

To: 4-H Club Organizational Leaders



From: Ginny Powell, Chair
Department of 4-H Youth Development
Ellen Williams, 4-H Agent

RE: Instructions and Guidelines on 4-H Charter and IRS Changes

Date: November 13, 2007

URGENT and IMPORTANT!

Please read all the information provided. If you have any questions, please ask your county 4-H professional to assist you in this process.

Thank You!

First, we want to thank you for your dedication to the New Jersey 4-H program and to the youth that you work with. You truly make a difference in their lives, something that will make an impact on them for a lifetime. We don't say it enough, but you are truly appreciated.

We also know that you volunteer with 4-H because you get to see the difference you make in the 4-H members, and in the entire 4-H program. We know that the paperwork and bureaucracy that often accompanies 4-H policies and regulations are not anyone's favorite part of 4-H. We try to keep this to a minimum, but being a national organization connected to three levels of government often requires us to file reports and paperwork that is necessary.

Help Us Help You

We ask for your immediate attention, patience, and assistance as we move forward to bring the New Jersey 4-H program into compliance with National 4-H Headquarters (USDA) and the IRS. We need your help in addressing changes that impact each and every 4-H club, advisory group, leaders' association and affiliated 4-H groups such as 4-H Fair Boards. Described below are 4-H charter requirements and IRS documentation that all 4-H groups must fulfill immediately. We are trying to simplify and clarify the process to make it as easy as possible for you to obtain official status as a 4-H club or group under the new federal regulations. Without this official status, you will not be an authorized 4-H group.

Why is this happening?

The enactment of the Pension Protection Act of 2006 included new annual IRS filing requirements for small tax-exempt organizations that will impact all 4-H programs immediately. Beginning in 2008, small 4-H organizations that were not previously required to file returns with the IRS because they earned less than \$25,000 will now be required to file an Electronic Notice Form 990-N (ePostcard) regardless if earnings are \$0 to \$25,000. Groups grossing more than \$25,000 will be required to file Form 990, as they are currently required to do. This filing requirement applies to the tax periods beginning after January 1, 2007. The annual electronic filing notice is due by May 15th of each year beginning in 2008.

Every 4-H Club, County or State 4-H group will now be required to file with the IRS, even if they have raised \$0 funds but intend to raise funds in the future.

Tax Exempt Status

Many of our 4-H clubs and groups have been under the assumption that if they have an EIN (Employee Identification Number) that they have automatically been granted tax exempt status as a 4-H organization. THAT IS INCORRECT. There are three basic steps that need to be completed in order to be a 4-H tax exempt organization.

To keep this as simple as possible, we have developed a basic procedure that will be used to meet requirements of the IRS and National 4-H Headquarters/USDA. As part of the new IRS reporting requirements, as a tax-exempt organization, National 4-H Headquarters is now required to annually certify the list of subsidiary groups registered to use the National 4-H Group Exemption Number (GEN). In the past, this number was listed on the "Kirby" letter. That letter only verified that the IRS recognized the 4-H GEN, but did not grant immediate tax exempt status.

The three requirements are:

Receive Official 4-H Name & Emblem Charter

National 4-H Headquarters requires a charter for any 4-H entity for it to: 1) use the 4-H Name and Emblem, and 2) be included under the Tax-Exemption Group Ruling for 4-H. Currently, no 4-H group in New Jersey is officially chartered.

USDA has been chartering 4-H clubs and groups since the origination of 4-H clubs. This was previously done through USDA, but they recently passed on this authorization to state 4-H offices. Only the Director of Extension and the State 4-H Office can authorize a group to be able to use the 4-H name and emblem. We postponed the 4-H Charter process for 4-H clubs and groups until we knew the full impact of the recent changes in the IRS regulations for small tax exempt organizations. Now we can ask you to complete this all in one process, rather than having to come back time and time again requesting new or more information.

Obtain Federal Tax Identification Number or federal EIN (Employee Identification Number)

If your 4-H club or affiliated group does not have an EIN, you must apply for one through an SS-4 form. In order for the IRS to grant your 4-H club tax exempt status under the 4-H GEN, your group MUST first be chartered (authorized to use the 4-H name and emblem) by the State 4-H Office. If your group already has one, then you will need to be certain that it is authentic, and only for your 4-H club or group.

Receive Certification of 4-H Club or Affiliated 4-H Organization under the National 4-H Federal Tax Exempt Status

National 4-H Headquarters has the authority to certify that eligible 4-H groups are registered under the National 4-H Group Exemption Number (GEN) and they must report this to the IRS. The State 4-H Office (in every state) will send a list to National 4-H Headquarters/USDA that includes 'Chartered' 4-H Groups that have EIN's. Annually, National 4-H Headquarters will 're-certify' 4-H groups that are still eligible under the 4-H GEN.

NOTE: HAVING AN EIN DOES NOT GRANT TAX-EXEMPT STATUS. CHARTERED 4-H GROUPS MUST BE CERTIFIED UNDER THE 4-H GEN TO HAVE THIS PRIVILEGE.

Instructions to the 4-H Clubs and affiliated 4-H groups (4-H Advisory Groups, Leaders and Fair Associations):

1. Complete and send the following to the county 4-H office no later than **November 30, 2007**. Please be prompt in order to avoid the loss of official 4-H status for your 4-H group. Clubs and groups that do not submit completed forms by December 7th may not be authorized to use the 4-H name and emblem. (All materials are enclosed.)

4-H Charter Application. This includes a check list of basic information that is required of a 4-H group. Once the 4-H Charter is granted, it will not expire. In the event that a 4-H group falls below the basic 4-H requirements as outlined in the charter application, the charter will be

revoked and the 4-H group will need to reapply for chartering and agree to meet the requirements.

Note: We realize this is a short turnaround time to make by-laws changes. That is why we are asking for a *commitment* to make any needed changes. By you giving us your commitment, we can fulfill the timeline required by National 4-H Headquarters to get the 4-H Charter list to them.

IRS SS-4 form. Fill out this form only if your group does NOT have an EIN. Details for filling out the form are listed below.

The only 4-H clubs that will be exempt from receiving an EIN and filing with the IRS under the 4-H GEN will be those 4-H clubs or groups that will never raise funds, do not have a bank account in the name of 4-H, and will not collect monies in the name of 4-H (including club dues). Groups that choose not to raise any funds must still be chartered (authorized to use the 4-H name and emblem) and must sign a waiver relinquishing their right to raise funds or have a bank account in the name of 4-H. An example of such a group could be a 4-H Afterschool Club.

2. The county 4-H office will review and approve the submitted charter application (including by-laws). They will then submit your group information, along with your EIN to the state 4-H office for inclusion in the 4-H Charter process. The state 4-H office will issue your group an official 4-H charter certificate. 4-H Charter records and documents will be stored in a permanent file at both the state 4-H and county 4-H offices.
3. If applicable, County 4-H faculty/staff will review your submitted IRS SS-4 form, keep a copy on file, and assist by submitting the original to the IRS. The county 4-H office will notify you of your group's EIN as soon as it is issued by the IRS.
4. If your 4-H group already has a bank account, please update the account with the EIN assigned to your club immediately. Please note that the EIN can not be used to solicit tax exempt donations. The EIN is just a way for the IRS to track your group – alone, it does not provide tax exempt status.
5. Once you receive 4-H Charter status and provide the EIN, the state 4-H office will submit this information to National 4-H Headquarters. National 4-H Headquarters will then certify your 4-H group to be under the 4-H GEN for inclusion into 4-H tax exempt status. You will receive a certification letter directly from National 4-H Headquarters (by mid 2008) authorizing your club to receive tax deductible donations and grants from private and corporate donors under the 4-H nonprofit status.
6. It is important that your 4-H club keep track, organize, and file the official charter and all IRS/tax related documents.
7. Failure of any club or group to properly file the 990-N ePostcard by **May 15, 2008**, and annually thereafter, may result in the loss of tax exempt status and the associated privilege of fund raising and maintaining a bank account. The county 4-H professional can assist you in this process, but as the 4-H leader you will be accountable to verify compliance with the May 15 deadline. In addition, your 4-H club or group will submit a financial review along with a copy of the IRS ePostcard filing to your county 4-H office by May 15 of each year, beginning in 2008. This is a condition for maintaining the official 4-H charter. A "financial review" standard template will be provided for you to complete and return to your county 4-H office.
8. Due to the new IRS filing requirements, we ask that every 4-H group operate on **January to December** fiscal year. This will avoid confusion and allow leaders to update members, collect record books, file the ePostcard with the IRS, and submit a financial review to the County 4-H

office around the same time each year. Please contact your county 4-H office if this is an issue for your group.

General Guidelines and Related Information:

Charter vs. Certification

Every 4-H club, affiliate, and association is required to obtain an official 4-H Charter authorization from the state 4-H office to use the 4-H name and emblem. Certification is the responsibility of National 4-H Headquarters upon receiving a list from the state 4-H office of 4-H Chartered groups with EIN's.

Existing EIN's

Your 4-H group may already have an EIN that you have been using. If the original filing and group name can be found and it is accurate (9 digit number), this EIN can be used and included on the charter application form. If you are unsure of EIN accuracy you can call the IRS toll free at 1-800-829-1040 to get a number validated. Once your group's EIN is received from your county, the EIN will be placed under the 4-H GEN.

NOTE: EIN'S CANNOT BE SHARED BY MORE THAN ONE GROUP. There cannot be one EIN that is used by all clubs in the county nor can clubs use the county 4-H association EIN. All 4-H clubs and groups must be issued their own separate EIN by the IRS.

501c3 vs. 4-H Tax Exempt Status

Some county 4-H groups may have applied for and received 501c3 status. This is separate from being tax exempt under the 4-H GEN. Groups must choose 501c3 status OR 4-H tax exempt status. We strongly recommend that all 4-H groups choose to be under the 4-H GEN (see benefits below). It is an extra level of protection for volunteers and 4-H groups. However, 4-H groups that have property or large events of which they are responsible may choose to remain under their own 501c3. In either case, every group must be 4-H Chartered in order to use the 4-H name and emblem. If groups should choose to remain under their current 501c3 status, you must provide a copy of their EIN and IRS documentation for verification of 501c3 status, and note that they choose NOT to be part of the 4-H GEN.

Tax Exempt Status – What you can and cannot do

4-H Tax Exempt Status authorizes your 4-H club or group to receive tax deductible donations and grants from private and corporate donors (as applicable under the IRS code). Your 4-H group is exempt from paying federal income tax on funds raised on behalf of 4-H. This tax exempt status DOES NOT exempt your group from any state or local taxes, such as hotel tax, property tax, sales tax, personal income tax or other taxes. See New Jersey Charitable Registration (state tax exempt status) below.

IRS SS-4 form

When you receive the IRS SS-4 form, it should be partially completed by your county 4-H professional with the exception of the following information: #1 official club name (please be specific or include your county in the 4-H club name), #3 name of leader, #11 date club began (if you are unsure use January 1, 2007), and signature of leader. Complete these three entries, sign it, and return it to your county 4-H office along with the charter application. The County Extension office address should be the one listed on your SS-4 form (#'s 4, 5, and 6). Using the 4-H office address will avoid any complications that may arise in the event of leadership change within your 4-H group. The county 4-H office will make a copy of the SS-4 form and submit it to the IRS. County 4-H faculty/staff will notify you of your 4-H group's EIN. **NOTE:** under no circumstances should the name of 4-H professional staff be listed on the SS-4 form.

IRS filing

It is your responsibility as a 4-H leader to file the 990 or the 990-N. Failure of your club to properly file the 990-N ePostcard by **May 15, 2008**, and annually thereafter, may result in the loss of tax exempt status and the associated privilege of raising funds and having a bank account in the name of 4-H. Each year, National 4-H Headquarters will receive a list from the IRS containing all 4-H groups that filed. 4-H groups not on the list will be in jeopardy of losing tax exempt status.

Annual Fiscal Year

We **STRONGLY** recommend that ALL 4-H groups (club, county, and state) work on the fiscal year **January – December**. This will make it easier for filing with the IRS, re-certifying clubs each year, and general record keeping. If your group has an outstanding reason for working on another fiscal year, please contact your county 4-H office to resolve the issue.

Family Groups

Please note that family groups are not recognized by the IRS or National 4-H Headquarters and therefore are not eligible for a 4-H charter.

New Jersey Charitable Registration (state tax exempt status)

Charitable organizations and professional fund raisers based, operating or soliciting within New Jersey must register with the Division of Consumer Affairs Charities Registration Section unless specifically exempted under the provisions of the Charitable Registration and Investigation Act, also known as the "CRI Act." 4-H charitable organizations receiving annual gross contributions of \$10,000 or less can choose whether or not they wish to maintain a registration with the N.J. Charities Registration Section, but are no longer required to do so. Charitable organizations choosing to claim the above new exemption and remain unregistered must register within thirty (30) days of exceeding \$10,000 in gross contributions within any given fiscal year. Please ensure that all NJ Charitable Registration Polices are followed along with the IRS tax exempt regulations. See <http://njconsumeraffairs.gov/charity/charfrm.htm> website for details.

Filing and Maintaining Records

As new groups are formed they must be 4-H Chartered and filed with the IRS under the 4-H GEN.

Your club file should include:

- Copy of the signed charter application
- Copy of IRS SS-4 form (if applicable)
- Correspondence from IRS (ie when EIN is received)
- Charter certificate received from State 4-H Office.
- Copy of By-Laws
- Copy of Certification letter (4-H tax exempt status) when received from National 4-H Headquarters (1-3 months after all NJ 4-H EIN's are received)

How will this benefit each 4-H club and volunteers?

- Secure the privilege of using the 4-H name and emblem with official authorization granted by the charter. (If a 4-H group is not chartered, they are not considered a 4-H group and therefore will not be able to use the 4-H name and emblem.)
- Authorize club and group leaders to have bank accounts using their valid 4-H group EIN instead of using their personal information and social security number. Leaders should not use personal social security numbers.
- Authorize clubs to receive tax deductible donations and grants from private and corporate donors under the 4-H tax exempt nonprofit status. (Simply having an EIN does not grant tax exempt status or allow for tax deductible donations.)
- Ensure that the 4-H group is operating under the laws established by the IRS.
- Ensure that each 4-H group is provided the unique mechanism of protection under the 4-H IRS status. 4-H groups will receive updates on any changes made to IRS regulations, as well as be protected under the 4-H umbrella. The IRS will contact the National 4-H Headquarters first if there is an issue, not the individual club leaders.

Thank you for your 100% cooperation in meeting these USDA/National 4-H Headquarters requirements and IRS regulations. This is a lot to complete in such a short time frame, but it must be done. By **November 30, 2007** the county 4-H office must RECEIVE the completed charter application and SS-4

form (if applicable). Clubs or groups that do not submit the proper information by the deadline will not be authorized to use the 4-H name and emblem or be eligible for tax exempt status.

If you have any questions or run across any problems please contact your county 4-H office. There are key individuals in the north and south to assist your county through this process. They will make themselves available for one-on-one assistance with club leaders and volunteers by request.

Enclosed/attached:

- Charter Application
- Partially Completed SS-4 (and instructions)