmitted with the Form 1096, Annual Summary and Transmittal of U.S. Information Returns, which is similar to a cover letter for your Forms 1099-MISC.

Refer to Instructions for Form 1099-MISC, and Publication 1220, Specifications for Filing Form 1098, 1099, 5498 and W-2G Magnetically or Electronically for more information.

Information Reporting Call Site

The IRS operates a centralized call site to answer questions about reporting on Form 1099 and other information returns. If you have questions related to reporting on information returns, call (304) 263-8700.

Each state has filing requirements, too—usually just updating a simple form annually and/or submitting a copy of the federal return; state filing deadlines may vary from federal deadlines.

State Registration/Filing Requirements:

Your section should be registered as a nonprofit corporation with the appropriate department(s) in your state. Once registered, you would file annual reports/updates with these offices. Most departments have a nominal initial fee and/or an annual renewal fee. Usually they will send a reminder letter, but be sure to ask about deadlines, required forms, etc., and be aware that the person who gets the reminder notice will probably be one of the previous year's officers since that will likely be the most recent information on file with the state. You can/should update the officer information whenever elections are held, however, to eliminate that problem. You may also be required to advise your state if your organization changes its articles of incorporation or other organizing documents, such as its Constitution or Bylaws.

In general, a nonprofit corporation must register if it holds assets (example: checking account), solicits/accepts contributions (example: donations to support a short school), or conducts activities (example: a fundraising event) for a charitable purpose in a state. A "charitable purpose" promotes the well-being of the public at large, or an indefinite number of persons, including, but not limited to, educational or scientific purposes (among other definitions that don't apply to PNCWA). Here are contact points for each state so you can find out if your section would be required to register, whether it is already registered, and how to get the forms you need if it's not:

Idaho: Office of the Secretary of State (208) 334-2300.

Oregon: Office of the Secretary of State/Corporation Division 503-986-2200; and Department of Justice—Charitable Activities Section (503) 229-5725.

Washington: Office of the Secretary of State/Corporations Division (360 (360) 753-7115) and Charities Division (360) 753-0863.