



GCI Group Tax Exemption Program Handbook

Table of Contents:

What is GTEP?	2
GTEP Requirements	2
How to apply	3
How to renew	4
IRS requirements.....	4
Idaho requirements	5
Sales tax.....	6
Raffles.....	6
Frequently Asked Questions	6
Important dates to remember	8
Sample Forms	
Application Form	Appendix A
Articles of Affiliation Form.....	Appendix B
IRS required Bylaws language.....	Appendix C
Activities Form	Appendix D
Financial Statement	Appendix E

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The information contained in this document is intended to provide guidance to those applying for or renewing GTEP membership. GCI is neither a law firm (and thus is not giving legal advice) nor a tax advisory firm. The following information was compiled from publicly available documents and websites including the IRS and State of Idaho, GCI's Bylaws and GCI's official calendar (for dues payments and other internal procedures).

GCI is a member of National Garden Clubs, Inc., Pacific Region Garden Clubs, and a 501(c)(3) organization.

GCII Group Tax Exemption Program (GTEP)

What is it?

- It is the opportunity for a member Garden Club or District to obtain Tax-Exempt Status under the GCII exemption “umbrella”.

Why is this allowed?

- Garden Clubs of Idaho, Inc. is a not-for-profit educational organization under Section 501(c)(3) of the Internal Revenue Code. This section affords GCII tax-exempt status.
- GCII will apply for and expects to receive a group exemption letter recognizing subordinate clubs and districts of the type described in Section 501 (c)(3) of the Internal Revenue Code.
- By obtaining these Group Exemptions, GCII is able to pass along to its subordinates its tax exemption status under both Federal and state codes.
- Thus, qualifying member clubs and districts are eligible to be considered tax-exempt organizations under the same status as GCII, *as long as they follow the guidelines set by GCII on the basis of IRS and state requirements.*
- In order to continue in the GCII Group Exemption, the member clubs and districts also need to meet all Federal and State tax form and filing requirements.

What are the benefits?

- By being included in the Group Exemption Letter
 - subordinates do not have to file an application for exemption
 - revenue from business-related sales (plant sales, etc.) is exempt from income tax
 - members of the Group Exemption can accept donations that are tax-deductible under the law
 - members of the Group Exemption do not have to pay the fees to obtain an exemption letter

WHAT ARE THE GTEP REQUIREMENTS?

- Your club must
 - be affiliated as a member club and carry on the mission of GCII.
 - Be a member of GCII and have one or more objectives in common.
 - be a member of a GCII district
 - be subject to, and participate in, GCII’s general supervision and control.
- In addition *according to the IRS, to qualify, your club must:*
 - comply with the IRS requirement to file an annual information return or electronic notice [the *e-postcard* Form 990-N].
 - The IRS has begun to revoke the tax-exempt status of organizations that fail to file for three consecutive years.
 - be exempt under the same paragraph of IRC 501(c)(3) as GCII
 - In other words, your club must qualify for tax exemption as an *educational and charitable organization*, having objectives and activities that are the same as those of GCII. The MAJORITY of activities must be educational. (Flower shows, speakers, tours and the like are all “educational” activities.)

- have club bylaws, which include the required IRS language
- have articles of affiliation with GCII. (Appendix B)
 - This is a form your club needs to read, discuss and agree to.
- use the same accounting and activity reporting period as GCII. (July 1– June 30)
- maintain a general description of the purposes and activities of your club, including the sources of receipts and the nature of expenditures (in broad categories).
 - This description of activities shows that the majority of your club or district activities are educational.
- renew this information with GCII by FEBRUARY 1 of each year.
- have an authorized officer of your club give permission on the appropriate form to GCII in writing each year by February 1 that states your club wants to be included in the GCII Group Tax Exemption Program for the next fiscal year.
- *GCII Districts are eligible to apply for membership in the GCII Group Tax Exemption Program if they comply with the above procedures.*

PLEASE NOTE: The GTEP application form is submitted **ONLY ONE TIME**
when initially applying for group membership --
In subsequent years you submit the RENEWAL FORM

HOW DO WE APPLY?

PLEASE NOTE!!! Your club must be a member in good-standing of Garden Clubs of Idaho, Inc. and of your district **BEFORE** you can apply for this 501(c)(3) Group Exemption!

- We have tried to make the process as easy as possible.
- Every requirement your club or district must fulfill is a requirement made by the Internal Revenue Service, not GCII.

Complete and submit the following to the GCII Group Tax Exemption Program Chairman

1. THE APPLICATION FORM (You submit this form **ONLY ONE TIME** when initially applying. In subsequent years you submit the RENEWAL FORM)
 - a. The form clearly lists all the steps needed to comply.
 - b. **See Appendix A**
 - c. The form is also available on the GCII website. Go to <http://www.gcii.org> and select GTEP on the Publications tab.
 - i. The online form can be completed electronically [*in development process*], saved to your computer and printed when ready for mailing. [*Until developed, please fill out by hand*]
 - ii. Forms are in pdf format.
2. ARTICLES OF AFFILIATION
 - a. Your club must be affiliated and subordinate to GCII in the eyes of the IRS.
 - b. This form formally defines the relationship between GCII and your club as required by the IRS
 - c. **See Appendix B**
 - d. The form is also available on the GCII website. Go to <http://www.gcii.org> and select GTEP on the Publications tab.
 - i. The online form can be completed electronically [*in development process*], saved to your computer and printed when ready for mailing. [*Until developed, please fill out by hand*]
 - ii. Forms are in pdf format.
3. A COPY OF YOUR BYLAWS
 - a. To be included in the Group Exemption, your club or district must be organized as a legitimate nonprofit, educational organization in the eyes of the IRS.
 - b. To determine if your organization complies with the IRS definition of a nonprofit, GCII must review your organization's organizing document (its bylaws) to be sure it contains the specific language required by the IRS for the operation of a legitimate 501(c)(3) organization.
 - c. Make sure your bylaws
 - i. Are dated with the date these bylaws were legally approved by club membership/governing body

- ii. Are signed by two (2) officers with the date they are signed to certify the copy is a true copy of the bylaws (governing document) of your organization.
 - iii. include the NAME of your organization
 - iv. must reflect the 501(c)(3) charitable and educational purpose of your organization in both the purpose and membership statements
- d. **See Appendix C for the IRS-approved language to be included in your bylaws**
- 4. **LIST OF CLUB ACTIVITIES:** The IRS has granted GCII the non-profit exemption on the basis of GCII being a non-profit education organization. The majority of your clubs activities must also be educational. Things like programs, speakers, tours and flower shows are all educational.
 - a. **See Appendix D for sample activities form**
- 5. **FINANCIAL STATEMENT:**
 - a. The IRS requires that GCII keep on file a yearly simple financial statement from your club.
 - b. It merely needs the amount of income your club received (itemized into broad categories....not transaction by transaction) and a list of expenses (also itemized into broad categories....not by transaction.)
 - c. **See Appendix E for sample financial statement**

HOW DO WE RENEW?

- Once a club [or district] is included in the GCII Group Tax Exemption Program and wishes to continue to do so from year to year
 - the IRS requires that the club [or district] inform GCII in writing that they wish to be included, once again, in the Group Tax Exemption Program.
 - Renewals are for the July 1-June 30 fiscal year, and must be postmarked by February 1 prior to the July 1 date.
- **Your club [or district] must:**
 - have paid GCII and District dues for the current fiscal year
 - maintain a description of the activities of your club [or district] in order to document that the majority of your club [or district] activities are educational
 - maintain a record of the sources of receipts and the nature of expenditures, and submit a financial report for the previously completed fiscal year
 - have filed all required Federal tax reports for the previous fiscal year
 - submit this information to GCII by FEBRUARY 1 of each year
 - have an authorized officer of your club [or district] give permission to GCII each year, in writing, that states your club [or district] wants to be included in the GCII group tax exemption
 - **ALL THE ABOVE INFORMATION WILL BE INCLUDED IN THE RENEWAL PACKET MAILED TO CLUB PRESIDENTS [or DISTRICT DIRECTORS].**

WHAT ARE THE IRS REQUIREMENTS?

NOTE: For more information see the IRS Compliance Guide for 501(c)(3) Public Charities at <https://www.irs.gov/pub/irs-pdf/p4221pc.pdf>

YOU must file an annual Federal tax return:

1. **Who?** Any nonprofit organization whether it has received a federal tax exempt determination or not, and whose gross receipts are normally \$50,000 or less per tax year.
2. **What?** Electronic Form 990-N is for small nonprofits to use to satisfy a reporting rule for groups grossing \$50,000 or less.

3. What else?

- a. GTEP member clubs that have **failed to file this form for three successive years** have had their tax-exempt status automatically **revoked by the IRS** and must apply to the IRS to reinstate their tax exempt status.
- b. **If revoked, club is NO LONGER a member of GTEP.**

4. When? The e-Postcard is due every year by the 15th day of the 5th month after the close of your tax year.

- a. The tax year for GCII and members of its GTE Program is **July 1-June 30**. Filing is due by **November 15**.

5. Instructions for filing a Form 990-N?

- a. This can **only** be done on a computer (at home or public library, for example), it must not be downloaded and mailed in to the IRS.
- b. **You will need your club's EIN** as you use the road map below for filing.
- c. **Go to www.irs.gov/990n**
 - i. click on "Register as a New User" the first time you file; (in the future you will just log in and file); click on "Next".
 - ii. On the "Request Login ID" page you will select "Exempt Organization", the program will provide you with your "Login ID" (**WRITE IT DOWN!!!**). See Appendix J.
 - iii. It will ask for a Password (**MAKE UP YOUR OWN AND WRITE IT DOWN!!!**), Fill in the rest of the page and click on "next." See Appendix J
 - iv. You may get a message that "you will receive an email containing a link that will allow you to activate your login ID and create your e-postcard." (The email could arrive in as few as five minutes.)
 - v. When you click on the link in the email, you will follow the instructions to "Activate Login ID" **NOTE:** Because you are under the GCII umbrella the "Org Name" may read "Garden Clubs of Idaho, Inc." (**NOT TO WORRY**, we will discuss this at item viii below); Enter the password you wrote down at #3 and click "Next".
 - vi. Click on "Create your Form 990-N (e-Postcard) Now."
 - vii. On the "Organization Information" page the IRS will provide the tax year period they have on file for you; you will click that you haven't gone out business and that your gross receipts are normally \$50,000 or less. (If normally **greater** than \$50,000 you need a different form [990 or 990-EZ] and cannot file the 990-N); again the "legal name" may show as Garden Clubs of Idaho, Inc.--Refer to viii; click "Next Page."
 - viii. On this page ("Organization Address and Principal Officer Information") you can **enter, in the DBA area, your club's name and fill in the rest of the information and click "Save Changes;"** Then click "Submit Filing to IRS." This completes the filing process.
 - ix. You should click on for a few screens. You will receive an email from Urban.org that the IRS has accepted your e-Postcard. Then you should click back through the process, entering your Login ID and Password and then view and print out the postcard (this is not a necessary part of the filing). **SAVE THIS PRINTOUT**, in case there is any question about whether you have filed. Again, **DO NOT mail the form to the IRS.**
 - x. Be sure to save your printouts, Login ID and Password for your Club officers now and in the future.

WHAT ARE THE IDAHO REQUIREMENTS?

If the subordinate garden club is not a corporation, there is no filing requirement in Idaho. GCII must file an "Annual Report" with the Office of the Secretary of State.

Sales Tax: Non-profit garden clubs are NOT exempt from collecting and paying sales tax. The following information applies to all garden clubs, whether you choose to be included in the GTEP or not:

FOR ANY IDAHO SALES (Plant Sales and other garden club sales) if the sale does not qualify as a “Yard Sale” you must apply for a Seller’s Permit (Temporary or Regular) from the Idaho State Tax Commission and file a sales tax return. Yard Sale is defined in Publication 644 in the link in 1. Below:

1. https://tax.idaho.gov/pubs/EBR00644_11-08-2014.pdf Idaho State Tax Commission Publication 644 “Temporary Seller’s Permit” explains the rules for infrequent retail sales in Idaho and defines Yard Sales.
2. <https://tax.idaho.gov/i-1031.cfm> Idaho State Tax Commission form for a Temporary Seller’s Permit for occasional sales. The Sales Tax Return will be mailed to the Permit holder for completion and is due within 15 days after the last day of the event.

Raffles: Raffle ticket sales by an Idaho non-profit are not taxable (income or sales). However, not less than 80% of net raffle proceeds (net raffle proceeds equals total raffle sales less cost of prizes) must be used for charitable or non-profit purposes per Idaho Code 67-7709 (i.e. NO 50/50 raffles). Use of proceeds must conform to the entity’s purposes as described in their bylaws. Per IC 67-7710, clubs are limited to twelve (12) raffles per year with a maximum cash prize of \$1,000 each. Also, IC 67-7713 states that a non-profit conducting a raffle shall be required to obtain a license from the Idaho Lottery Commission **if the maximum aggregate value of merchandise exceeds five thousand dollars (\$5,000).**

FREQUENTLY ASKED QUESTIONS (FAQS):

1. **If our club is a member of GCII, are we automatically included in the GCII Group Tax Exemption Program as a non-profit 501(c)(3) club?**
 - a. NO. The IRS has specific requirements that make a club eligible to be deemed a 501(c)(3) non-profit organization. Not all clubs qualify.
2. **Does our club have to be in the Group Tax Exemption Program to belong to GCII?**
 - a. NO. Participation in the program is strictly optional.
 - b. **But your club MUST BE A MEMBER OF GCII and the local district to apply for participation in the Group Tax Exemption Program.**
3. **Our club has a fundraiser coming up. How long does it take to be approved?**
 - a. That depends. According to the IRS, if a club meets all the requirements and completes the necessary paperwork, the club will then be presented for approval as a new member of the GCII Group Tax Exemption Program at the next meeting of the GCII Board of Directors.
 - b. But the important thing to know is that no matter what actual date your club is approved, your exemption will be in effect for the entire fiscal year.
 - c. Your club does not have to be a member of GTEP in order to conduct the event. However, the net income received is taxable income unless you are a 501(c)(3) club or unless the sale qualifies as a “yard sale” (see above “What are the Idaho Requirements”).
4. **Why do you want a list of our club activities?**
 - a. Not all "non-profits" qualify for 501(c)(3) status .
 - b. The IRS has only a few, specific categories it will allow.

- i. The IRS granted GCII its 501(c)(3) status as an **educational** non-profit organization. To be included under the GCII exemption, it only follows that the club must also be an **"educational"** non-profit organization.
- ii. Therefore, a club must demonstrate that its activities are mainly educational. Tours, speakers, programs, flower shows, scholarships and all like activities are considered "educational" and should be prominent in your list of activities for your IRS file.

5. What kind of financial statement is required?

- a. The IRS wants a general idea of where your club gets its income and how it spends its money. Please do not send a list of checks and deposits. This does not help!
 - i. A simple list of categories is much more appropriate. For income the list could include categories such as dues, fundraiser, donations, etc. The expenses could include rental, postage, programs, office supplies, etc.
 - ii. Appropriate reimbursements for services and travel are allowed. Even salaries are allowed. It must just be evident that funds do not accrue to one or a few select people who are using or receiving funds for their self-aggrandizement.

6. If we are a non-profit, do we still have to pay sales tax?

- a. Absolutely! 501(c)(3) status is granted by the US Federal government Internal Revenue Service.
 - i. It applies to **Federal income tax**. It also applies to **state income tax** in that state income tax returns are based on federal returns.
- b. 501(c)(3) status has nothing to do with state sales tax as these rules differ from state to state.
 - i. Sales tax applies to the revenue from plant/craft sales (any items sold), silent and live auctions etc.

7. Once accepted, what do we have to do?

- a. Each club or district in the GCII Group Tax Exemption Program is required to file an annual information return or notice with the **IRS** by November 15 (the 15th day of the 5th month after the close of their fiscal year).
 - i. Organizations with gross receipts normally less than or equal to \$50,000 file the electronic postcard **Form 990-N**, but may choose to file a full return.
 - ii. Those with gross receipts more than \$50,000 but less than \$200,000 and with assets less than \$500,000 must file **Form 990-EZ** or **Form 990**.
 - iii. It can only be done on a computer and must not be mailed to the IRS.
 - iv. The IRS will revoke the tax-exempt status of an organization that fails to file a return or notice for three consecutive years.
- b. Please be aware that a member of the GCII Group Tax Exemption Program may also be responsible for any Federal or State of Idaho applicable filing requirements and taxes on **unrelated** business income (income not related to your club purpose).
- c. The IRS requires that GCII check with each member of the Group Tax Exemption Program each year to verify that they want to remain in the Group Tax Exemption Program.
 - i. Each member of the Group will be sent a renewal form during the first quarter of the GCII fiscal year.
 - ii. It asks that you indicate that your club or district wishes to continue in the Group Tax Exemption; include an updated financial report and an updated list of club activities.
 - iii. These papers will be filed in case of audit of GCII's records

8. We are already a member of the GCII Group Tax Exemption Program. Must we "renew" each year?

- a. **Yes.** This is a requirement of the IRS.
- b. Renewal forms are sent out during the first quarter of GCII's fiscal year.
- c. They must be completed and returned to the Group Tax Exemption Program chairman by February 1 for the club or district to be included in the Group Tax Exemption Program for the following fiscal year.

9. Once we become a nonprofit, are there any other requirements?

- a. Our mailing address and/or officer have changed. Should we notify the IRS?
 - i. You can file IRS Form 8822-B (business) <https://www.irs.gov/pub/irs-pdf/f8822b.pdf>. Once the form is on your computer screen, you can fill in the blanks and then print out and mail. (Note: Suggest you attach a copy of the minutes from meeting when elections held)
 - ii. Also, when you file your annual 990-N form, enter the new address and new principal officer information.
- b. Our officers have changed in mid-term. What do we do?
 - i. Notify the GTEP Chairman
- c. We don't know what our EIN is (or have never applied for one). What do we do?
 - i. The easiest way to find out what your EIN is to look at your bank statement or ask the bank where you have your checking account.
 - ii. If you've never had an EIN, you can apply online.
- d. OK, we've applied to the GCII program, have been ratified by the GCII Board of Directors and have received our letter of acceptance. We contacted the IRS, and they don't show our group as a 501(c)(3) tax-exempt organization. Why not and what do we tell our donors?
 - i. The IRS has directed that **GCII can only make one filing annually**, reporting renewing Clubs/Districts and newly recognized Clubs/Districts since the last annual filing.
 - ii. However, in its group exemption letter, the IRS has granted to GCII the authority to confer tax-exempt status to its approved members between GCII's annual filing.
 - iii. Clubs and Districts that are part of GCII's Tax-Exempt Group are listed on the GCII website on the Tax-Exempt Group List after they have been ratified by the GCII Board of Directors.

10. If we have questions, whom do we contact?

- a. Contact the Chairman of the GCII Group Tax Exemption Program as listed on the cover of this Handbook.

IMPORTANT DATES TO REMEMBER

- February 1 – deadline to submit renewal form for GCII Group Tax Exemption Program
- July 1 – dues due to GCII and your district
- July 31 – For a “Regular” seller’s permit, Idaho sales tax due to **Idaho State Tax Commission** for fiscal year ending June 30.
- For a “Temporary” seller’s permit, the form and taxes are due within fifteen (15) days from the last day of the event.
- November 15 –IRS tax return (form 990N or 990)