**IRS Information for Chapters**While the letters I R S may make you nervous, IABC chapter leaders must deal with the Internal Revenue Service when it comes to chapter funds. The following information will provide the average chapter leader with all the information necessary to work successfully with the IRS.

**FREQUENTLY ASKED QUESTIONS**

**I am convening a new IABC chapter and need to obtain tax-exempt status for my chapter. Where do I begin?**First, you need to apply for an employment identification number (“EIN”) with the IRS. Every Chapter must have an EIN in order to apply for tax-exempt status. You can apply for one via phone, mail or online using the IRS website where you will find the [EIN Application](https://sa1.www4.irs.gov/modiein/individual/index.jsp) also known as IRS Form SS-4. Once your Chapter receives an EIN from the IRS, please provide the EIN to IABC.

**I am not sure of my chapter’s tax-exempt status or when our most recent 990-N (e-Postcard) was filed. Where can I find that information?**Visit the IRS’ website <http://apps.irs.gov/app/eos/> to verify your status. Remember that the IRS is several months backlogged so the information might not be the most up to date. Have patience and keep up to date records.

**What is a 501(c) organization? What type of organization is IABC within 501 (c) tax code?**A 501(c) organization is a nonprofit organization in the federal law of the United States according to Internal Revenue Code Section 501(c) (26 U.S.C. § 501(c)) and is one of over 29 types of nonprofit organizations exempt from some federal income taxes. Sections 503 through 505 set out the requirements for obtaining such exemptions. Many states refer to Section 501(c) for definitions of organizations exempt from state taxation as well. 501(c) organizations can receive unlimited contributions from individuals, corporations, and unions. For example, a nonprofit organization may be tax-exempt under section 501(c)(3) if its primary activities are charitable, religious, educational, scientific, literary, testing for public safety, fostering amateur sports competition, or preventing cruelty to children or animals.

IABC is a 501(c)(6) organization which means that it is in an tax exempt category that often includes: business leagues, chambers of commerce, real estate boards, and boards of trade.

The IRS regulations state that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interests. Its activities should be directed to the improvement of business conditions in one or more lines of business.

A. Permitted Activities.

* Promotion of professional activities includes certification of individual credentials, advertising (e.g., “See your dentist today.”), assisting professionals to earn higher salaries.
* Trade association activities include advertising products (“Got milk?”), helping businesses earn more profit.
* A 501(c)(6) may engage in unlimited lobbying.
* A 501(c)(6) may engage in political activity, but must pay a 35% excise tax on the total amount of its direct political expenditures.
* A 501(c)(6) may engage in the same types of charitable, educational, and literary activities permitted for a 501(c)(3).

B. Organizational Examples

* American Bar Association
* American Medical Association
* Independent Insurance Agents of America
* Spring Manufacturers Association
* Northwest Association of Realtors

**Where can I find proof of IABC’s tax-exempt status?**On some occasions, the IRS or a private bank may request proof of IABC’s tax-exempt status. In 1970 the IRS granted IABC tax-exempt status and granted IABC the ability to have tax-exempt chapters. You can [use this letter](https://www.iabc.com/Portals/0/IRS%20Letter_Exemption%20Letter_501%28c%29%286%29.pdf) as proof of IABC’s tax-exempt status.

**My Chapter received a letter saying it has lost its tax-exempt status. What does that mean?**The IRS automatically revokes tax-exempt status when an organization does not file IRS Form 990-N e-Postcard for three consecutive years. If you received correspondence from the IRS stating your Chapter has lost its tax-exempt status, follow the steps below.

**How do I get my chapter’s tax exempt status back?**  
To regain your Chapter’s tax-exempt status, you will need to:

* File [IRS form 1024](http://www.irs.gov/pub/irs-pdf/f1024.pdf). Although this form may look daunting you need only fill out pages 1-5 and page 9. Here is a [sample form 1024](https://www.iabc.com/Portals/0/Houston%20Form%201024.pdf) and a [sample form 8718](https://www.iabc.com/Portals/0/Houston%20Form%208718.pdf) completed by the Houston Chapter.
* File [IRS form 8718](http://www.irs.gov/pub/irs-pdf/f8718.pdf)
* Submit payment for filing fee, usually $600
* Review the [Webinar] for all the information that you may need

**What information do I need to file a 1024 form?**

* Your chapter name and address
* Your chapter’s EIN
* Your bylaws
* Description of your chapter’s activities and operational information
* Your officers’ information
* Financial records for the current year and past 3 years
* Copy of IABC’s group exemption letter (on chapters’ only site)
* Any published material published by your chapter (nothing from the Region
* or International)

**What is the IRS 990-N e-Postcard? What is IRS Form 990-EZ? Which one do I fill out** **for my Chapter?**Every chapter is required to file annually with the IRS. Any chapter with annual income of less than $50,000 is required to file the 990-N e-Postcard. Any chapter with $50,000 or more of annual revenue is required to file a [990-EZ form](http://www.irs.gov/pub/irs-pdf/f990ez.pdf) with the IRS. Your 990 is due every year by the 15th day of the 5th month after the close of your tax year. If your tax year runs January 1 – December 31, your 990 is due May 15 of the following year. You cannot file your 990 until after your tax year ends.

**What is an Employer Identification Number (“EIN”)?**An EIN is an Employer Identification Number. Every Chapter must have an EIN in order to apply for tax-exempt status. If your Chapter does not currently have an EIN, you can apply for one via phone, mail or online using the IRS website where you will find the [EIN Application.](https://sa1.www4.irs.gov/modiein/individual/index.jsp) Once your Chapter receives an EIN from the IRS, please provide the EIN to the HQ team.

**I think my Chapter already has an EIN. Where can I find my Chapter’s EIN?**Unsure whether you Chapter already has an EIN? Contact the chapter\_relations@iabc.com. An EIN is required to open a bank account. If your chapter already has a bank account, check on your statement or ask the bank. If that does not prove fruitful, contact HQ, we may be able to help.

**What information do I need to fill out the 990-N e-Postcard?**

* Chapter EIN
* Chapter name and address
* Chapter officer name and address
* Annual tax year
* Estimate of chapter income (e.g., under $50,000)

**What will my chapter need to do once we are in good standing with the IRS?**

Your chapter will need to file a 990-N e-postcard annually. This is done for free using the IRS website. IABC staff will support your chapter with this process once it is time for your chapter to submit.

**Will this affect my chapter’s rebates in any way?**This will not affect your chapter’s rebate eligibility in any way. The requirements for rebate eligibility are:

* At least 5 officers
* Annual report submitted
* Last rebate check cashed
* Current chapter address on file

**What happens if we don’t get our tax-exempt status fixed?**Your chapter’s revenue, including rebates, will be taxed at a for-profit corporate rate of 35% and you may have to pay back taxes.

**When did this requirement happen?**Since there was an error in a previous group filing, the IRS now needs all chapters to submit a 990-N e-Postcard (or a 990-EZ with revenue over $50,000) every May 15. If the chapters failed to file three years in a row, then its IRS tax-exempt status was revoked. Further Questions? Contact IABC staff at [leader\_centre@iabc.com](mailto:leader_centre@iabc.com). To contact the IRS directly, please call 877-829-5500.