

# TAXES AND YOUR CLUB

## Non-Stock not for Profit Corporation

All clubs should be incorporated

Benefits: Protects Officers & Members from liability and protects personal assets from any legal action

against club.

The Club becomes a legal entity

Identifies the Club as a non-profit

Need a copy of Articles of Incorporation to apply for IRS tax exempt status

How to apply: Wisconsin Department of Financial Institutions – [www.wdfi.org](http://www.wdfi.org)

Simple form to apply - Cost \$35.00

Should list purpose as a charitable organization under section 501(c)(3) of

IRS code

How to keep: Need to file an “Annual Report”. They do send a postcard reminder.

[www.wdfi.org](http://www.wdfi.org), click on “I want to file”, then “Annual Report” and pay \$10 via cc or e-check

Can search for your club to ensure they are in good standing

## EIN (Employer Identification Number)

All Clubs should have - Required for bank accounts – Do Not use your personal Social Security No.

Needed if hiring Employees

Identification for IRS - Same as a Social Security number for an individual - 00-0000000

How to apply: Online at: <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online> paper form SS-4

No cost

## By-Laws

All Clubs Should Have - Need a copy to apply for IRS tax exempt status

Google – “Nonprofit bylaws” for samples

## IRS Tax Exempt Status

501(c)(3) Charitable Organization

Requirements: Must be incorporated as a non-stock not for profit corporation

Articles of Incorporation must list the club as a charitable organization

The organization must meet the requirements of the IRS code 501(c)(3)

Assets must be dedicated to an exempt organization in the event of

dissolution

Organization must not be operated for the benefit of any private interest

Benefits: Exempt from Income Taxes

Eligible to receive tax deductible contributions

Exempt from Personal Property Taxes

Eligible to be exempt from Sales Taxes on all purchases

Need to apply for a CES (Certificate of Exempt Status) from State of Wisconsin

<https://www.revenue.wi.gov/Pages/FAQS/pcs-n-profit.aspx> see #4 - form S-103

Disadvantages: Can be difficult to receive status

Restrictions on political and legislative activities

How to Apply: If annual gross receipts are under \$5,000 and meet requirements for a 501(c)3 organization

Considered tax exempt, but must be filing 990N

IRS Form 1023 - 12 page application - 5 years financial records

Cost: \$600 - \$275 for reinstatement

How to keep: Must file annually by the 15<sup>th</sup> day of the 5<sup>th</sup> month after the end of your fiscal year.

If you do not file for 3 years you will lose your tax exempt status

Form 990 if gross receipts are more than \$200,000 and assets >\$500,000

Form 990EZ if gross receipts are between \$50,000 & \$200,000 and assets <\$500,000

990N (e-postcard) if gross receipts are less than \$50,000 - no paper form, to be done online

To File 990N go to: [www.irs.gov/990n](http://www.irs.gov/990n)

Information needed: Organization's legal name

Organization's mailing address

Organization's website (if you have one)

Employer Identification Number (EIN)

Name & address of a principal officer

Organization's tax year (calendar or fiscal)

Answer 2 questions – Are your gross receipts less than \$50,000?

Has your organization gone out of business?

For more info on compliance: <https://www.irs.gov/pub/irs-pdf/p4221nc.pdf>

501(c)(4) Social Welfare Organization

Benefits: - Easier to receive determination than for a 501(c)(3) charitable organization

- Exempt from Income Taxes

- Exempt from Personal Property Taxes

- Some restrictions on political activities – see Pub 557 – must obtain an exemption to legally participate in political activity on behalf of or in opposition to candidates for public office

Disadvantages: Not eligible to except tax deductible donations  
Not eligible to be exempt from WI sales tax

How to apply: New organization (within 60 days) use e-Form 8976, Notice of intent to operate as 501(c)4

IRS Form 1024-A - 4 page application – 3 years financial records

<https://www.irs.gov/pub/irs-pdf/f1024a.pdf>

Cost to apply same as 501(c)(3)

How to keep: Must file same forms as 501(c)(3) – If you don't file for 3 years you will lose your status

For more info on compliance: <https://www.irs.gov/pub/irs-pdf/p4221nc.pdf>

501(c)7 Social & Recreation Club

Majority of its revenue comes from membership fees and dues

Benefits: Easier to receive determination than 501(c)(3) charitable

No restrictions on political activities

Exempt from Income Taxes

Exempt from Personal Property Taxes

Disadvantages: Not eligible to except tax deductible donations  
Not eligible to be exempt from WI sales tax

How to apply: IRS Form 1024 – more complicated than Form 1024-A

Cost to apply same as 501(c)(3)

How to keep: Must file same forms as 501(c)(3) – If you don't file for 3 years you will lose your status

For more info on compliance: <https://www.irs.gov/pub/irs-pdf/p4221nc.pdf>

Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

Examples of gross receipts for a snowmobile club: dues, membership fees, total revenue taken in from a fundraiser, payments from county for trail maintenance.

Once status has been revoked for not filing a 990, 990EZ or 990N e-postcard for 3 years, club must submit Form 1023, 1023EZ, 1024, or 1024-A to be reinstated. If done within 15 months of revocation they can be reinstated to the original date of determination. But if it has been more than 15 months or if they have never filed they would be reinstated to the post-mark date on their application.

### **Sales Tax Exemption**

Groomers and attachments are exempt from sales if purchased by a snowmobile club  
This doesn't require tax exempt status

### **Other Requirements**

IRS Form 1099 MISC - use to report payments to another person or business who is not an employee

Form 1099 MISC needs to be provided to each income recipient by January 31

Form 1099 MISC must be submitted to the IRS by February 28

Payroll Taxes - If your club has paid employees you must file an IRS Form 944

Wages are subject to withholding

Form W-2 is used to report wages to an employee

### **Raffle License**

For more information: <https://doa.wi.gov/Pages/LicensesHearings/RaffleLicense.aspx>

Need to file annual report and renewal application

Cost: \$25.00 per year – easier to renew than to apply for new

Must use proceeds for the organization purpose

Snowmobile Clubs are required to prove they maintain trails – or explain if their purpose is something else

Know what is allowed and what is not, many raffles conducted by clubs are not conducted properly