
FEDERAL TAX AND FORM 990 FILING GUIDE



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INTRODUCTION TO TAX FILING

This guide is designed to provide chapter officers, primarily the chapter Treasurer, with an in-depth look at the tax filing process and to provide the information chapters need to know to successfully file each year. Though this guide will be comprehensive, it is important that chapters understand that the information provided here is not a replacement for the recommendations and advice of a tax professional, such as a Certified Public Accountant (CPA). The General Fraternity highly encourages chapters to seek the services of a tax professional who can help our various entities correctly navigate the challenges of remaining compliant with the Internal Revenue Code. Additionally, information on this or topics related to tax filing, can be found on the official IRS website (www.irs.gov).

HISTORY AND CONTEXT

501(c)(7) Organizations

In the United States, the Internal Revenue Code defines a nonprofit organization that is tax-exempt from federal income taxes as a 501(c). There are 29 different types of 501(c) organizations, with 501(c)(3) being the most common. Each type has its own qualifications and tax expectations. The type that is most associated with the collegiate, fraternity/sorority community is a 501(c)(7) organization. Fraternities, sororities, and their affiliated chapters are grouped under the designation, 501(c)(7), which the tax code has structured for social and recreational clubs. Per the Internal Revenue Code, all 501(c) organizations are required to file a tax return using one of four versions of the Form 990 in order to maintain their tax-exempt status each year.



Form 990 Tax Filing

Historically, all nonprofit organizations that exceeded \$25,000 in gross receipts have been required to file a tax return with the IRS. The purpose of this filing requirement has been to ensure that established nonprofits stay true to their tax-exempt purpose and that they have not received unrelated business income, which is subject to tax.

It has not always been the case that smaller nonprofits, specifically those whose gross receipts were less than \$25,000, have been required to file. This changed with the passage of the Pension Protection Act of 2006. The passage of the act established new filing requirements which were aimed at addressing “a growing concern among elected officials that smaller nonprofit organizations were not informing the respective levels of government about their current business operations, changes to important information about the organization, or if the entity was still in existence” (Gilpin, 2013). Additionally, the act also established new consequences for nonprofit organizations that failed to file a return in order to hold those organizations accountable and to help the IRS collect accurate information about what organizations were still in operation. Today, if an organization, no matter how small, fails to file a tax return (Form 990, 990-EZ, or 990-N) for three consecutive years, the organization could be subject to having its tax exemption revoked, forcing the organization to pay taxes on its operational income.

UNDERSTANDING THE IRS FORM 990

WHAT IS FORM 990?

The IRS Form 990 is a federally recognized tax document that nonprofit organizations are required to submit to the IRS each year in order to maintain their tax-exempt status. By using Form 990 for their return, organizations disclose to the IRS their operations and show proof that the organization has not accepted any unrelated business income which would be subject to tax. After the passage of the Pension Protection Act, filing thresholds and forms were updated. Today our chapters should use one of three versions of the Form 990 (Form 990-N, Form 990-EZ, or Form 990) to file a return based on their gross receipts and/or total assets for their fiscal year.

WHO HAS TO FILE FORM 990?

Generally, all nonprofit, tax-exempt organizations are required to file some version of the Form 990. Different versions of the 990 exist to accommodate different sized organizations to make the filing process easier. Most small nonprofits, with gross receipts of \$50,000 or less, are only required to file the electronic Form 990-N, or e-Postcard. Larger nonprofits will need to file either the Form 990 or Form 990-EZ depending on their gross receipts and total assets. Finally, there is a fourth version of the Form 990 document that is reserved for private foundations called the 990-PF, but this form will rarely apply to Sigma Nu and its chapters.

WHEN DO WE FILE FORM 990?

The filing period for a chapter is largely based on the chapter's fiscal year. The IRS requires that chapters file their respective 990, 990-EZ, or 990-N by the 15th day of the 5th month after your accounting period ends. Most of our chapters will operate on either one of two fiscal years, calendar or academic. If the chapter's fiscal year runs January to December, ending December 31, the chapter would need to file its 990 by May 15 of the following year. Similarly, if the chapter's fiscal year ran from July to June, ending June 30, then the chapter would need to file by November 15 of the same year.

WHICH VERSION OF FORM 990 DOES A CHAPTER FILE (990-N, 990-EZ, 990)?

As mentioned before, there are three versions of the Form 990 which will be used by Sigma Nu chapters. The version of the Form 990 that is correct for your chapter is going to be based on the chapter's gross receipts and/or total assets. Gross receipts are defined as the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. Total assets include anything that an organization owns, has value, and can be converted to cash. Most Sigma Nu chapters will likely be eligible to use the 990-N (e-Postcard) which is reserved for organizations whose gross receipts are normally less than or equal to \$50,000. Larger chapters, those whose gross receipts are less than \$200,000 and whose total assets are less than \$500,000 will need to file a 990-EZ. In rare circumstances, a few of Sigma Nu's largest chapters may need to file a standard Form 990 if their gross receipts exceed the \$200,000 threshold or total assets exceed the \$500,000 threshold. A simplified chart which outlines this information has been provided on the next page.

Form 990 Selection Chart

Gross Receipts and Total Assets	Form to File
Gross Receipts \leq \$50,000	<u>Form 990-N</u>
Gross Receipts $<$ \$200,000 and Total Assets $<$ \$500,000	<u>Form 990-EZ</u> or Form 990
Gross Receipts \geq \$200,000, or Total Assets \geq \$500,000	<u>Form 990</u>

WHAT ARE THE CONSEQUENCES FOR FAILING TO FILE FORM 990?

Information in this section has been adapted from the IRS website

If a chapter fails to file the required Form 990 tax return by the due date (including any extensions of time), it must pay a penalty of \$20 a day for each day the return is late. The same penalty applies if the chapter does not give all the information required on the return or does not give the correct information.

In general, the maximum penalty for any return is the lesser of \$10,000 or 5 percent of the chapter's gross receipts for the year.

If the chapter is subject to this penalty, the IRS may specify a date by which the return of correct information must be filed. If the return is not filed by that date, an individual within the chapter who fails to comply may be charged a penalty of \$10 a day. The maximum penalty on all individuals for failures with respect to a return shall not exceed \$5,000 (IRS).

If a chapter has failed to file a Form 990 by its necessary date, it does have the option of appealing any penalties by notifying the IRS and providing a statement of reasonable cause for why the chapter was late. Included within the statement should be:

- The reason the penalty was charged. The daily delinquency penalty may be charged for either a late filed return, an incomplete return, or both.
- And what prevented the chapter from complying with the law, including:
 - What prevented the chapter from requesting an extension of time to file its return, if the chapter did not request such an extension;
 - How the chapter was not neglectful or careless, but exercised ordinary business care and prudence; and
 - What steps have been taken to prevent the same situation from occurring in the future.

LOSS AND REINSTATEMENT OF TAX-EXEMPT STATUS

WHAT ARE THE CONSEQUENCES OF LOSING TAX-EXEMPT STATUS?

As required by the IRS, 501(c)(7) organizations (Sigma Nu chapters) must file an annual Form 990 tax return in order to maintain their tax-exempt status. Regardless of the version of the Form 990 a chapter submits, every chapter is required to file a return annually by the appropriate deadline. Failure to file a return for three consecutive years could trigger an automatic revocation of the chapter's tax-exempt status leaving the chapter responsible for paying federal income taxes. This could have a significant and potentially detrimental impact on the chapter's operations. "For chapters, paying federal income taxes, and possibly applicable state income taxes, would likely result in less dollars for member development, recruitment, educational programs, and philanthropic giving" (Wenger, 2013). Chapters might also be in a position to have to increase local member dues in order to cover the cost of having to pay taxes on incoming revenue. With chapters often aiming to keep dues low to remain competitive with other campus organizations, a dues increase in and of itself could present its own negative impact on the chapter's operations.

HOW DOES A CHAPTER GET ITS TAX-EXEMPT STATUS REINSTATED?

Information in this section has been adapted from the IRS website

First and foremost, if a chapter is interested in learning if its tax-exempt status has been revoked, it can use the following web link to check the IRS's automatic revocation of exemption list. (<https://www.irs.gov/pub/irs-pdf/p4991.pdf>)

If a chapter was to lose its tax-exempt status, it is possible to have the status reinstated with the IRS. Chapters who have lost their status with the IRS can follow one of four methods, provided below by the IRS, to obtain reinstatement:

Streamlined Retroactive Reinstatement

Organizations that were eligible to file Form 990-EZ or Form 990-N (*e-Postcard*) for the three years that caused their revocation may have their tax-exempt status retroactively reinstated to the date of revocation if they:

- Have not previously had their tax-exempt status automatically revoked.
- Complete and submit [Form 1024](#) with the appropriate [user fee](#) not later than 15 months after the later of the date of the organization's Revocation Letter (CP-120A) or the date the organization appeared on the Revocation List on the IRS website.

These organizations should write on the top of the Form 1024, "Revenue Procedure 2014-11, Streamlined Retroactive Reinstatement," and mail the application and user fee to:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

In addition, the Service will not impose the Section 6652(c) penalty for failure to file annual returns for the three consecutive taxable years that caused the organization to be revoked if the organization is retroactively reinstated under this procedure and files properly completed and executed paper Form 990-EZ for all such taxable years. (For any year for which the organization was eligible to file a Form 990-N, the organization is not required to file a prior year Form 990-N or Form 990-EZ to avoid penalties.) The organization should write “Retroactive Reinstatement” on the Form 990-EZ and mail them to:

Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0027

Retroactive Reinstatement Process (Within 15 Months)

Organizations that cannot use the Streamlined Retroactive Reinstatement Process (such as those that were required to file Form 990 or Form 990-PF for any of the three years that caused revocation or those that were previously auto-revoked) may have their tax-exempt status retroactively reinstated to the date of revocation if they:

- Complete and submit [Form 1024](#) with the appropriate [user fee](#) not later than 15 months after the later of the date on the organization’s revocation letter (CP-120A) or the date the organization appeared on the Revocation List on the IRS website.
- Include with the application a statement establishing that the organization had reasonable cause for its failure to file a required annual return for at least one of the three consecutive years in which it failed to file.
- Include with the application a statement confirming that it has filed required returns for those three years and for any other taxable years after such period and before the post-mark date of the application for which required returns were due and not filed.
- File properly completed and executed paper annual returns for the three consecutive years that caused the revocation and any following years. The organization should write “Retroactive Reinstatement” on these returns and mail them to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

These organizations should write on the top of the Form 1024, “Revenue Procedure 2014-11, Retroactive Reinstatement,” and mail the application and user fee to:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

In addition, the Service will not impose the Section 6652(c) penalty for failure to file annual returns for the three consecutive taxable years that caused the organization to be revoked if the organization is retroactively reinstated under this procedure.

Retroactive Reinstatement (After 15 Months)

Organizations that apply for reinstatement more than 15 months after the later of the date on the organization's revocation letter (CP-120A) or the date the organization appeared on the Revocation List on the IRS website may have their tax-exempt status retroactively reinstated to the date of revocation if they:

- Satisfy all of the requirements described under the "Retroactive Reinstatement (Within 15 Months)" procedure EXCEPT that the reasonable cause statement the organization includes with its application must establish reasonable cause for its failure to file a required annual return for all three consecutive years in which it failed to file.

In addition, the Service will not impose the Section 6652(c) penalty for failure to file annual returns for the three consecutive taxable years that caused the organization to be revoked if the organization is retroactively reinstated under this procedure.

Post-Mark Date Reinstatement

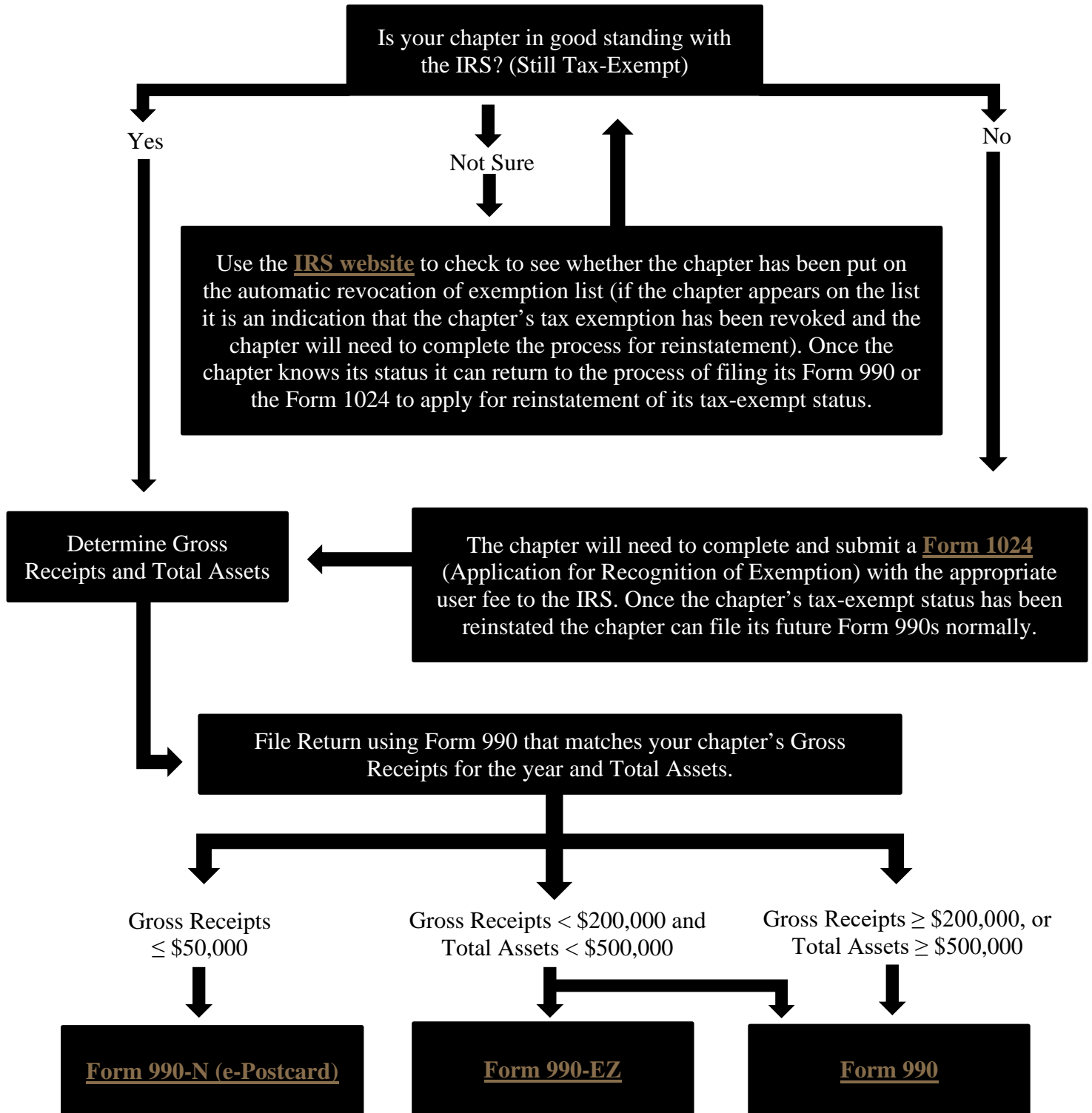
Organizations may apply for reinstatement effective from the post-mark date of their application if they:

- Complete and submit [Form 1024](#) with the appropriate [user fee](#).

These organizations should write on the top of the Form 1024, "Revenue Procedure 2014-11, Reinstatement Post-Mark Date," and mail the application and user fee to:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

VISUAL PROCESS FOR FILING THE 990



KEY TERMS AND DEFINITIONS

- ▶ **501(c)(3)** – Is a United States nonprofit organization that has been designated by the IRS to be exempt from paying federal income tax on business related income as long as their operations are related to religion, education, charity, science, literacy, testing for public safety, fostering national or international amateur sports competition, or preventing cruelty to children or animals. Donations for a 501(c)(3) are typically tax deductible for the donor. The Sigma Nu Educational Foundation and the Fraternity’s Helping Hand Initiative Partners are examples of 501(c)(3) organizations.

- ▶ **501(c)(7)** – Similar to a 501(c)(3), 501(c)(7) organizations are also tax exempt on business related income, however, donations for a 501(c)(7) are generally not tax deductible. The 501(c)(7) designation is designed for social and recreational clubs. Sigma Nu Fraternity, Inc. and its chapters are 501(c)(7) organizations.

- ▶ **Gross Receipts** – The total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

- ▶ **Total Assets** – Include anything that an organization owns, has value, and can be converted to cash.

- ▶ **Form 990, Form 990-N, and Form 990-EZ** – Are the IRS recognized tax return documents that nonprofit organizations are required to file each year in order to remain tax-exempt. Chapters can select the appropriate form to file based on their gross receipts for the year and, if applicable, their total assets.

- ▶ **Form 1024** – Is the IRS’s application for recognition of exemption. Chapters will need to complete and submit this document to the IRS in order to be reinstated as a tax-exempt organization if the chapter’s exemption has been automatically revoked after 3 years of failing to file a return.

SUPPLEMENTAL INFORMATION

HOW TO LOCATE YOUR CHAPTER'S EIN/TAX ID NUMBER

A chapter's Federal Tax ID or EIN (Employer Identification Number) is a very important piece of information for the chapter to keep on hand. Not only is this number a main piece of information when the chapter completes and submits its annual tax return but the tax ID is also necessary to complete several other financial tasks such as establishing a chapter bank account.

If the chapter has lost or misplaced its Tax ID, the easiest place to locate the ID is the chapter's Monthly Statement. The monthly statement is a document that is sent to chapter Commanders, Treasurers, Recorders and advisors which outlines the chapter's financial status with the General Fraternity and provides additional relevant information. The Tax ID can be found in the top-right corner of the statement. It is located in the General Information section of the statement as shown in the image to the right.

General Information	
Client ID:	Chapter Designation
10147	Alpha Beta
Institution	
Hopkins University	
Charter Number	Charter Date
118	3/19/1870
Division	Federal Tax ID (EIN)
Mid Atlantic	55-5555555
IRS Form 990 Filing Status	
Required to file (Gross Receipts => \$25,000)	
Meetings (Day/Time)	Elections Typically Held
Sunday/4:00 pm	December

If the chapter notices that the Federal Tax ID displayed on the chapter's Monthly Statement does not match the ID kept on file by the chapter, please contact the General Fraternity with this information so that records for the chapter can be updated appropriately.

Note: All chapters and colonies should have already established a Federal Tax ID with the IRS that is used to uniquely identify them as a tax-exempt organization. Chapters should not need to apply for a new EIN. Additionally, chapters and colonies should operate with a separate Federal Tax ID than related house corporations and alumni chapters. House corporations and alumni chapters will be responsible for filing their own, separate tax returns each year.

USING A THIRD-PARTY COLLECTION AGENCY TO FILE A TAX RETURN

Many third-party collection agencies provide tax filing services as a customer benefit. Sigma Nu Chapters using a third-party collection agency are highly encouraged to speak with their agency about the tax filing services they provide. Often, allowing the agency to handle the chapter's taxes can take the burden off the chapter's shoulders to make sure that the chapter's tax return is filed correctly and on time each year.

ADDITIONAL FILING REQUIREMENTS

Though rare, there are a few situations that might arise where a chapter would need to file additional tax documentation related to chapter employment. If a chapter, house corporation, or alumni chapter is in a position where it has hired regular employees or part-time employees (e.g. cooks, stewards, resident advisors, etc.), then the chapter will be responsible for withholding and remitting, to the IRS, tax which is collected for and withheld on behalf of the employees. Additionally, the chapter, depending on its circumstances, may also be responsible for filing documentation related to Social Security Taxes, an Employer's Quarterly Tax Return, an Employer's Federal Unemployment Tax Return, Form W-2, wage and tax statements, transmittal of income and tax statement, and relevant state taxes.

Should the chapter, house corporation, or alumni, have regularly hired employees, it is highly encouraged that the chapter or respective entity seek the services of a tax professional to make sure the chapter is in compliance with the IRS and the United States Internal Revenue Code.

SOURCES

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