



IRS and Your Chapter/District

September 2011



IRS 501(c)

- IRS has many different tax exemptions and non-profit classifications known as 501(c) status.
- All 501(c) organizations are exempt from federal income tax.
- **But**, the donor's contribution is not always tax deductible.



IRS 501(c) 10

- AHEPA is tax exempt as a **501(c) 10** organization.
- **501(c)10** entity is a Fraternal organization operating under the lodge system.
- AHEPA has a **501 (c)10** group exemption for all of its chapters and districts. This exempts them from paying federal tax on the income received by the chapter or district.



Chapters and Districts

- Chapters and Districts are exempt from paying federal tax on member dues and interest income received.
- **However**, the dues a member pays are **NOT TAX DEDUCTIBLE**.



AHEPA 501 c (10) IRS Section 170 (c)4

AHEPA can receive donations under this section.

- **IRS Section 170 (c)4** defines a qualified contribution as one that is given to an organization operating under the lodge system if the gift is to be used exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.



New Development

- The Board of Trustees has established the AHEPA Foundation, Inc. with the IRS as a 501 (c) 3 non profit Corporation for charitable, educational and national and international amateur athletics activities
 - The IRS allows a tax deduction to members or donors contributing to a charitable event under the more **recognized** IRS Section **501(c)3** instead of IRS Section 170 (c) 4 as a 501(c)10 organization
- Most Corporate donors require a **501(c) 3** status for charitable giving
- Most states recognize the **501(c) 3** organization's purchases as sales tax exempt



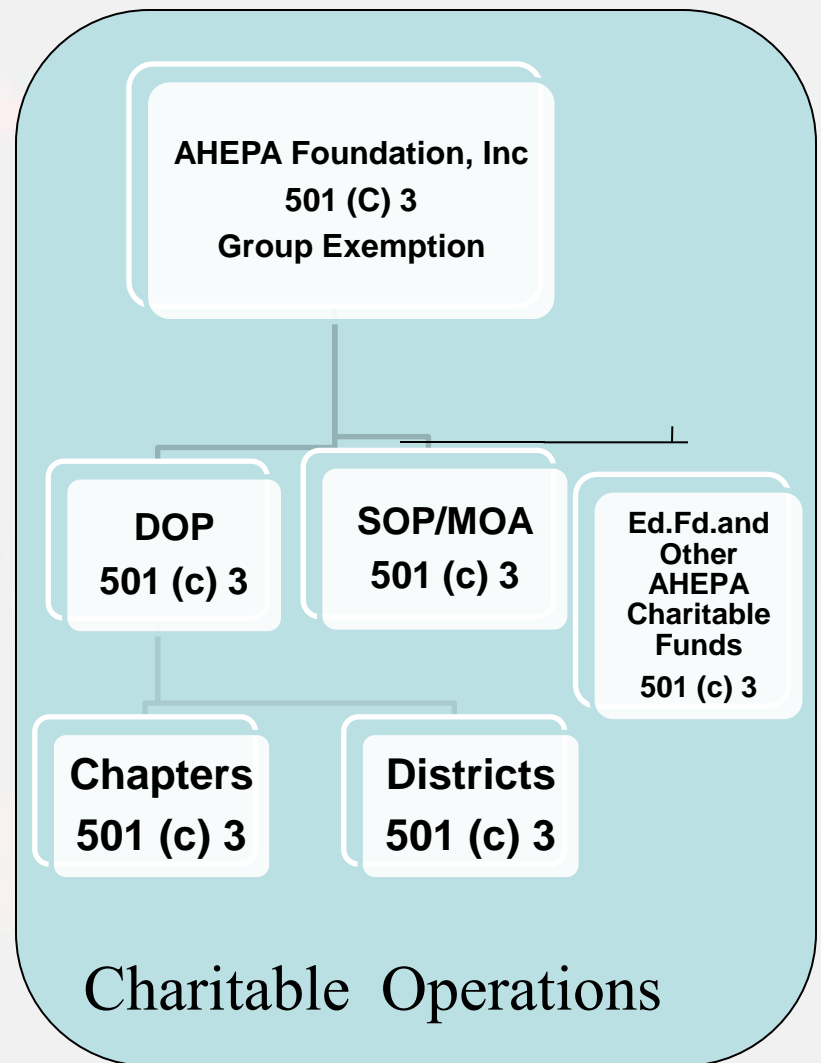
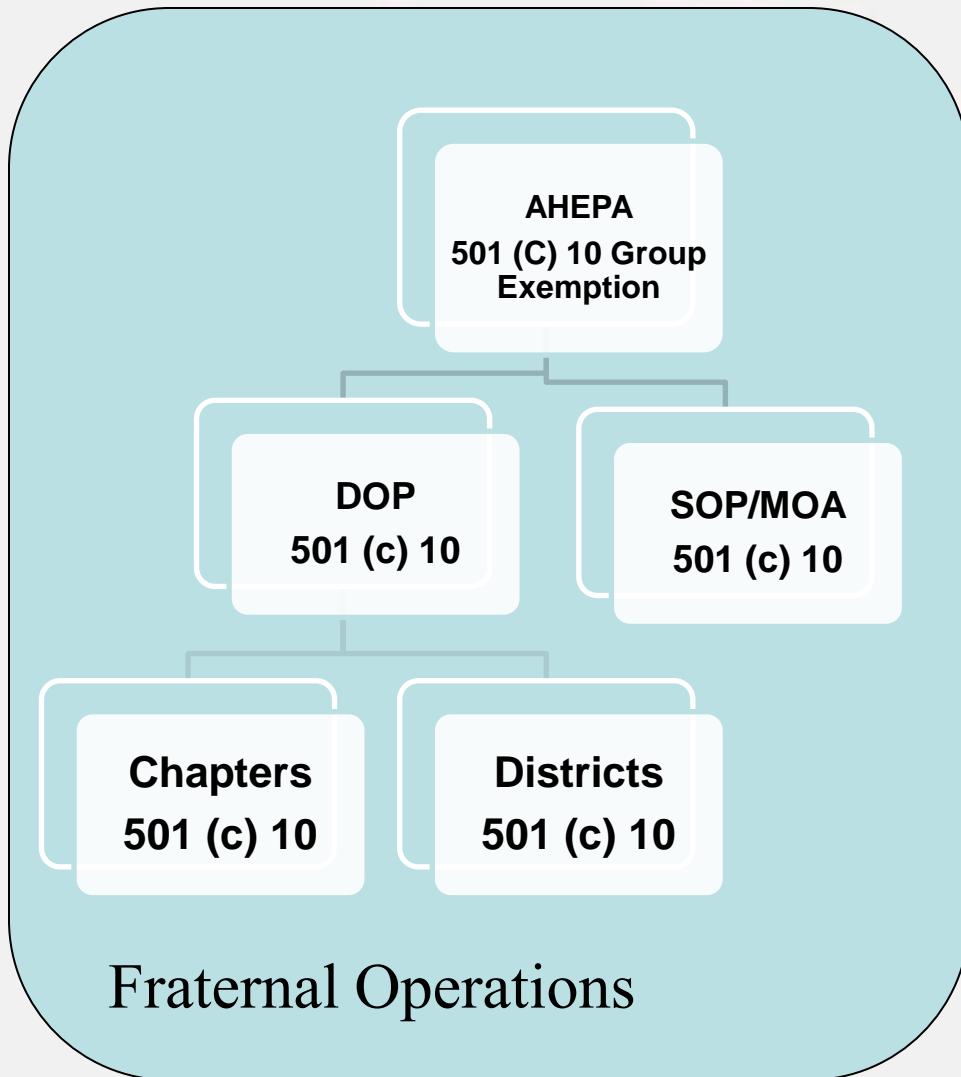
New Development

- The Board of Trustees has voted that the AHEPA Foundation, Inc will apply to the IRS for a 501(c)3 group exemption (for all of our chapters)
- A group exemption is a ruling issued to a central organization (AHEPA Foundation, Inc.) recognizing on a group basis the exemption under section 501(c) 3. Our chapters will be able to benefit from a group exemption which will create a 501 (c) 3 for each chapter who wants one.
 - This procedure relieves each of our chapters and districts, covered by a group exemption letter from filing its own application for 501(c)3 status.



Chapter/District Information: **What Does this mean for your Chapter/District?**

- The Chapter **does not** have to setup a separate 501(c) 3 organization for charitable/ed. purposes
 - Each Chapter in good standing can be added to the AHEPA Foundation, Inc. 501(c) 3 group exemption
 - The Chapter will be issued a new EIN number
- The Chapter cannot co-mingle the charitable funds with chapter operating funds, (separate bank accounts are required).
- And proceeds must be used for a charitable purpose.
- A form 990-N will also be required (E-postcard).





Chapter and District IRS Section 170 (c)4 Educational Foundations

Scholarship tax information



Chapter/District Scholarship Guidelines

As per IRS regulations:

- Scholarship funds must be used **only** for:
 - Tuition and fees required for enrollment, and
 - Fees, books, supplies, and equipment required for courses of instruction at the educational organization
- The Scholarship check should be made payable to the school or university.
- To be IRS compliant, when a check is payable to the student, a release form must be signed by the student acknowledging that they understand and agree to the above conditions.

“Always check with a tax advisor if in doubt”



e-Postcard **Form 990-N**

New IRS required filing



IRS Filing Requirements

Existing filing requirement:

- If a Chapter or District receives more than \$50,000 a year in **total gross receipts** a Form 990 must be filed annually with the IRS.

New filing requirement:

- If a Chapter or District receives less than \$50,000 a year in **total gross receipts:**
 - Each Chapter or District must file an annual online IRS Form 990-N known as an *e-Postcard* - this is an online informational return only



What is *e-Postcard*?

- This filing requirement is to ensure that the IRS and potential donors have current information about an organization.
- The *e-Postcard* is due every year by the 15th day of the 5th month after the close of your **tax year.**
 - For example, if your tax year ended on **December 31st** the *e-Postcard* is due **May 15th**
- **You cannot file the *e-Postcard* until AFTER your tax year ends.**



Importance of *e-Postcard*

- If you do not file your *e-Postcard* on time, you will not be assessed a penalty.
- However, an organization that fails to file required *e-Postcards* for three consecutive years **will automatically lose its tax-exempt status.**
- After the first *e-Postcard* has been filed, if you do not file your *e-Postcard* on time, the IRS will send you a reminder notice.



More on *e-Postcard*

The *e-Postcard* is a simple, online form that asks a few identifying questions about your organization – c/o name and address of the Chapter/District



You and *e-Postcard*

- This information about e-postcard was for your basic knowledge of this new IRS filing.
- **AHEPA Headquarters WILL DO the e-postcard filing for any CHAPTER that returns a request form.**
- All Chapters will be receiving further information.



Thank you for your time!

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