



CLUB TAX STATUS FREQUENTLY ASKED QUESTIONS

NOTE: Information below represents best opinions regarding tax exempt status and income tax filing. Neither the College nor consultant Katherine Naughton '70 is qualified to offer tax advice.

Do we have or need a Tax ID # (also called EIN, Employer Identification Number)?

- You need one if you plan to open a club bank account. (It is not advisable to have a club bank account under a club officer's name.)
- Your club may already have a Tax ID# to find it:
 - 1) Search past club files
 - 2) Ask the Office of Alumnae Relations (OAR) if they have it
 - 3) Ask the bank where you have an open bank account—it's required for opening an account
 - 4) Go to the IRS website (www.irs.gov) or call them
- If your club does not have a Tax ID# but would like to get one, you can apply through the IRS website (www.irs.gov), Under Tools, select Apply for an Employer ID Number.
- Having a Tax ID# is not the same as being tax-exempt.

To be or not to be tax exempt?

- Yes – if you have gross annual income (income before any expenses) on average of greater than \$5,000 AND club members would like to be able to deduct dues, scholarship or other donations to the club on their tax returns.
- No – if you have gross annual income (income before any expenses) on average of less than \$5,000 OR if you have gross annual income (income before any expenses) on average of greater than \$5,000 BUT the club encourages alumnae to donate directly to the Smith Fund or a Club endowed scholarship fund (donations can be made directly to the College with the specification that they are for a club scholarship fund).
- If you have gross annual income (income before any expenses) on average of less than \$5,000, you can simply declare your club to be tax exempt; no other paperwork is required. Donating members can include their donations for dues, book awards, club operating expenses, scholarships, etc., on their tax returns.

If you choose to be tax exempt:

- You may already have tax exempt status. To find out:
 - 1) Search past club files, especially for any letters from the IRS such as a Determination Letter establishing your 501.c.3 status, or (since 2007) a letter saying your status has been revoked for failure to file with them for 3 consecutive years (see below)
 - 2) Ask the OAR if they know your status
 - 3) Attempt to file an E-Postcard at the IRS website. If you are tax exempt in good standing, when you enter your Tax ID# you'll be told to go ahead with filing the E-Postcard. (You don't have to file this E-Postcard at this time—you're only checking to see if you are officially tax exempt in good standing.)
- If you wish to have tax exempt status, because either the club was never tax exempt or the club received a letter from the IRS revoking its tax exempt status, you will need to apply for tax exemption or

re-instatement of tax exemption. The process is the same whether you are applying for re-instatement or have not had tax exemption before: the club will need to fill out and file IRS Form 1023. Clubs applying for re-instatement need to include a cover letter and the filing fee is lower. We can help walk you through IRS Form 1023 but can't fill it out for you. There is a sample form to use as a guide.

State tax exempt status requirements vary from state to state. Go to your secretary of state website to learn about the requirements. Often, states will grant tax exempt status only if the federal government already has. Exemption from state taxes might benefit your club if you have large, taxable rental fees or purchases for events. Consider looking for a local alumna with an accounting background who may already be familiar with state regulations.

What are the advantages of not being tax exempt?

Not having to do the paperwork. Not incurring significant cost of filing. The benefits of tax exempt status vary by club depending on its focus and purpose.

Do I need to file a federal tax return?

In 2007, the IRS ruled that all tax exempt organizations had to file annual returns.

- If income is between \$5,000 and \$25,000, you can file a simple [E postcard](#) online.
- If income is above \$25,000 you need to file a Form 990; go to www.irs.gov, click on Forms and Publications, and search for 990. If possible file using the Form 990-EZ rather than the full Form 990.

Can our club lose its federal tax status?

In its 2007 ruling, the IRS also stated that if a tax exempt organization did not file returns for 3 consecutive years its tax exempt status would be revoked.

- If your club received a letter from the IRS revoking your tax exempt status, and you would like to have that status re-instated, you need to apply using Form 1023 just as though you were applying for the first time. However, the required fee is lower. You should write a cover letter explaining that you are applying for reinstatement. The application should be mailed to a special IRS office which deals with reinstatements.
- If you think your club has tax exempt status, and you have not received a letter from the IRS revoking that status, go to the e-postcard site and type in your club's EIN. If the site allows you to file the e-postcard, you still have tax exempt status. If not, either it has been revoked, or you did not have it in the first place. Note: if you have not filed tax returns in prior years, and are successful in filing an e-postcard, the IRS will eventually require you to file tax returns for the 2 years prior to the fiscal year for which you filed the e-postcard. To do that you need to file Form 990. The e-postcard does not work for prior years.

How do you know if your club has been filing appropriately?

Go to [E postcard](#), plug in your club information and see what comes up. If you had tax exempt status and lost it, before automatically doing the work to reinstate, think about what your club priorities are. It can be handy to have tax exempt status to be exempt from state taxes for things like venues and food, but it is usually not worth having the status for those things alone.

Help with Treasury

For guidance, information and support on financial and tax questions please contact consultant Katherine Naughton '70 at ksnaughton@alumnae.smith.edu. Katie is a senior level finance professional who has served as treasurer for both the New York City and Hampshire county clubs. She is available for questions by email, and then by telephone or Skype. She is working closely with staff at the college to make sure that you are supported. Please note that up to five hours of work with her will be covered by the college. Any additional time must be covered by the club.