



And

**Hartsell Athletic
Association**

**have joined forces to Help Teams receive Tax Deductible
Donations**

INFORMATION PACKET

WHAT....WHY....&....HOW....

501 C 3

FREQUENTLY ASKED QUESTIONS

Hartsell Athletic Association.

This question and answer section is for use by Hartsell Athletic Association and its unincorporated Affiliated Organizations. It is designed to answer questions on matters relating to:

*The tax exempt status of Hartsell Athletic Association and qualified Affiliated Organizations, and,

*The types on contributions to Hartsell Athletic Association that a taxpayer or donor can claim as a deduction on a Federal income tax return.

*Other General topics

This question and answer section is an attempt to provide an educational package for those requesting information. The Hartsell Athletic Association has final determination on organizations seeking to qualify as an Affiliated Organization. All tax questions should be directed to the Internal Revenue Service too free 1-877-829-5500 or your local IRS office.

The Internal Revenue Service (IRS) issued a ruling letter in Nov. 2004 that recognizes the Hartsell Athletic Association, and its Affiliated Organizations as tax-exempt under section 501 (c) 3 of the IRS code.

Disclaimer Hartsell Athletic Association

The Hartsell Athletic Association is attempting to comply only with its understanding of IRS regulations and applicable laws. The information contained herein is for informational purposes only. It is not intended as nor shall it be considered to be legal advice. This information is not and shall not be considered as a directive from Hartsell Athletic Association. It should not be relied upon other than for educational purposes. The answers to “Frequently Asked Questions” that appear here are opinions of the Hartsell Athletic Association., based on the best information available to it. You should, however, not rely on these opinions without conducting your own inquires. The IRS, and not the Hartsell Athletic Association, is the final interpreter of laws and regulations about tax-exempt organizations and charitable deductions.

Section I- Getting Started

1. What is an Affiliated Organization

An Affiliated Organization is any organization which functions for the purpose of furthering amateur sports and formally affiliates itself with the Hartsell Athletic Association.

Affiliated Organizations must have articles of organization, must be under the Hartsell Athletic Association general supervision and control, and must submit a Request and Consent form to be included on the group ruling.

2.) How does a team become an Affiliated Organization?

Teams must follow all of the steps on the web site for the Affiliated Team Membership Program. This is an annual membership program.

3.) Can I use the Name Hartsell Athletic Association?

No. You may not use Hartsell Athletic Association in the name of your organization. When you complete your articles of organization, you **can not** use Hartsell Athletic Association: *The Name of this Organization is* _____ .

4.) Are Affiliated Organizations exempt from the payment of federal income taxes?

Yes.

The group ruling issued to the Hartsell Athletic Association by the Internal Revenue Service in November 2004,- recognized the Hartsell Athletic Association and its Affiliates as exempt from Federal income tax under section 501 (c) (3) of the IRS Code. This means Hartsell Athletic Association and its Affiliates are tax-exempt organizations.

IRS publication 557 is an excellent source of information for Tax Exempt Organizations. This publication is available on the IRS web site. www.irs.gov

5.) Can Affiliated Organizations be private foundations?

No.

6.) What is the difference between Nonprofit status and Tax Exempt Status?

“Nonprofit” is the purpose of the organization as stated in the Articles of Organization. “Tax-exempt” is a status recognized by the IRS.

7.) Where does the nonprofit status come from?

Nonprofit status is based upon the Articles of Organizations; it based on state laws, not the IRS. The laws of the various states define which organizations or associations are “profit making” and which are “nonprofit”. Nonprofit organizations exist only for charitable or educational purposes that are clearly stated in their articles of organization. They do not produce economic benefits for their organizers, directors and officers.

8.) Where does Tax-exempt Status come from?

The tax-exempt designation is a status recognized by the IRS.

All tax-exempt organizations under Section 501 (c)3 of the Internal Revenue Code are also nonprofit organizations under state law but the reverse is not true. All nonprofit organizations are NOT automatically tax-exempt under Federal Law. They must obtain Federal tax-exempt status by: (1) applying separately with all of the costs

of doing so, or (2) qualifying as a member of a tax-exempt group, such as Hartsell Athletic Association.

The Internal Revenue Service issued a group ruling 501 (C)3 determination letter to the Hartsell Athletic Association in November 2004. This letter from the IRS gives the Hartsell Athletic Association tax-exempt status. Each year the Hartsell Athletic Association provides a list of subordinates to be included in this group ruling to the IRS. All Affiliated Organizations are listed as a subordinate. This means affiliate organization are recognized as tax-exempt organizations.

9.) What are the responsibilities of the Affiliated Organization?

The Affiliated Organization must maintain a record of its activities, maintain a record of contributions received, prepare, keep, and file a record of its financial transactions (including, but not limited to: IRS Form 990, IRS Form 1099, IRS rules and regulations, all applicable state requirements). It must also renew annually with the Hartsell Athletic Association as an Affiliated Organization, in order to maintain the limited trademark license and tax-exempt status.

In addition, the Affiliated Organization must check with state and local agencies for required filings and reports. The IRS link below contains some state filing and information.

IRS Link to State Charities Offices

<http://www.irs.gov/charities/charitable/article/0,,id=135820,00.html>

10.) Can a preexisting 501 (c)3 organization be included as an Affiliated Organization on the Hartsell Athletic Association group ruling?

No.

If your organization has received a letter from the IRS granting your organization tax-exempt status, then your organization is not eligible to become an Affiliated Organization.

11.) What is an EIN?

People have social security numbers; Organization and Companies have employer identification numbers (EIN).

An employer I.D. Number [EIN], a Federal ID (FID), a Federal Employer ID Number (FEIN), and a Taxpayer ID number [TIN] are all different names for the same number.

13.) Does an affiliated organization need an EIN?

Yes.

All Affiliated Organizations must have their own EIN (Employer Identification Number). Affiliated Organizations need to apply only one time for the Employer Identification Number (EIN). Once obtained, like a personal SSN, the EIN is good forever.

Note: The Employer Identification Number (EIN) is not the same as the Hartsell Athletic Association. Group Exemption Number explained in question 19. Both numbers, however, must be included on Form 990, in the appropriate places, by Affiliated Organizations. Affiliated Organizations should NOT use the employer identification number (EIN) belonging to the Hartsell Athletic Association for any reason, or on any forms.

14.) How does an Affiliated Organization get an EIN?

Affiliated Organizations can obtain an EIN by submitting an SS-4 Form to the IRS, by calling the IRS's new toll-free number, 1-800-829-4933, or via the IRS's online application process. (visit the IRS website; type in "SS-4" in the top search box, click on "apply online") (See Hartsell Athletic Association website link)

Section II- Filing and Reporting Requirements

15.) Determine the Affiliated Organizations fiscal year.

To be included in the Hartsell Athletic Association membership program and be eligible to be included in its group exemption letter, all Affiliated Organizations must have the same fiscal year as the Hartsell Athletic Association. **This is January 1 to December 31, which matches the Hartsell Athletic Association membership year.**

16.) Are Affiliated Organizations required to file reports with the Internal Revenue Service?

YES.

Affiliated Organizations have an obligation to file the Annual Information Return, Form 990 when gross receipts in their tax year exceed \$25,000. Gross receipts can also be called revenue, income, or all monies received.

Hartsell Athletic Association strongly recommends that Affiliated Organization file a Form 990EZ every year. If the gross receipts are less than \$25,000, simply complete questions "A-K" sign and mail the return. Even if your receipts are less than \$25,000 each year, you should file a Form 990EZ with the IRS. This will reduce your possible tax liabilities in future years if something goes wrong. It also provides a good record for you of your annual activities.

17.) When should Form 990 be filed?

Internal Revenue Services requires Form 990 to be filed by the 15th day of the fifth month following the close of the accounting period. For example, Affiliated Organization's operate on a fiscal year of January 1 – December 31, then the Form 990 or an extension is due on May 15th.

18.) Where can copies of Form 990 (or Form 990EZ) and Instructions be obtained?

Contact the local Internal Revenue Service office, or go to the IRS web site at

www.irs.gov

Links

19.) Where should completed Form 990 (or Form 990EZ) be mailed?

Form 990 should be sent to: Internal Revenue Service Center Ogden, UT. 84201-0027-

20.) What is a Form 1099?

IRS Form 1099 is used to report all non-employee compensations. This includes individuals providing services to the Affiliated Organization. For example: Referee and tournament director fees are subject to Form 1099 reporting. Amounts reported are based on payments made during the calendar year. Form 1099s are usually a three part form. Part one of Form 1099 must be mailed to the recipient (Referee, Tournament Director, etc.) by January 31st of the following year. Part two must be mailed to the Social Security Administration. Part Three is for your files. Typically, Form 1099 are available at your local office supply store beginning January 1st.

Instructions for Form 1099 and 1096 can be found on the IRS web site, www.irs.gov. Reimbursement of out-of-pocket travel and other expenses, where original receipts are provided, does not trigger a Form 1099. This is used for personal compensation (wages, fees, and non-accountable expense plans).

21.) What is a Form 1096?

Form 1096 is the summary page for Form 1099. All of the Form 1099's are added together and this total is reported on a Form 1096.

22.) Are Affiliated Organizations required to file Form 1099 and Form 1096?

Yes, if you pay an individual \$600 or more for providing services.

Section III – Contributions and Donations

23.) Are donations made to Affiliated Organizations deductible by donors for Federal income tax purposes?

Yes, and this is a great benefit for each of our Affiliated Organizations.

The Internal Revenue Service, in its ruling dated November 2004, stated that donors may deduct contributions to Hartsell Athletic Association and its Affiliated Organizations as provided in section 170 of the 1986 IRS Code (providing the taxpayer itemizes deductions).

IRS publication 1771 is an excellent source of information on donation. This publication is available on the IRS web site. www.irs.gov

24.) Are donations of cars, stocks, property, and so forth treated as a deductible contribution on a donor's tax return?

Yes.

But there are specific IRS rules and regulations to follow. For more information, please refer to IRS Publication 557, page 11. For example: For non-cash donations over \$5,000, the donor must attach Form 8283 to his/her tax return. The Hartsell Athletic Association recommends Affiliated Organizations contact the Hartsell Athletic Association (704-786-4754) if they plan to receive a non-cash donation with a value greater than \$5,000.

25.) Can dues or fees paid to an Affiliated Organization be treated as a deductible contribution on a donor's tax return?

No.

26.) Can a donation to an Affiliated Organization be deductible if the donor stipulates that the proceeds are to be used to send his or her child to a specific function or event?

NO.

Contributions earmarked by the donor, for his/her child, are treated, as a gift to the individual and is not deductible.

27.) What must an Affiliated Organization do if it receives a donation of \$250 or more?

The Affiliated Organization must provide a written acknowledgement for donations of \$250 or more- sample wording listed below.

Example of Written Acknowledgement

“Thank you for your cash (or check) contribution of \$300 that (organization’s name) received on December 12, 2012. No goods or services were provided in exchange for your contribution.”

28.) What must an Affiliated Organization do if it hosts a banquet or similar fundraiser?

The organization must provide a written acknowledgement for “quid pro quo” contributions over \$75. A “quid pro quo” (“this for that”) contribution is a payment that is partly a donation and partly payment for goods or services. For example: if a donor gives a charity \$100 and receives a banquet ticket valued at \$40. The donor has made a partial “quid pro quo” contribution- he has received something of value in return for at least part of his total. The charitable contribution is \$60 and the value of the goods or service (the banquet ticket) is \$40. A written acknowledgement must be sent because the donor’s payment (\$100) was greater than \$75. The written statement must inform the donor that the amount of the contribution is deductible for Federal income tax purposes, and must provide the value of the goods or service received. – Sample wording is listed below

Example of Written Acknowledgement

“Thank you for your cash (or check) contribution of \$100 that (organization’s name) received on May 6, 2001. In exchange for your contribution, we gave you a banquet ticket with an estimated fair market value of \$40.00”

Section IV – Other Items

29.) Is it necessary that each affiliated organization have a separate bank account?

Yes.

Each affiliated organization must have its own bank account. The funds of an Affiliated Organization cannot be commingled with those of any other organization or with any individual.

30.) What needs to be done when a change in principals occurs?

The name of the Organization, the EIN, and all assets belong to the Affiliated Organization, not the principals. When a change in principal(s) occurs the minutes of the meeting must reflect these changes. A letter stating the changes should be sent to the bank. During the annual online renewal process the Affiliated Organization should key in the information for the new principals.

31.) What should an Affiliated Organization do when it disbands?

The Affiliated Organization must follow the Articles of Organization regarding dissolution of assets. When an Affiliated Organization disbands, notify the Hartsell Athletic Association (National Office) and Internal Revenue Service office so the Employer Identification Number can be canceled.

32.) Where can additional information on tax exempt organizations be obtained?

The IRS has a toll free number for technical question on tax exempt organizations. 1-877-829-5500.

