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Q: Does my Registered Student Organization need to pay taxes?

A: Possibly, it depends on how much money your organization takes in.

All Student Organizations need to file for an EIN (and Employer Identification Number, or a Federal Tax Identification Number) and typically select “Social or Savings Club” as their type of organization. “Social or Savings Club” Organizations such as these are typically “tax exempt”

If the Student Organization reports less than \$5,000 on their “gross receipt,” regardless of the organization's classification, it will automatically be considered tax-exempt and will not need to file annually with the IRS.

A “gross receipt” is defined by the IRS as “the total amounts the organization received from all sources during its annual accounting period.” Note that this number is calculated before subtracting any costs or expenses. Also note that this number includes student activity fee money, donations later re-donated to a charity, dues collected from members, etc. Thus, most forms of money taken in by the organization count against this \$5000 limit.

If a Student Organization receives \$5000 or more during an annual accounting period, it must file annually with the IRS. The proper form for an organization depends on how much more than \$5000 the organization takes in. See the following chart for more details:

<u>Tax Exempt Organization Filing Requirements</u>	
<u>Gross Receipts</u>	<u>Form</u>
< \$5000 annually	NONE
\$5000 up to \$50,000 ¹	IRS Form 990-N
\$50,000 up to \$100,000	IRS Form 990-EZ
\$100,000+	IRS Form 990

For organizations that have gross receipts of \$5000 up to \$50,000, the Student Organization need only file IRS Form 990-N on an annual basis. This form is available online ([found here](#)) and takes very little time to complete. You will need:

- | | |
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| 1) Your EIN | 2) The tax year |
| 3) Legal name and mailing address | 4) Any other names the organization uses |
| 5) Name and address of a principal officer | 6) Web address if the organization has one |
| 7) Confirmation that gross receipts are \$50,000 | 8) Statement of termination (if ending) |

¹ This \$50,000 figure was originally \$25,000 for years prior to the 2010 tax year.

Q: How does my Registered Student Organization become a Nonprofit Organization?

A: One of the most common forms of tax exempt organization is a 501(c)(3). Becoming a 501(c)(3) is not an easy process. It takes a lot of work and money to file all the proper paperwork. That said, the benefits include exemption from state sales tax for certain purchases, the ability for donors to write off their charitable contributions, etc. Conversely, becoming a 501(c)(3) does restrict your organization's lobbying rights.

To become a 501(c)(3) organization, a Student Organization must first incorporate as a non-profit in the state. This is completed by filing Form 532 ([found here](#)) with the Ohio Secretary of State and paying the \$125 filing fee.

Upon acknowledgement and approval of the filing, your organization will be a non-profit corporation in the state of Ohio. It will be required to update the state of any changes to its registered agent, or its operating structure. Your organization will also have to file a Statement of Continued Existence, Form 522 ([found here](#)). This form should be used by a nonprofit corporation to verify its continued existence in Ohio, and must be submitted every 5 years if no other filing has been submitted. The filing fee is \$25.

After your student organization is incorporated, your organization can then apply to the IRS to become a 501(c)(3). To do this, your organization needs to file IRS Form 1023 ([found here](#)). If your organization has gross receipts totaling less than or equal to \$10,000 over a 4-year period, the filing fee is \$400; if the gross receipts are more than \$10,000, the filing fee is \$850.

Form 1023 must be accompanied by your organization's budget for the previous 3 years (if your organization is less than 3 years old, your organization must submit proposed budgets for a three year period). Your organization must also include a copy of its governing documents. The governing documents must contain the following items:

- That the organization is organized and will be operated exclusively for charitable purposes.
- That no part of the organization's net earnings will inure to the benefit of private shareholders or individuals.
- That the organization will not, as a substantial part of its activities, attempt to influence legislation or participate in any political campaign.
- That, upon dissolution of your organization, its remaining assets will be used exclusively for exempt purposes, such as donation to a charity.

Furthermore, your organization must submit proof of your incorporation in the state of Ohio with Form 1023.

Once you are approved as a 501(c)(3), your organization will be exempt from Ohio state sales and use tax. Exemption certificates (form STEC-B ([found here](#))) are to be provided to vendors at the time of purchase or request.

Within 6 months of creating a nonprofit organization, you must register your organization with the Ohio Attorney General. You must submit Form CFR-1 ([found here](#)), a copy of your 501(c)(3) Determination Letter from the IRS, your Articles of Incorporation, and your governing documents to the Office of the Attorney General. Additionally, to solicit

charitable contributions in Ohio, your nonprofit organization must file a Charitable Organization Registration Statement ([found here](#)). This filing must be notarized and be accompanied by copies of your organization's 501(c)(3) Determination Letter from the IRS, Articles of Incorporation, governing documents, and a copy of IRS Form 990-N. The filing fee is \$0 if you expect your contributions to be less than \$5000, and \$50 if you expect your contributions to be from \$5000 up to \$25,000 (for greater contribution totals, please see the Attorney General's website for appropriate fee).

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