

Tax Issues to Consider – for AlaHA Affiliated Organizations

Listed below are some general guidelines on tax-related issues. If individuals in an affiliated organization do not have the expertise to complete the IRS forms or to determine which status would apply, an outside firm should be contacted for guidance.

Step One: Obtain an Employer Identification Number (EIN)

All affiliated organizations should go to www.irs.gov to download and complete the form SS4 in order to obtain an Employer Identification Number (EIN). This number can then be used on the organization's bank account to certify the account. Without an EIN, the bank will require the officers to use their personal Social Security Numbers. Also, the EIN is helpful in receiving payments since many organizations are now requiring a number before processing payments.

Step Two: Obtain Tax-Exempt Status

Organizations with more than \$5,000 per year in gross receipts should probably file an application for tax-exempt status. There are a number of tax-exempt categories depending on the mission and activities of the organization, but the most likely ones for affiliated organizations would be the 501(c)3 or 501(c)6. Again, affiliated organizations should probably check with a professional to assist in the application process.

This is a one-time filing, and there are different forms depending on the tax-exempt category.

Step Three: Complete Appropriate 990 Form

There are other items each organization must file annually that are directly related to the organization's annual gross receipts:

- a. Organizations with \$25,000 or less in gross receipts per year can file using a 990N, unless they are required to file a Form 990 or 990EZ. The 990N is short form that basically asks for updated information on the group.
- b. Organizations with more than \$25,000 and less than \$100,000 in annual gross receipts and its total assets at the end of the year are less \$250,000 can file using a 990-EZ Form.
- c. Organizations with more than \$25,000 in annual gross receipts and paragraphs "a." and "b." are not satisfied will have to file using a regular Form 990.

Other Items

- For services rendered to an individual that exceed \$600, Form 1099 should be completed and sent to the individual, along with a W-9.
- Record Retention: Typically a three-year statute of limitations exists for all tax documents. However, for specific guidance, check with a tax professional.