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## ***AFA State/Chapter 501 (c)(3) Tax Status***

As of: 1 April 2010

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## Overview



- **Background**
- **Chapter Preparation**
- **Special Attention Areas**
- **IRS Reporting**
- **State Registration**
- **Questions?**

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This briefing will cover these areas. Any questions concerning the briefing should be directed to AFA/EVP Buck Buckwalter at: (703) 247-5803 or [bbuckwalter@afa.org](mailto:bbuckwalter@afa.org).



## ***AFA as a [whole] 501(c)(3)***



- **Background: May 05–Feb 06 AFA/HQ (c)(3) approved; Jul 06–Sep 09 for Group Exemption!**
- **24 Sep 09 IRS Letter – Effective date: 8 February 2007**
- **You are a 501 (c)(3), under Group Exemption Number (GEN) 5392 (the old GEN 1392 is cancelled)**
- **You DO NOT need a new EIN (your current EIN has been transferred to the new group)**

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In 2005, AFA made the decision to restructure itself into an IRS 501(c)(3) organization to broaden our membership eligibility to all members of the Air Force family (military and civilian, serving and supporting) and take advantage of a tax classification that more accurately described our mission to EDUCATE, ADVOCATE, and SUPPORT.

We consciously chose to separate the HQ transition from the Field (our attorneys believed it would be easier). HQ was “easy” – nine months, the Field took much longer than planned (different offices within IRS).

On 24 September 2009, the IRS approved our Group Exemption Request, with an effective date of 8 February 2007 (that was the date when the first IRS management level recommended approval of our request).

The retroactive date is to our benefit, in that, you can claim your volunteer expenses (to the extent allowed) for all of 2009 and offer any significant donors the assurance that their contributions were deductible (it probably would not be worth the effort to amend returns or find the records necessary for prior years).

The 501 (c)(19) GEN has been cancelled and all EINs were transferred to the new 501 (c)(3) GEN 5392.

You should NOT get a new EIN, but you MUST have an EIN & they are easy to get online. You should check the AFA website under Field Resources first to see what EIN we have listed for you – you must advise HQ whenever you change EIN information (e.g., POC/address).



## Chapter Preparation



- Board of Directors Approve Letter 20 February 2010
- Read letter & “Special Attention Areas” paper
- Read IRS pamphlets (& skim “the Bible” – Pub 557)
- Consult “Tax Guidance” webpage under “Field Resources” (after 15 March 2010)
- E-mail questions to [bbuckwalter@afa.org](mailto:bbuckwalter@afa.org); info: [jgalbreath@afa.org](mailto:jgalbreath@afa.org) & [mnauheimer@afa.org](mailto:mnauheimer@afa.org)

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The Board is approved the guidance letter that is on the website and was sent to all State/Chapter Presidents. Please read it carefully and read the two IRS pamphlets it mentions carefully.

The webpage called “State/Chapter Tax Guidance” Under “Field Resources” (<http://www.afa.org/members/field.asp>) should answer all your questions.

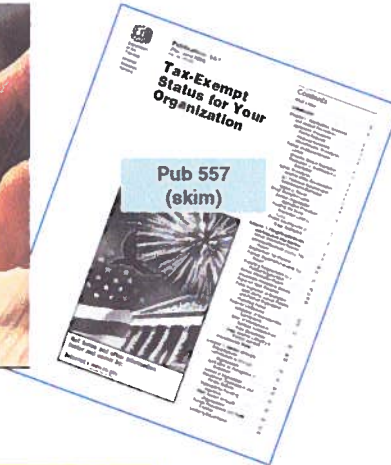
E-mail us ([bbuckwalter@afa.org](mailto:bbuckwalter@afa.org)) if you still have questions.



## To Read & Skim



READ



Pub 557  
(skim)

IRS Pub 4221-PC, *Compliance Guide for 501(c)(3) Public Charities*

IRS Pub 1771, *Charitable Contributions*

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These are your “homework assignments.” The two pamphlets are easy reads. Pub 557 probably has all the answers to your questions, but it reads like ... well, an IRS Pub.



## Special Attention Areas



- “Political Activity” – just DON’T do it
  - “Lobbying” (we “educate” vs. “lobby for specific legislation,” but if you think you spent money lobbying [not your time], tell us)
  - Fundraising – your responsibilities & State Registration (2<sup>nd</sup> last slide)
  - Scholarship/Grants
  - Excess Benefit Transactions
- } “Disqualified Persons”  
& Conflict of Interest

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**Political Activity, in IRS terms means the Organization (not you personally) Endorses ANY political candidate for ANY elective office (President of US to local School Board)**

We “educate” rather than “lobby.” Tell us about any expense that could be construed as an attempt to influence legislation. Volunteer time is not the measure here, only expenses, such as paid employee time, transport or entertainment expenses. This could include a mailing to chapter members asking them to contact their Congressman to support or oppose a position involving legislation.

Not every contribution you receive is fully tax deductible to the donor, and you have responsibilities to inform donors or potential donors and provide appropriate receipts for contributions (READ the pamphlets). Similarly, not every activity where people pay you for a function or donate is charitable fundraising unless you solicit the money as a charitable contribution. Most states and some localities also regulate fundraising by 501(c)(3) organizations and there’s a separate slide at the end of this brief discussing that.

We grouped the last two together because they’re really about “Disqualified Persons” (an officer, voting board member, or key employee) gaining benefit from their positions. The benefit extends to family members, which the IRS defines as: “spouse, ancestors, brothers and sisters (whole or half blood), children (natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.” Read this part of the guidance paper a couple of times and ask us if you have any questions.



## IRS Reporting



### States & Chapters ARE Responsible for IRS Reporting:

- If your “Average Annual Receipts” (not revenue-less-expenses, but what you receive) are:
  - <\$25k, 2009; <\$50k, 2010 & thereafter – 990-N
  - More than that: 990-EZ or 990
- 990-N is online filing only & easy for most – report ANY difficulty (ideally with a copy of the screen) to [bbuckwalter@afa.org](mailto:bbuckwalter@afa.org)
- Fiscal Years (some Oct-Sep, some = Calendar Year are still being worked – file with what the IRS has in their data base for now

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ALL States & Chapters are responsible for their own reporting!!! If your average annual gross receipts are over \$25,000, that means a form 990 or 990-EZ (note, the filing threshold increases to \$50,000 for tax years 2010 on, so fewer of our States and Chapters will be required to file Form 990, BUT ...

ALL States & Chapters whose annual gross receipts are below \$25,000 (\$50k 2010 on) MUST still file a 990-N. This may ONLY be filed electronically, and there are a step-by-step instructions on the web. Normally this takes no more than 10-15 minutes.

Slide is self-explanatory. The “real” phase-in of limits is:

**2008 Tax Year (Filed in 2009 or 2010)**

≤ \$25,000 990-N; > \$25,000 and < \$ 1 million (assets < \$2.5 million): 990-EZ

**2009 Tax Year (Filed in 2010 or 2011)**

≤ \$25,000: 990-N; > \$25,000 and < \$500,000 (assets < \$1.25 million): 990-EZ

**2010 Tax Year and later (Filed in 2011 and later)**

≤\$50,000: 990-N; > \$50,000 and < \$200,000 (assets < \$500,000): 990-EZ



## State Fundraising Registration



- States & Chapters **ARE** Responsible for State (& some places, city/county) Fundraising Registration.
- Most states have very minimal charges or even exemptions for entities doing less than \$25k fundraising
- Even if you are not required to pay to register, it is worth checking out YOUR state requirements (some states, for instance, grant exemptions, but you must apply, and they can fine you if you don't)
- State fundraising registration websites are on the AFA web under Field Resources

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State fundraising registration can seem daunting, but at the fundraising levels for most of our chapters, it should not be a major effort or expense to comply. (A Florida charity was recently sued for failure to register – the 15 minutes and the \$10 it would have taken them to comply is a bargain compared to a lawsuit asking for a \$10,000 civil penalty.)

See the list of websites on our web and e-mail [bbuckwalter@afa.org](mailto:bbuckwalter@afa.org) if you have any questions.



***AFA is a 501(c)(3) (all of us)***

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## ***Questions?***

***bbuckwalter@afa.org***

***(or take your favorite accountant or tax attorney to a chapter meeting and show what great stuff you do!)***

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