

IRS Information Return Form 990

**MIT Association of Independent Living
Groups**

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Treasurer 101

Overview

In 25 minutes we will cover:

- Who must file a Form 990 and why
- What the Form 990 is
- Where to learn how to file it
- Who can look at your Form 990

Who must file a Form 990

- Organizations exempt from income tax under Internal Revenue Code section 501(a), which includes sections 501(c), 501(e), 501(f), 501(k), 501(n), and 4947(a)(1) must generally file Form 990, Form 990-EZ, or Form 990-N based on their gross receipts for the tax year.
- An organization whose gross receipts are generally \$25,000 or less must file Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ. (New for tax years ending on or after 31 Dec 2007).

Why must you File a Form 990?

- FINES AND PENALTIES UP TO \$15,000 FOR FAILING TO FILE A SINGLE 990

YOU NEVER WANT TO RECEIVE ONE OF THESE LETTERS

Department of the Treasury
Internal Revenue Service
P.O. BOX 9941
STOP 5300
OGDEN, UT 84409-0941

For assistance, call:
1-800-829-3903

Notice Number:
Date: September 29, 2008

Taxpayer Identification Number:
Tax Form: 990
Tax Period: September 30, 2003

.....
THE NAME OF YOUR FRATERNITY

THIS IS A ONE-YEAR PENALTY FOR NO FORM 990
THIS IS INTEREST FOR IGNORING THE NOTICES

Past Due Tax Statement

Balance Due: \$9,901.08
Pay by: October 30, 2008

Form	Period	Unpaid Balance	+ Penalties	+ Interest	= Total
990	09/30/03	\$7,780.00	\$0.00	\$2,121.08	\$9,901.08
Total Unpaid Tax, Penalties, and Interest					\$9,901.08

To make a payment:
1. Make your check or money order payable to the United States Treasury (be sure to write your TIN on your check).
2. Complete and detach the payment stub at the end of this notice.
3. Send the stub and your payment in the enclosed envelope.

If you can't pay the full amount owed:
1. Pay as much as you can now.
2. Review the Payment Options listed on the back of this page.
3. Call us at 1-800-829-3903 if you want to discuss payment options for the amount not paid.

Reminder! If you don't pay the amount owed by October 30, 2008, we will continue to add penalties and interest until the amount is paid in full.

This notice and fine is for failing to file in 2003. **\$9,901.08** Similar amounts will be fined for each successive year. 2004, 2005, 2006... \$40,000 before you can blink!

How big are these penalties?

- For the organization:
 - \$20/day beginning with the due date, up to a maximum which is the lesser of \$10,000 or 5% of the gross receipts.
- If the organization doesn't comply, the IRS will go after the responsible individual:
 - \$10/day beginning with the day by which the organization was informed by letter that it must comply, up to \$5,000.

What to do if you get a penalty letter or have failed to file

1. File all forms for at least seven years.
2. Beg for forgiveness (on 990 Schedule O):
 - a) We can't afford it.
 - b) We have filed all of the missing forms for seven years.
 - c) We are an organization of college students.
 - d) Our officers transition each year, and requirements were not properly understood.

How many of these 990s does the typical FSILG need to file?

1. Undergraduate organization
 2. Alumnus organization
 3. Charitable foundation if you have a separate 501(c)(3)
- What about combined filing with a parent organization?

If the parent wants to do it this way, and the subsidiary has the same accounting period and authorizes it every year.

When do we have to file?

- Form 990 is due the 15th day of the 5th month after the end of your organization's fiscal year.
- With Form 8868, you can have an automatic 3 month extension.
- With reasonable cause (read the Form 8868 instructions), you can request consideration of additional extensions.

A quick word about Exemptions and Group Exemptions

- A group exemption is not the same as a group filing.
- Your tax-exempt status is confirmed by a "Letter of Determination" from the IRS. If you are a subsidiary organization of a tax-exempt organization, you won't get your own L.o.D., your parent organization will have to list your EIN annually as part of their group.
- **Before** you can file, your organization **must be** in the "Exempt Organizations IRS Master File Data" at

What kind of tax exempt organization is an FSILG?

- FSILGs are almost always classified by the IRS as Social Clubs, exempt under 501(c)(7).
- They may establish separate organizations for purely charitable purposes under 501(c)(3). Scholarship funds are an example. But the benefits of ANY 501(c)(3) organization must be available to the public at large, not just members of the particular FSILG.

So what is this Form 990 really all about?

- If we're tax-exempt, why do we have to file this and pay taxes?
 - It's not a form for calculating taxes owed, it's a form for proving that you have complied with the requirements of being a tax-exempt organization.
 - By listing sources of income, you prove that you don't have income for "non-related purposes" (such as housing non-members during the summer) beyond the limits required to maintain your tax-exempt status.

What else does the Form 990 do?

- In the case of 501(c)(3) organizations, you show the public how the contributions they might send are being spent.
- Some parts of the form alert you to other tax-related requirements, such as the requirement to pay FICA taxes on payments to employees or unrelated business taxes on income from non-related purposes.

How do I learn how to fill out a Form 990?

- The form was substantially redesigned for 2008 (forms filed for tax years ending 31 Dec 2008 or later). However, the information required is really the same, it is just organized differently.
- There is a mini-course at <http://www.stayexempt.org/> which is an IRS site. A lot of this course applies to the slightly more complex and strict rules for 501(c)(3) organizations. It is in four

Should I try to do it myself?

- For any organization over \$25,000, this is probably complex enough that you need an accountant who specializes in tax-exempt organizations.
- For example: if a member goes to Home Depot and buys lumber for a work week project, and doesn't ask to be reimbursed, that has to be listed as a contribution. Or, the house bill must be split into "value of goods and services

Is the basic Form 990 the whole story?

- No. If you have business income that is not sufficiently related to your tax exemption and/or exceeds limits (including investment income, fees or rent from non-members, etc.), you need to file a Form 990-T.
- File if **gross** income is \$1,000 or more.
- Pay tax if income after deductions exceeds limits.
- You also need to comply with state

What else?

- If you have employees:
 - Withholding
 - Unemployment
 - In Massachusetts, health insurance.
- Things are pretty complicated. You probably need an accountant.

We don't want to pay an accountant. What do we do?

- All of the Form 990s for all of the other FSILGs at MIT and at other schools are public information, and most of them can be found online as examples.
- Wait a minute! This is all public information?
- Yes. In return for not collecting income tax from your organization, you are required to make almost all of your internal financial information available for public inspection.

Who may request copies of our Form 990, and how?

- **Anyone.**
- How do they request these copies?
- Either in person at your FSILG's office, during normal business hours, without notice, or if you don't maintain an office, you must meet the requestor at a reasonable location, such as your chapter house or a public meeting place, within two weeks, and at a reasonable time, or you must mail a copy to the requestor.

Can I charge for the copy?

- The requestor must be able to inspect a copy for free, or if you want to mail a copy, the requestor is only required to pay reasonable copying costs if they agree to do so.
- A web site is an acceptable way to meet most of these requirements, except that the public inspection requirement at a reasonable location must still be complied with. If you have it on the web,

And what if we ignore such a request?

- Unless it can be shown that (a) the request is part of a harassment campaign consisting of multiple requests and (b) that you have generally complied with previous requests:
 - The penalty of \$20/day accrues for each day that the responsible individual failed to comply with the inspection request. This penalty is applied to the individual, and the maximum is \$10,000 for each return. Since three years worth of returns for both your undergraduate

Sources of more information:

- <http://www.stayexempt.org/>
- <http://www.irs.gov/charities/>
- <http://www.irs.gov/pub/irs-pdf/i990.pdf>
- <http://www.irs.gov/pub/irs-pdf/i990t.pdf>
- Deep link to Exempt Organizations IRS Master File Data
<http://www.irs.gov/taxstats/charitablestats/article/0,,id=97186,00.html>
- <http://foundationcenter.org/findfunders/990finder/>

Questions?

- Here's one I was already asked:
 - Do sororities have different requirements from fraternities and other ILGs?
 - No. Requirements differ only based on income level and participation in group exemptions or group filings. Group filings are a choice of each national organization, where applicable.
- I'll try to answer any additional questions.