Chapter Financial Management

Financial Facts
- The Chapter Officers (Officers) should be involved in setting financial goals for the Chapter and in preparing and approving the budget.
- The Officers should review the budget to ensure that the projected income (revenues) and expenses are realistic.
- The 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. Learn all about it, and apply online free at IRS EIN.
- It is not mandatory for chapters to apply for tax-exempt recognition. Chapters may actually earn up to $25,000 gross revenue per year without filing a tax return and paying taxes. However, when chapter funds exceed this amount, 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.

Financial Records
The treasury files should contain the following items:
- 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
- Inventory of goods in stock

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 years.

W9 Form
When a vendor donates something (money, good, food, etc.) to your Chapter or State Council, they will ask you to fill out a W9 Form. 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. That way, you don’t have to start from scratch every time. A chapter officer will need to sign it for the vendor.

- **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

### 501(c)6 – Tax Exempt Status: What it is and What it Means 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, **not a charity status**, so vendors and others **cannot make tax deductible contributions**, as if you were a church, school, or hospital organization; however, their contribution may be deducted as a business expense using an IRS W9 form.

- 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 Tax Exempt Status

For complete and current information from the IRS, go to [Applying for Tax Exemption](https://www.irs.gov/).  

### Exempt Organization User Fees

There will be a $400 fee to apply for designation as a tax exempt organization for organizations with annual gross receipts < $10,000 during preceding 4 years. Click to see the [User Fee Schedule](https://www.irs.gov/).
Required Filing of a 990-series Form for Tax Exempt organizations:
The IRS requires an Annual Electronic Notice Filing. With the passing of the Pension Protection Act of 2006, all Chapters and State Councils who gross less than $25,000 are required to file an annual electronic 990-N, also known as an e-Postcard, or another 990-series form. Go to Form 990-N (e-Postcard) for complete, up-to-date information from the IRS.

If you have not filed a 990-series form, 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 an annual return or 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**
- Not exempt from State Sales Tax
- Must file a 990-series form annually with the IRS – Under $25,000 will file a 990 N (online postcard) – Over $25,000 will file a 990 EZ or long form
- 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. Chapter 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.