



IRS and Your Chapter/District

September 2014



IRS 501(c)

- IRS has many different tax exemptions and non-profit classifications known as 501(c) status.
- All 501(c) organizations are exempt from federal income tax.
- **But**, the donor's contribution is not always tax deductible.



IRS 501(c) 10

- AHEPA is tax exempt as a **501(c) 10** organization.
- **501(c)10** entity is a Fraternal organization operating under the lodge system.
- AHEPA has a **501 (c)10** group exemption for all of its chapters and districts. This exempts them from paying federal tax on the income received by the chapter or district.



Chapters and Districts

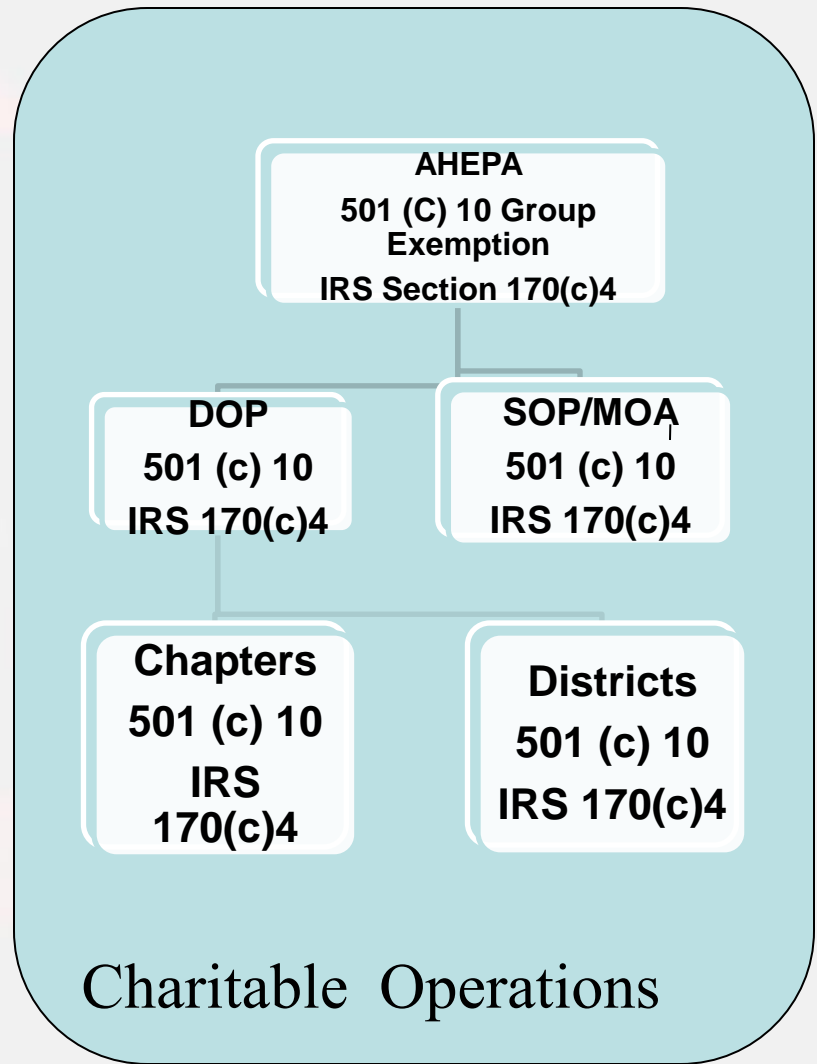
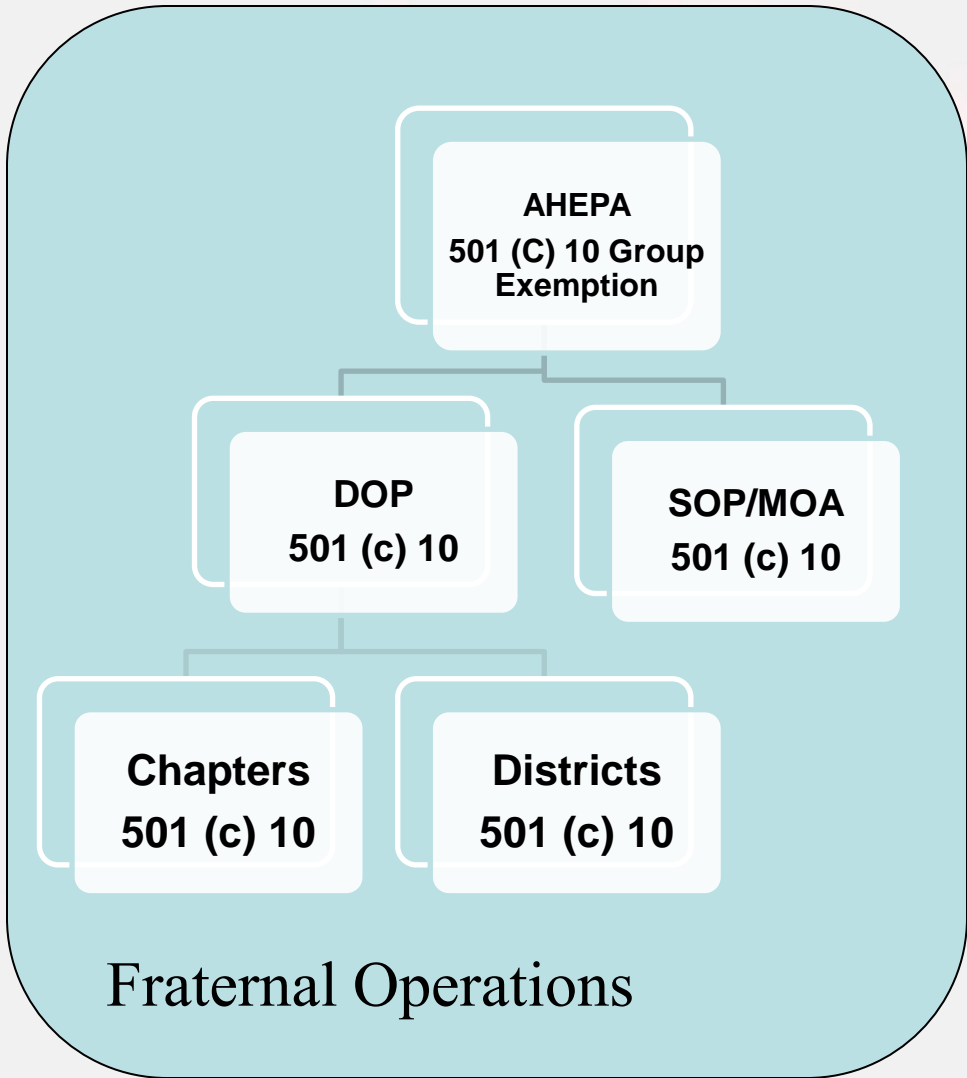
- Chapters and Districts are exempt from paying federal tax on member dues and interest income received.
- **However**, the dues a member pays are **NOT TAX DEDUCTIBLE**.



AHEPA 501 c (10) IRS Section 170 (c)4

AHEPA and its Chapters and Districts can receive tax deductible donations under this section.

- **IRS Section 170 (c)4** defines a qualified contribution as one that is given to an organization operating under the lodge system if the gift is to be used exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.





Chapter/District Tax Status

- Order of AHEPA
- Group exemption for AHEPA Chapters, Districts and Regions
- 1909 Q Street NW, Suite 500
- Washington DC 20009
-
- RE: Tax Exemption
-
- The Order of AHEPA was exempt under the provision of Section 501 (c) (8) of the Internal Revenue Service Code. Subsequent to the issuance of the letter ruling dated September 28, 1959, the tax law was changed and AHEPA is now tax exempt under Section 501 (c) (10).
-
- This exemption applies to all AHEPA subordinate chapters, district lodges, regions and their related activities. The Order of AHEPA is listed as a charitable organization in IRS Publication 78 where it is shown as a central organization holding a group exemption
- (No.1466). In addition, the Order of AHEPA and subordinate chapters, district lodges and regions are permitted under Section 170 (c)(4) to establish accounts or funds for religious, charitable, scientific, literary or educational purposes or for the prevention of cruelty to children or animals. Contributions to the Order of AHEPA or to a chapter, district or region for any of these purposes are deductible as charitable contributions.



Chapter/District Information:

- Headquarters filed for 501(c)3 Group Exemption status with the IRS in April 2012.
- We were **not** approved in May 2014
- The IRS is no longer approving Group Exemptions as it is too difficult for the National HQs to ensure 501(c)3 compliance with its Chapters, etc.



What does this mean for Chapters and Districts ?

- Chapters and Districts who desire to have 501(c)3 status will have to file individually with the IRS
- But, it is not necessary since a 501(c)10 Chapter and District can accept tax deductible donations for charitable and educational purposes under IRS Section 170(c)4 !!



Charitable Deductions

- A written acknowledgment is required to substantiate a charitable contribution of \$250 or more must contain the following information:
 - **Name of the organization;**
 - **Amount of cash contribution;**
 - **Statement that no goods or services were provided by the organization**



Acknowledgement Example



Order of AHEPA 1909 Q Street NW Suite 500, Washington DC 20009
202-232-6300 ▪ www.ahepa.org

Name
Address

On behalf of Chapter XX of the Order of AHEPA, thank you for your generous support of this organization. Please use this document as a tax receipt for your last donation, which is described below.

If you have questions about this receipt, please contact us at XXX-XXX-XXXX.

Sincerely,

Donation Amount \$100.00 for Greek Relief food supplies (for example)

Date of Donation Septembe 2014

- *****You received no goods, services or other benefits with this contribution. This contribution is deductible pursuant to Section 170 (c) (4) of the Internal Revenue Code for charitable purposes.***



Chapter and District IRS Section 170 (c)4 Educational Foundations

Scholarship tax information



Chapter/District Scholarship Guidelines

As per IRS regulations:

- Scholarship funds must be used **only** for:
 - Tuition and fees required for enrollment, and
 - Fees, books, supplies, and equipment required for courses of instruction at the educational organization
- The Scholarship check should be made payable to the school or university.
- To be IRS compliant, when a check is payable to the student, a release form must be signed by the student acknowledging that they understand and agree to the above conditions.

“Always check with a tax advisor if in doubt”



Scholarship Acceptance Example

- DATE: August, 2014
-
- _____ (Please check) Yes, I accept the scholarship you have offered me _____ (Please Initial).
-
- **INSTRUCTIONS:** Complete the information below. Any missing info may create a delay in the processing of your scholarship check!
-
- **NAME:** XXXXXX
-
- **MAILING ADDRESS:** _____
-
- **TELEPHONE NUMBER:** _____
-
- **SCHOLARSHIP AWARD:** \$xxxx
-
- **SCHOLARSHIP USE:**
• Your Scholarship check will be mailed directly to you. The scholarship may only be applied for tuition fees, room and/or board, books and/or school supplies. To be eligible for the scholarship, you must be considered a student in good standing by your school. Please list below the institute of Higher Learning's address that you will be attending. In order for the Scholarship to be paid out, you must return a signed copy of this letter along with a copy of your most recent transcript / schedule of courses for the Fall 2014 Semester to AHEPA as proof that you have accepted the terms of the scholarship!
-
- **NAME OF INSTITUTION:** _____
-
- **INSTITUTION ADDRESS:** _____
-
-
-
- Recipient Signature: _____ Date: _____
-



e-Postcard
Form 990-N

New IRS required filing



IRS Filing Requirements

Existing filing requirement:

- If a Chapter or District receives more than \$50,000 a year in **total gross receipts** a Form 990 must be filed annually with the IRS.

New filing requirement:

- If a Chapter or District receives less than \$50,000 a year in **total gross receipts:**
 - Each Chapter or District must file an annual online IRS Form 990-N known as an *e-Postcard* - this is an online informational return only



What is *e-Postcard*?

- This filing requirement is to ensure that the IRS and potential donors have current information about an organization.
- 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 31st** the *e-Postcard* is due **May 15th**
- **You cannot file the *e-Postcard* until AFTER your tax year ends.**



Importance of *e-Postcard*

- If you do not file your *e-Postcard* on time, you will not be assessed a penalty.
- However, an organization that fails to file required *e-Postcards* for three consecutive years **will automatically lose its tax-exempt status.**
- After the first *e-Postcard* has been filed, if you do not file your *e-Postcard* on time, the IRS will send you a reminder notice.



More on *e-Postcard*

The *e-Postcard* is a simple, online form that asks a few identifying questions about your organization – c/o name and address of the Chapter/District



e-Postcard

- AHEPA Headquarters WILL DO the e-postcard filing for any CHAPTER/District with an EIN listed under the AHEPA group exemption



Thank you for your time!

For informational purposes only presented by:

Craig Clawson, JD, CPA, CFF

Chairman, AHEPA Audit Committee

Patrice Farish, CPA

AHEPA Controller

1909 Q St, NW, Suite 500

Washington, DC 20009

202•232•6300 ext.103