

Treasurer's Breakout Session

Friday, 1/8/10

Key Points to remember

- Local SHRM chapters are NOT covered by National's or Virginia State Council's exempt status.
- The Treasurer is responsible for applying for tax exempt status if needed , filing all required financial reports , developing a budget, filing the Chapter Achievement Plan (CAP) with SHRM National, keeping appropriate records and maintaining compliance with IRS rules.
- It is important to get organizational paperwork in order. SHRM's Chapter Guide to Financial Management has great instructional materials, as does the IRS website at www.irs.gov. You can also subscribe to a newsletter for tax exempt organizations at the IRS site.
- How does a chapter find out if they are already tax-exempt and/or non-profit? Call the Virginia Corporation Commission at 1-866-722-2551 and the IRS at 1-877-829-5500 if you can not find incorporation papers or tax exempt request forms in your chapter's files. Once the papers are gathered, keep them ready for public inspection and to be passed to the next treasurer.
- In most cases you are Non-Profit and Tax Exempt. Non-profit relates to your state corporation type, tax exempt is for federal tax purposes. Most SHRM chapters are tax exempt as a business league under Section 501 (c)(6) of the Internal Revenue Code.
- Form 1024 is used to file for tax exempt status as a business league. Part II is the most important part of the Form 1024. This is where you describe your reason for being tax exempt, what activities you will perform and how your revenue will be used to further your exempt purpose. Be as descriptive as possible, and list activities that you know will be actually undertaken. You must also complete Form 8718 with Form 1024 and pay the fee (\$800 or \$400 based on gross receipts).
- This is a one-time application, but tax exempt status must be maintained by filing an annual information return, either Form 990N, 990EZ or 990, based on the amount of income and assets a chapter has. Chapters with Unrelated Business Income (UBI) may also need to file Form 990T. If your chapter is required to file Form 990N, 990-EZ or 990 but does not file for three consecutive years, tax exempt status is lost and the application process must be re-done.
- It is permissible to have a profit and still stay tax exempt as long as the earnings are not distributed to or used for the benefit of persons who control the entity.
- Chapters are encouraged to have a third-party audit on an annual basis to ensure accounts are in order.

Takeaways:

1. Make sure you have a budget; all financials are completed and ready to turn into National for the CAP. You should have a Profit and Loss statement.
2. Verify the chapter is considered nonprofit and the paperwork has been submitted to the IRS for tax exempt status. If not tax exempt, fill out the appropriate paperwork for the status. All tax exempt organizations are required to complete an income information form. This could be a 990N, 990EX or a full 990.

3. Maintain records/receipts to be able to support income & deductions if questioned by the IRS.
4. All chapters must file a information form of some kind every year regardless of chapter size.