

## ALUMNI AND VOLUNTEER CORPORATION AND TAXES

Since the IRS is interested in ensuring that your alumni corporation is operating in accordance with its exempt purpose, it is important to understand what the basic premises of the IRS code section under which your alumni and volunteer corporation is exempt. Below are three code sections for exempt organizations under which most alumni and volunteer corporations fall:

- ❑ **501(c)(7)** — Social and Recreational Clubs — The primary exempt purpose of these organizations should be to provide social benefits to its members. While undergraduate chapters naturally fit this type of organization, most alumni and volunteer corporations have fallen under this exemption because housing and alumni guidance are deemed to further the social benefits to the chapter's members. Exemption under this code is preferable because the definition of exempt purpose is broader than under the following codes.
- ❑ **501(c)(2)** — Title Holding Corporations — The primary exempt purpose of these organizations is to hold title to property. In such organizations, exempt purpose income is limited to rent and corporate expenses must relate to the property. Title Holding Corporations cannot accumulate unused income and must be tied to another tax-exempt organization.
- ❑ **501(c)(3)** — Charitable, Religious, and/or Educational Organizations — Rarely do alumni corporations gain exemption under this code section because the organizations exempt purpose must be purely charitable, religious, or educational. Some alumni and volunteer corporations have formed “foundations” under this code section to help raise funds for libraries or other educational portions of a housing project because donations to this type of organization are tax deductible.