

# GWRRA Finances and the IRS

Special Note: This document contains general information that relates to the IRS. For specific questions relating to UBI, please consult your local tax expert.

## General Information

There are 25 different types of non-profit 501 organizations. GWRRA is recognized as exempt from federal income tax under section 501(c)4 of the Internal Revenue Code.

Our not-for-profit status does not mean we are not allowed to make a profit. It simply means that certain parts of our income are exempt from being taxed.

501(c)3 is a charity, and donations to these organizations are tax deductible.

Donations to GWRRA may be a legitimate business expense, but they are not tax deductible contributions.

The 501(c)4 is a different type of organization, mostly concerned with social welfare such as education. GWRRA qualifies for the 501(c)4 as a result of Rider Education, Leadership Training, and the variety of seminars and opportunities for education that we provide.

## Checking Accounts

As a subordinate to an exempt association, a District or Chapter is required to acquire a Federal EIN. This number is used for banking and identification purposes.

All checking accounts must be non-interest bearing. Checking accounts should have at least three signatures on the bank card – the Director, the Treasurer, and the Director's appointing Officer.

Only one signature is required on the check. However, each check written by any of the signatories on this account must have prior written approval from one other signatory, and this document must be kept on file. An email exchange is adequate for this purpose.

## Contact from the IRS

If the IRS sends you a letter for any reason, you must respond to said letter in the timeframe allowed by the IRS. In some cases, the GWRRA Director of Finance can assist in understanding the nature of the issue. Contact this person initially by email at [financedirector@gwrra.org](mailto:financedirector@gwrra.org).

## EIN's

An EIN (Employer Identification Number) is simply the business equivalent of a social security or tax ID number. An EIN means you are registered with the IRS and intend to collect income or have expenses that are not related to GWRRA.

Each subordinate must acquire their own EIN, but all subordinates should use GWRRA's Group Exemption Number (GEN) on all forms submitted to the IRS. **The GWRRA GEN is 7196.**

Use IRS form SS-4 to obtain a new EIN. [www.irs.gov](http://www.irs.gov). If the Chapter or District already has an EIN, it stays with it and **NEVER** changes.

## e-Postcard Form 990-N

The IRS requires that the e-Postcard (Form 990-N) must be filed annually by all subordinates (Chapters and Districts) of GWRRA whose gross receipts are \$50,000 or less for the tax year. Your tax year must have ended before you can file an e-Postcard.

**It is absolutely necessary that the e-Postcard be filed with the IRS.** Failure to do so can cause penalties and fines or even the loss of GWRRA's not-for-profit status. It is the responsibility of the Director of each Chapter or District to assure this form is properly filed on-line each year as directed by the GWRRA Director of Finance. However, it may be filed by the Assistant Director or the Treasurer under the direction of the Director.

To access the e-Postcard site go to <https://www.irs.gov/990n>. Once there, click on the "Submit Form 990-N (e-Postcard)" or similar buttons that may change from time to time. You will need to complete a three-step process:

1. Register as a new user. If you have filed in the past, go to step 2. You will be assigned a login ID based on your EIN. The first login ID will be your EIN plus the number 01. You can have more than one login ID to allow others to access the site. Subsequent IDs will be 02, 03, and so on.
2. Create the Form 990-N (e-Postcard)
3. Submit your Form 990-N (e-Postcard)

## e-Postcard Rejection

If your e-Postcard is rejected, there is an explanation on the screen as to why it was not accepted. It could be you entered the EIN incorrectly, or the EIN you entered does not belong to your Chapter. Double check your entry to be sure it is correct. You can contact the GWRRA Director of Finance or the Home Office to verify the EIN we have on file for your Chapter.

Another reason for rejection may be that you are not recognized as a subordinate of GWRRA. This is likely due to Form 8822-B (Address Change) not being filed with the IRS when the new Director was installed. It is extremely important that all incoming Director fill out this form and mail it to the IRS as soon as possible. This form may be obtained at [www.irs.gov](http://www.irs.gov).

### **Information Needed to File the e-Postcard**

1. Your Employer Identification Number (EIN)
2. The tax year
3. Legal name and mailing address. Example: Chapter AZ-A; District AZ; (refer to a previous year's submission to get the accurate name IRS has on file)
4. Name and address of a principal Officer. (The Chapter or District Director)
5. Website address if the subordinate has one.
6. Confirmation that the subordinate's annual gross receipts are normally \$50,000 or less.

### **Receipts and Audits**

Receipts are the only way to justify debts or withdrawals from a Chapter or District checking account. The IRS could demand records be submitted at any time for any subordinate of GWRRA. At the Home Office, we conduct random reviews to assure accuracy and that policies are being followed.

It is important for all Officers to protect themselves from undo scrutiny. The policies in the Officers' Handbook are there for the Officer's protection.

### **Related Business Income**

Related Business Income must be "Regularly carried on". Examples of Related Business Income are: Rallies, poker-runs, dice runs, hobo stew runs, 50/50 drawings, raffles, white elephant auctions (small games of chance held at organizational gatherings mainly for the membership), Goodie sales (GWRRA-related items: includes Chapter jackets, hats, shirts, all items with the logo on them etc.)

### **Subordinate Information**

Districts and Chapters have no exempt status of their own and are recognized by the IRS as subordinates of GWRRA. As a subordinate, they are required to follow certain guidelines. Being exempt does not mean they do not have to file a return, nor does it necessarily mean they will not be required to pay taxes.

### **Taxes and Gross Receipts**

Subordinates must follow the guidelines put forth by the Federal Code for 501(c)4 non-profit organizations. Subordinates with annual gross receipts of more than \$50,000 are required to file the Form 990 or, more likely, Form 990EZ "Return of Organization Exempt From Income Tax".

Keep all receipts! All Chapters and Districts are required by both the IRS and by the GWRRA to track and keep receipts of all income and expenses.

### **Unrelated Business Income**

UBI is Gross Unrelated Business Receipts minus expenses. If UBI is greater than \$1,000, Form 990T must be filed with the IRS. Because UBI is complicated, please check with your local tax advisors to determine if your income is taxable UBI.

### **Volunteers**

GWRRA is unique in that all Officers and staff are volunteers and are not compensated. Activities are considered regularly carried on if they show a frequency, continuity, and are pursued in a manner similar to a comparable commercial activity of non-exempt organizations.

An activity or sale in which substantially all the work is performed for the organization without compensation is exempt from the UBI definition. These two points exempt most District and Chapter income from the UBI category.

### **Summary**

All subordinates of GWRRA must obtain an EIN from the IRS and must also send the IRS an address update when Directors change – Form 8822-B.

If gross receipts are more than \$50,000, Form 990EZ must be filed.

If UBI is more than \$1,000, Form 990T must be filed.

All information can be found in the Officers' Handbook section D.

Please contact the Director of Finance ([financedirector@gwrro.org](mailto:financedirector@gwrro.org)), or your appointing Officer if you have any further questions.

Forms can be downloaded at [www.irs.gov](http://www.irs.gov).

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