

Tax Exempt Status and NNJSDA Square Dance Clubs

March 2009

Note: Federal tax laws regarding tax exempt status changed in 2006. This year Lakeland Squares' bank filed an IRS Form 1099-INT for their account. The following information is the result of their experience and is intended to save others the angst and effort of looking the information up on 10+ websites. "Quoted text" is either from the relevant websites or from IRS Tax Exempt Officer Mrs. Fox (ID#0195938). Information is organized by state and federal.

New Jersey

NJ Business Incorporation

Square dance clubs should be incorporated for the protection of the officers and for taxation purposes. For details on incorporation procedures, view or download the PDF file *Starting a Nonprofit in New Jersey - Questions and Answers* (Division of Taxation Publication RSB-100) www.state.nj.us/treasury/taxation/pdf/pubs/exemptfaq.pdf

Incorporated square dance clubs are New Jersey Nonprofit Corporations (NP) and must file an Annual Report to confirm they are still doing business. "In accordance with State law, businesses that fail to file annual reports for two consecutive years will be revoked." There is no longer a paper report; the online eReport requires a registered agent (changing the agent incurs a \$25 fee), the NJ corporation ID number, and a \$25 filing fee. Information can be found at www.state.nj.us/treasury/revenue/dcr/programs/ann_rpt.html

NJ Taxes

The NJ website www.state.nj.us/treasury/taxation/exemptcvt.shtml states: "If your organization is properly incorporated as and operated as a nonprofit corporation, your organization is exempt from the New Jersey corporation business tax without any exemption letter." Note: The NJ corporation ID number does not exempt us from NJ sales tax for the club; we are 501(c)7 "fraternal" organizations, not 501(c)3 (charities, etc.)

Federal

"Starting in tax year 2006, tax exempt organizations are required to file annually. Square dance clubs are considered tax exempt 501(c)7 Social Organizations for tax purposes." Tax exempt status is lost if no Form 990-N is filed for 3 years. Since the rule was first applied for tax year 2006, clubs **have to file this year.**

From Various IRS Websites

"A social club is organized for leisure, recreation, or other similar non-profitable purposes. Some types of social clubs include sailing clubs, hiking clubs, art groups, etc. These groups generally need an EIN (*Employee Identification Number* – see "*EIN*" below) for banking purposes or to satisfy local law."

"Most small tax-exempt organizations with gross receipts that are normally \$25,000 or less must file by electronically submitting Form 990-N, also known as the e-Postcard, unless they choose to file a complete Form 990 or Form 990-EZ."

Filing the e-Postcard (Form 990-N)

The e-Postcard must be filed online at <http://epostcard.form990.org> by an officer legally able to do so according to the club's Constitution/Bylaws.

1. Register with the site as a new user, or use your site ID from the previous year.
2. Must have a valid EIN. If the EIN is no longer valid, you can't get past the registration form. (*See "EIN" below.*)
3. "Annual gross receipts that are normally less than \$25,000; calculate gross receipts by taking the total receipts for the last 3 years and dividing by 3."
4. The club must have an "organizing document" that includes the organization's name, purpose, and date it was legally formed, with the document dated and signed by at least two officers. This is usually the Constitution/Bylaws or Certificate of Incorporation.
5. Determine the tax year/accounting period (Constitution/Bylaws), the calendar year January-December, the month dues are paid, etc.
6. "The e-Postcard is due every year by the 15th day of the 5th month after the close of your tax year. For example, if your tax year ended on December 31, 2007, the e-Postcard is due May 15, 2008. **You cannot file the e-Postcard until after your tax year ends....**You should not be concerned if your organization's filing due date is imminent as there are no late filing or delinquency penalties associated with the e-Postcard."
7. Late filing is OK, but if the e-Postcard is not filed for three years, tax exempt status is lost. Since the rule was first applied December 2007, no club is at risk if they file this year.

EIN – also known as a Taxpayer Identification Number (TIN)

An EIN has been required to open a bank account for the past few years. While the club probably has one, you may only be able to find it on the bank records of the Treasurer. If you are lucky enough to know it or find it, there is a high likelihood that it is no longer valid. If an EIN has no activity for several years, the government record of the EIN "goes away" or is lost from the files, and the club must apply for a new one.

Don't know if the EIN you found is still valid?

Some old EINs are still valid, while others cannot be found and a new one must be obtained. To confirm the validity of your EIN, go to the e-Postcard site <http://epostcard.form990.org> and register. If you have a problem with the EIN, it will tell you: "If the EIN you entered is correct and you believe you are required to file the e-Postcard, call the IRS Customer Account Services at 877-829-5500 for assistance." If the Tax officer at this number says you need a new EIN, you will have to wait two weeks and call the same IRS number back to "set up to file the 990N" before you can file the e-Postcard.

Previously applied for and received an EIN for your business, but have since misplaced it?

Go to the website www.irs.gov/businesses/small/index.html and click on **Employer ID Numbers (EINs)**, then **Misplaced Your EIN?** Or call the Business & Specialty Tax Line at 800-829-4933; this number probably gets you the same information as the IRS Customer Service number above, but seems to be busier.

Need a new EIN?

If you need a new EIN, it takes 15 minutes. Go to the website www.irs.gov/businesses/small/index.html and click on **Employer ID Numbers (EINs)**, then **Apply for an EIN Online**, where you will be asked to confirm:

- Your name, address, social security number.
- "I am a responsible and duly authorized officer or member of this organization."
- This is an "Organization (such as religious, environmental, social or civic, athletic, etc.)."
- The organization's start date, which cannot be more than 25 years in the past. If your club is older than 25 years, the EIN Office advises using 1985 as the start date.
- Then wait two weeks and call the IRS number back to "set up to file Form 990N" before you can file the e-Postcard.