

IMPORTANT INFORMATION FOR IAPMO CHAPTERS

IAPMO Chapters are independent entities and not owned or operated by IAPMO. A Chapter must decide 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 a tax identification number and a tax exemption. As an independent entity, the Chapter must secure these documents from the IRS on its own.

Employer Identification Number (EIN)

Once a legal entity is established, the next step is to obtain a tax identification number, also called an Employer Identification Number (EIN), from the IRS. An EIN is needed not only for subsequent annual tax filing and compliance reporting, but also for 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.

Application for Exemption Recognition under Section 501(a)

After receiving the EIN from the IRS, a Chapter can seek federal tax exemption from the IRS. The Chapter should apply for a 501(c)(6) tax exemption for business leagues and trade associations. IRS publication [557](#) "Tax-Exempt Status for your Organization" explains the rules and procedures for organizations seeking tax exemption, as well as 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

Exemption from *paying* taxes does not make an organization exempt from *filing* taxes. Exempt organizations usually 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. The 990 form is due the 15th day of the 5th month after the organization's accounting period ends (May 15 for a calendar-year filer).

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.

Tax Exemption

A grant of federal income tax exemption by the IRS does not automatically trigger State income tax exemption. After the Federal tax exemption is received, the Chapter should also apply for State tax exemption, if the State has income taxation. The Chapter should contact appropriate State agencies to find out how to get the State tax exemption and the required compliance reporting.