

INCOME TAXES AND TAX-EXEMPT STATUS

Most alumni and volunteer corporations are exempt from income taxes. *Your alumni and volunteer corporation is not exempt from income taxes until the IRS says that it is.* Unless you have evidence that the IRS has recognized your alumni and volunteer corporation as exempt from income taxes (a “determination letter” from the IRS is the definitive evidence), your alumni and volunteer corporation should file an annual corporate income tax return (Form 1120). The return is due the 15th day of the third month after fiscal year end.

To obtain tax exempt status, an alumni and volunteer corporation must apply directly with the IRS. The IRS will send you the forms and instructions which must be filed to obtain a determination of tax-exempt status. The filing requirements are lengthy and require a great deal of time and effort to properly complete. Sometimes, changes in the articles of incorporation and bylaws may be required.

Even with tax exempt status, there are annual reporting requirements. Forms required of exempt organizations are designed to provide information to the IRS so that it can monitor activities to ensure that organizations are operating according to tax-exempt purposes. Forms that may be required and filing requirements are:

- ❑ **Form 990**—Alumni and volunteer corporations must file Form 990 with the IRS annually, unless the average of the gross receipts received by the alumni and volunteer corporation in the two years immediately preceding the year for which the return would be filed plus the year for which the return would be filed is \$25,000 or less. The return is due on the 15th day of the fifth month after fiscal year end. Form 990EZ may be filed when gross receipts are more than \$25,000 but less than \$100,000.
- ❑ **Form 990T**—Alumni and volunteer corporations must file Form 990T and pay the tax computed thereon, if any, for any fiscal year in which the gross receipts unrelated business income, including interest, dividends, and capital gains, exceeds \$1,000. This form is designed to collect tax on net income from activities outside the alumni and volunteer corporation’s exempt purpose. Tax may be avoided by using the “set-aside” rule under I.R.C. Section 512(a) but you should consult your accountant in applying the rule. Form 990T is due at the same time as Form 990.

NOTE: State filing requirements differ. Please consult your accountant for information on filing requirements and deadlines.