

Becoming Federal Tax-Exempt (Nonprofit Status)

One of the many benefits of RRCA membership for a club or event is the opportunity to obtain 501(c)3 nonprofit status with the Internal Revenue Service (IRS) under the RRCA's group exemption status.

The advantages of nonprofit tax-exempt status are:

- No federal income tax on related business income
- Contributions to your club are tax deductible for the donor – MEMBERSHIP DUES are NOT tax deductible.
- Non-reimbursed expenses incurred by your board of trustees are deductible on their personal income tax returns.
- Postage rates may be lower.
- Sponsors, civic support and commitments from public groups for club events may be greater.

How to obtain nonprofit designation under 510(c)3 of the Internal Revenue Code:

A nonprofit is an organization with a specific purpose that is governed by a group of individuals that do not financially benefit from the organization. The organization can make a profit and reimburse individuals for reasonable expenses incurred on behalf of doing business for the organization. Sole proprietors, owners, partnerships, or LLCs are not eligible for nonprofit status.

Non-RRCA member: If you were to apply for nonprofit status directly with the IRS, you would have to complete a 10-page application, provide detailed financial information and budgets (two years projected, if your club is less than one-year-old), pay a fee, and wait for the IRS to review your application and make a determination as to your tax-exempt status.

RRCA member: Send a letter, email or fax expressing an intent to form and operate as a nonprofit within the guidelines for the RRCA and automatically become an RRCA 501(c)3 nonprofit organization.

Here is all you have to do:

- Have a similar purpose to the stated purpose of the RRCA:
 - To promote and encourage long distance running as a competitive sport and as a means of healthful exercise;
 - To promote and conduct races or other running activities
 - To disseminate information on running through publications and presentations, and through education programs;
 - To participate in research projects;
 - To make awards;
 - To encourage competitive running and enhanced physical fitness for all individuals;
 - To improve national fitness and national and international amateur sports competition in long distance running;
- Join the RRCA
- Obtain a federal employer identification number by filing Form SS-4 "Application for Employer Identification Number" at the end of this document.
- Send a letter signed by a club officer to the RRCA national office requesting tax-exempt status under the RRCA group exemption. Your letter should state the following:
 - Your club's federal employer identification number
 - Your club's official address
 - A statement that your club is not a private foundation
 - A statement that your club has not previously applied and been rejected for tax-exempt status.
 - A statement that "No substantial part of the activities of *your club* shall be to carry on propaganda, or otherwise attempt to influence legislation. The club or event MAY NOT participate in or intervene in any political campaign on behalf of any candidate for public office."
- Set your fiscal year to match the RRCA's fiscal year of January 1 to December 31 (required).
- Maintain correct contact information and ensure your by-laws are on file with the RRCA.

You will receive a confirmation letter stating that your club is covered under our group exemption along with a copy of the RRCA's IRS nonprofit determination letter for your records.

This exemption does not apply to state or local taxes. Each state has different requirements for state income tax exemption that must be applied for separately. In addition, some states provide an exemption from sales taxes. This must be applied for by each member.

Member Filing Responsibilities

Internal Revenue Service (IRS) regulations require any organization that generates any amount of income to file an annual income tax return and pay tax on net income, regardless of the amount of income, **UNLESS** the organization has been granted tax-exempt (nonprofit) status.

Tax-exempt organizations are required to file tax Form 990 annually by the fifteenth (15) day of the fifth (5) month after their fiscal year ends. If gross receipts are less than \$25,000, no filing is required. No federal income taxes are assessed on income related to the exempt function (mission). If gross receipts are close to \$25,000, you should refer to the tax Form 990 instructions to determine whether filing is required.

Regardless of gross receipts, if you club has receipts greater than \$1,000 from an "unrelated trade or business," you must file Form 990-T. Unrelated business income is income from activities not substantially related to the exempt purpose or an organization. Advertising income (in your club newsletter, for example), t-shirt sales, etc. is usually considered unrelated business income. Unrelated business income, less allowable expenses, is taxed at corporate income tax rates. This tax is often referred to as UBIT. There are substantial penalties for late filing of Forms 990 and 990-T. Tax return preparation should be a high priority for all clubs. There may also be state or local filing requirements of which you should be aware. Please refer questions to your tax advisor. The RRCA does not file tax returns on behalf of any member.

Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice, Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ. This filing requirement applies to tax periods beginning after December 31, 2006. Organizations that do not file the notice will lose their tax-exempt status.

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, Return of Organization Exempt From Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations WILL NOW BE REQUIRED to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually.

Exceptions to this requirement include organizations that are included in a group return (the RRCA DOES NOT submit a group return), private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ. In addition, this filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches.

The IRS will mail educational letters starting in July 2007 notifying small tax-exempt organizations that they may be required to file the e-Postcard. The IRS is developing an electronic filing system (there will be no paper form) for the e-Postcard and will publicize filing procedures when the system is completed and ready for use.

The PPA requires the IRS to revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990 or 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.

If you would like additional information about this new filing requirement, including notification when the filing system is ready, or information about other new developments, subscribe to Exempt Organization's EO Update, a regular e-mail newsletter that highlights new information posted on the Charities pages of irs.gov.

For more information visit <http://www.irs.gov/charities/article/0,,id=169250,00.html> and review the FAQ's at the bottom of the page.

More information can be found at www.IRS.gov keyword nonprofit.

Charitable Solicitation Registration

Nonprofits that operate in and solicit contributions in a state are required, by law, to file charitable solicitation registration forms. Due to fraud and abuse in the nonprofit industry, states' attorneys general are cracking down on nonprofit fundraising. Fines for lack of charitable registration can range from \$200-\$2000 and up. Information on state charitable registration can be found at www.multistatefiling.org. Clubs or events that do not take advantage of the RRCA group exemption status should visit the site to learn more about the topic and ensure compliance for your organization.

Starting in 2006 the RRCA files* are required forms for charitable solicitation registration in all requiring states as a benefit to our member clubs and events taking advantage of the nonprofit group exemption status. This benefit can be an annual budgetary savings of \$25-\$200 a year per club per state. For RRCA nonprofit clubs that fundraise nationally and/or conduct on-line fundraising, this can be a \$5000-\$10,000 savings.

*Although the RRCA files the master paper-work, the state of Michigan requires all affiliate organizations of a parent organization to file an annual financial report to: Atty. General, Charitable Trust Sec., Williams Bldg., 525 W. Ottawa, 6th fl., Lansing, MI 48933-1067.

Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

OMB No. 1545-0003

EIN

▶ See separate instructions for each line. ▶ Keep a copy for your records.

Type or print clearly.

1 Legal name of entity (or individual) for whom the EIN is being requested	
2 Trade name of business (if different from name on line 1)	3 Executor, administrator, trustee, "care of" name
4a Mailing address (room, apt., suite no. and street, or P.O. box)	5a Street address (if different) (Do not enter a P.O. box.)
4b City, state, and ZIP code	5b City, state, and ZIP code
6 County and state where principal business is located	
7a Name of principal officer, general partner, grantor, owner, or trustor	7b SSN, ITIN, or EIN

8a Type of entity (check only one box)

<input type="checkbox"/> Sole proprietor (SSN) _____	<input type="checkbox"/> Estate (SSN of decedent) _____
<input type="checkbox"/> Partnership	<input type="checkbox"/> Plan administrator (SSN) _____
<input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____	<input type="checkbox"/> Trust (SSN of grantor) _____
<input type="checkbox"/> Personal service corporation	<input type="checkbox"/> National Guard <input type="checkbox"/> State/local government
<input type="checkbox"/> Church or church-controlled organization	<input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military
<input type="checkbox"/> Other nonprofit organization (specify) ▶ _____	<input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises
<input type="checkbox"/> Other (specify) ▶ _____	Group Exemption Number (GEN) ▶ _____

8b If a corporation, name the state or foreign country (if applicable) where incorporated

State	Foreign country
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9 Reason for applying (check only one box)

<input type="checkbox"/> Started new business (specify type) ▶ _____	<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____
<input type="checkbox"/> Hired employees (Check the box and see line 12.)	<input type="checkbox"/> Changed type of organization (specify new type) ▶ _____
<input type="checkbox"/> Compliance with IRS withholding regulations	<input type="checkbox"/> Purchased going business
<input type="checkbox"/> Other (specify) ▶ _____	<input type="checkbox"/> Created a trust (specify type) ▶ _____
	<input type="checkbox"/> Created a pension plan (specify type) ▶ _____

10 Date business started or acquired (month, day, year). See instructions.

11 Closing month of accounting year

12 First date wages or annuities were paid (month, day, year). **Note.** If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (month, day, year) ▶

13 Highest number of employees expected in the next 12 months (enter -0- if none).

	Agricultural	Household	Other
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Do you expect to have \$1,000 or less in employment tax liability for the calendar year? Yes No. (If you expect to pay \$4,000 or less in wages, you can mark yes.)

14 Check **one** box that best describes the principal activity of your business.

<input type="checkbox"/> Construction	<input type="checkbox"/> Rental & leasing	<input type="checkbox"/> Transportation & warehousing	<input type="checkbox"/> Health care & social assistance	<input type="checkbox"/> Wholesale-agent/broker
<input type="checkbox"/> Real estate	<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Finance & insurance	<input type="checkbox"/> Accommodation & food service	<input type="checkbox"/> Wholesale-other
			<input type="checkbox"/> Other (specify)	<input type="checkbox"/> Retail

15 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.

16a Has the applicant ever applied for an employer identification number for this or any other business? Yes No

Note. If "Yes," please complete lines 16b and 16c.

16b If you checked "Yes" on line 16a, give applicant's legal name and trade name shown on prior application if different from line 1 or 2 above.

Legal name ▶ _____ Trade name ▶ _____

16c Approximate date when, and city and state where, the application was filed. Enter previous employer identification number if known.

Approximate date when filed (mo., day, year)	City and state where filed	Previous EIN
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Third Party Designee	Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.	
	Designee's name	Designee's telephone number (include area code) ()
	Address and ZIP code	Designee's fax number (include area code) ()

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Name and title (type or print clearly) ▶ _____ Applicant's telephone number (include area code)
()

Signature ▶ _____ Date ▶ _____ Applicant's fax number (include area code)
()

Do I Need an EIN?

File Form SS-4 if the applicant entity does not already have an EIN but is required to show an EIN on any return, statement, or other document.¹ See also the separate instructions for each line on Form SS-4.

IF the applicant...	AND...	THEN...
Started a new business	Does not currently have (nor expect to have) employees	Complete lines 1, 2, 4a-8a, 8b (if applicable), and 9-16c.
Hired (or will hire) employees, including household employees	Does not already have an EIN	Complete lines 1, 2, 4a-6, 7a-b (if applicable), 8a, 8b (if applicable), and 9-16c.
Opened a bank account	Needs an EIN for banking purposes only	Complete lines 1-5b, 7a-b (if applicable), 8a, 9, and 16a-c.
Changed type of organization	Either the legal character of the organization or its ownership changed (for example, you incorporate a sole proprietorship or form a partnership) ²	Complete lines 1-16c (as applicable).
Purchased a going business ³	Does not already have an EIN	Complete lines 1-16c (as applicable).
Created a trust	The trust is other than a grantor trust or an IRA trust ⁴	Complete lines 1-16c (as applicable).
Created a pension plan as a plan administrator ⁵	Needs an EIN for reporting purposes	Complete lines 1, 3, 4a-b, 8a, 9, and 16a-c.
Is a foreign person needing an EIN to comply with IRS withholding regulations	Needs an EIN to complete a Form W-8 (other than Form W-8ECI), avoid withholding on portfolio assets, or claim tax treaty benefits ⁶	Complete lines 1-5b, 7a-b (SSN or ITIN optional), 8a-9, and 16a-c.
Is administering an estate	Needs an EIN to report estate income on Form 1041	Complete lines 1, 2, 3, 4a-6, 8a, 9-11, 12-15 (if applicable), and 16a-c.
Is a withholding agent for taxes on non-wage income paid to an alien (i.e., individual, corporation, or partnership, etc.)	Is an agent, broker, fiduciary, manager, tenant, or spouse who is required to file Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	Complete lines 1, 2, 3 (if applicable), 4a-5b, 7a-b (if applicable), 8a, 9, and 16a-c.
Is a state or local agency	Serves as a tax reporting agent for public assistance recipients under Rev. Proc. 80-4, 1980-1 C.B. 581 ⁷	Complete lines 1, 2, 4a-5b, 8a, 9, and 16a-c.
Is a single-member LLC	Needs an EIN to file Form 8832, Entity Classification Election, for filing employment tax returns, or for state reporting purposes ⁸	Complete lines 1-16c (as applicable).
Is an S corporation	Needs an EIN to file Form 2553, Election by a Small Business Corporation ⁹	Complete lines 1-16c (as applicable).

¹ For example, a sole proprietorship or self-employed farmer who establishes a qualified retirement plan, or is required to file excise, employment, alcohol, tobacco, or firearms returns, must have an EIN. A partnership, corporation, REMIC (real estate mortgage investment conduit), nonprofit organization (church, club, etc.), or farmers' cooperative must use an EIN for any tax-related purpose even if the entity does not have employees.

² However, do not apply for a new EIN if the existing entity only (a) changed its business name, (b) elected on Form 8832 to change the way it is taxed (or is covered by the default rules), or (c) terminated its partnership status because at least 50% of the total interests in partnership capital and profits were sold or exchanged within a 12-month period. The EIN of the terminated partnership should continue to be used. See Regulations section 301.6109-1(d)(2)(iii).

³ Do not use the EIN of the prior business unless you became the "owner" of a corporation by acquiring its stock.

⁴ However, grantor trusts that do not file using Optional Method 1 and IRA trusts that are required to file Form 990-T, Exempt Organization Business Income Tax Return, must have an EIN. For more information on grantor trusts, see the Instructions for Form 1041.

⁵ A plan administrator is the person or group of persons specified as the administrator by the instrument under which the plan is operated.

⁶ Entities applying to be a Qualified Intermediary (QI) need a QI-EIN even if they already have an EIN. See Rev. Proc. 2000-12.

⁷ See also *Household employer* on page 3. **Note.** State or local agencies may need an EIN for other reasons, for example, hired employees.

⁸ Most LLCs do not need to file Form 8832. See *Limited liability company (LLC)* on page 4 for details on completing Form SS-4 for an LLC.

⁹ An existing corporation that is electing or revoking S corporation status should use its previously-assigned EIN.

