

IMPORTANT INFORMATION FOR IAPMO CHAPTERS

IAPMO Chapters are an independent entity and not owned or operated by IAPMO. The first step that a Chapter must decide is which legal entity it will assume. The two most common choices are to become a corporation or an unincorporated association. Determining the type of entity is important because this information is required in securing both the tax identification number and tax exemption. As an independent entity, the Chapter must secure these documents from the IRS on its own.

Tax Exemption

Federal income tax exemption granted by the IRS does not mean that the Chapter will receive State income tax exemption automatically in the state where the Chapter is legally located. After the Federal tax exemption is received, the Chapter should also secure its State tax exemption, if the State has income taxation. The Chapter should contact its State related agencies to find out how to get the State tax exemption and the required compliance reporting.

Employer Identification Number (EIN)

When the legal entity is determined, the next step is to obtain the tax identification number from the IRS. The tax identification number is also called the Employer Identification Number (EIN). An EIN is needed not only for subsequent annual tax filing and compliance reporting, but it is also required when opening the Chapter bank account.

The Chapter must complete IRS form [SS-4](#) in order to obtain an EIN. The form and instructions on completing the form are available at the IRS website (www.irs.gov). The form must be completed and submitted to the IRS in order to obtain an EIN. The Chapter may complete the form via online, telephone, fax or mail depending on how soon the Chapter needs the EIN.

Application for Exemption Recognition under Section 501(a)

After receiving the EIN from the IRS, the next step would be to obtain federal tax exemption from the IRS. The Chapter should apply for a 501C6 tax exemption. This exemption is given to business leagues and trade associations. IRS publication [557](#) "Tax-Exempt Status for your Organization" explains the rules and procedures for organizations seeking tax exemption recognition and subsequent filing requirements and disclosures.

IRS form [1024](#), "Application for Recognition of Exemption under Section 501(a)" is the application filed by entities seeking non-profit exemption. IRS form [8718](#) "User Fee for Exempt Organization Determination Letter Request" is used to determine the user fee for a determination letter. Both forms must be completed and submitted to the IRS with the required fee. The current fee is \$600. You may obtain these forms and the instructions on how to complete them at www.irs.gov.

Annual IRS Reporting Requirements

Exempt organizations are usually required to file annual income tax returns using form 990. Entities with gross receipts of less than \$50,000 file form 990-N (e-Postcard); entities with gross receipts less than \$200,000 and total assets less than \$500,000 file form 990EZ; and entities with gross receipts of more than \$200,000 are required to complete form 990.

Non-profit entities with annual gross receipts total less than \$50,000 must file an annual tax information return using form 990-N or what is called e-Postcard. To access this form and complete the information online, use the following link: <https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard>. The e-Postcard (990-N) is due annually by the 15th day of the 5th month after the end of the tax year.

A chapter with IRS tax exemption that does not file the e-Postcard (990-N) on time will receive a reminder notice, but no penalty will be assessed for the late filing. However, failure to file the required e-Postcards for three consecutive years will cause the chapter to lose its tax-exempt status. The revocation of the organization's tax-exempt status will not take place until the filing due date of the third year.