



International Association
of
Administrative Professionals

Updated List of Questions regarding tax compliance

- ✘ From: Donald Bretthauer
- ✘ To: IAAP Treasurers
- ✘ Posted: 03-01-2011 10:28:00 AM
- ✘ Message: This message has been cross posted to the following eGroups: Int'l Board & Executive Director and IAAP Treasurers .

Dear Treasurer Egroup Subscribers,
Attached is an updated list of Q&As regarding tax compliance for chapters and divisions. This compiled list has combined all the Q&As that have been published to date. The last part contains new ones, of which, many were developed out of questions asked on this forum.
Thanks for your participation!
Don

Don Bretthauer CAE
Executive Director, IAAP

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Original Division and Chapter Tax Compliance Questions and Answers

*** Answers to starred questions have been updated as of 02/09/2011.**

1.) Q: Does the restriction include a chapter or division from paying for a member to attend an IAAP event, i.e. a chapter sending members to attend a division event?

A: Unless the individual is serving in an official capacity, such as a delegate to an annual meeting or EFAM, chapters should not pay for the registration fees for its members.

2.) Q: ABC Chapter has funded a scholarship at Trident Business College for more than 10 years. Trident is responsible for the administration of the program including the final selection of the scholarship award recipient. The program is open to any interested admin. Is this scholarship program allowable under the IRS guidelines?

A: Yes. Since the selection process is conducted independent of the chapter and the program is not limited to chapter members, it would not be considered an example of member inurement.

3.) Q: XYZ Chapter has a program which awards grants to assist selected members in taking professional development courses. Criteria include being a current member of the chapter and remaining a member of the chapter for at least two years after receiving the grant. Is this program allowable under the IRS guidelines?

A: Since this program is benefiting a select group of members and is using member funds for the grants, it would be considered inurement or of benefit to its members and would be in violation of the IRS guidelines.

4.) Q: Are Canada divisions and chapters affected by these regulations since these have been implemented by the U.S. IRS?

A: Canada's tax laws have similar inurement provisions. Therefore divisions and chapters in Canada should not provide these types of benefits to their members.

5.) Q: What about our chapters-at-large?

A: Although every country varies somewhat in their tax regulations, all associations connected with IAAP should comply with this provision since we hold the tax exempt status determination through the IRS in the United States.

6.) Q: May chapters and or divisions provide prizes for competitions, including scholarship prizes?

A: Prize competitions are generally acceptable providing that members and nonmembers are eligible to enter the competition.

7.) Q: Our division uses funds donated by disbanded chapters to pay for scholarships to our division annual meeting. Is that allowable?

A: Once the funds are accepted, they become division funds and cannot benefit a select group of members since other members are expected to pay the full registration fee to attend this event.

8.) Q: What about chapters paying for officers and other volunteers to attend division leadership training connected to serving the chapter.

A: Paying for leadership training is not considered an inurement and is allowable since participation in such events benefits the entire membership by encouraging better governance.

***9.) Q:** Our chapter often funds the registration fee for chapter members who want to attend an annual division educational conference. Is that allowed?

A: As long as this program is offered to all of your chapter members who want to attend this event, then this is allowed. (We are awaiting confirmation from the Canada Revenue service on how this is handled in Canada).

10.) Q: Our chapter sometimes buys memorial or recognition pavers to be placed at the Vista Grande apartment complex. Is this allowable?

A: Given that the paver itself does not have a tangible value to the recipient other than recognition, this is not a violation of the inurement provision.

11. Q: Our chapter sometimes provides a free dinner meeting for members who have attended all meetings in a year. Is that allowed?

A: Giving a free dinner meeting registration where other members are required to pay would be considered a violation of the inurement clause. Providing a pin or other token gift for recognition would not be considered a violation.

12. Q: Our chapter waives the dues for DMALs to incent them to join the chapter and hopefully they will pay the second year.

A: Incentives provided to an individual who has a status of nonmember at the time is not a violation since the offer not being extended to an existing member.

13.) Q: Our division has an awards program for chapters that we award monetary prizes for. It's a points based system for chapter activities (see attached). Can we still do this?

A: If the award is going to chapters and not an individual or individuals you are okay as well.

14.) Q: We have a couple of chapters that provide their members the option to pre-pay their dues renewal in the form of a payment plan to ease the burden of a one-time payment and increase member retention. The member would pay their dues in three or four installments to the chapter treasurer, then the treasurer would forward the division and international portions to HQ once all installments have been collected from the member. Would chapters still be able to have this type of program?

A: Yes, flexible payment options are not considered inurement.

15.) Q: A few of our chapters have college/post-secondary scholarship programs for non-members. If I understand correctly, they would be able to continue these since the award would go to a non-member? What if the award also included a paid one-year student membership? For those chapters that conduct scholarships that do allow members to apply in addition to non-members, would removing the ability for members to apply bring them in compliance?

A: Providing nonmembers with scholarships is okay. Providing an incentive membership to a current nonmember is okay. Chapters that remove members from scholarship eligibility would also be okay.

16.) Q: Our division has a leadership conference in the fall and we state that will pay for the lunches up to 4 members from each chapter. Is that permissible under these tax compliance guidelines?

A: Under the inurement provisions, providing a select group of members with a free lunch would probably be considered inurement. Is this leadership conference for elected leaders only? That may make a difference.

17.) Q: Will a Division still be able to present a monetary gift to a newly chartered chapter in the Division? Our Division has done this in the past to help new chapters get off the ground.

A: This is fine since an individual member is not benefitting. You are providing funds to an organization rather than a person.

18.) Q: Since the chairs for the Nominating Committee, Bylaws Committee and Parliamentarian are required to be part of the Division Annual Meeting, is allowable to have their expenses reimbursed and their registration waived.

A: Yes, if they have an official duty to perform at the meeting, which includes being a delegate or alternate, this is allowable.

Questions asked during IAAP Tax Compliance Research/Communication Webinar given on January 22, 2011 and after the webinar through emails to the President and Executive Director

***Questions that are starred have an updated answer as of 02/09/2011**

1.) Q: Did you say that the funds we donate to the RTF are OK?

A: Yes. Contributing funds to a charitable organization like the RTF or the R&E are okay since individual members are not benefitting.

2.) Q: If a company donated dollars toward a membership fee, is that a problem to give that to a member or non-member?

A: Providing funds that have been deposited into the chapter account to a current member would not be acceptable under the inurement guidelines. Generally giving support to nonmembers is not considered inurement since the definition of inurement is based on providing selected existing members with a benefit. A company may directly provide memberships to individuals (members or nonmembers) through the IAAP gift of membership program since those funds do not go through the chapter bank accounts.

3.) Q: Is it OK to run a contest to say name, “Name a newsletter” and give the winner of this contest a free registration to a chapter or division meeting/program?

A: It would be difficult to provide a firm answer since the complete criteria and selection process for this program are not known. Generally, prize contests must be open to nonmembers as well as members to be acceptable. In doing so, the selection criteria should be unbiased with regard to membership status.

4.) Q: Is it OK to accept donations from a sponsor of your chapter or division then use those funds to help pay for the cost of these meetings and lower the cost to the members?

A: Yes, as long as the registration fee is the same for all members who wish to participate, this would not be considered inurement.

5.) Q: If a chapter wants to incentivize individuals to “become a member today” as part of a seminar that they are holding and they want to only waive the chapter dues portion of the membership, is this allowed?

A: Again, incentives for membership are okay as long as they are offered to nonmembers.

6.) Q: Can a scholarship be given if funds are raised through donations/fundraisers and not from chapter funds?

A: Since the funds would be deposited in a chapter bank account at some point, those funds then become member funds since there really isn’t a way for 501 c6 entities to earmark or restrict funds for certain uses. Thus, distributing these funds to a selected member would be considered as violation of the inurement provisions.

7.) Q: My chapter currently holds a scholarship awards event for our employees annually (we are a closed chapter). Scholarships benefit students/relatives of company employees. Are we correct in assuming that we can no longer have this contest? To clarify my question, the person who benefits from a scholarship is a high school student of any employee...funds are not awarded to employees, but can be awarded to their child/or a child relative?

A: It sounds like you are a member of a corporate chapter. If your company is providing scholarships to the children of chapter members but other employees are also eligible for this program, this is really an internal human resource type program that should not pose a problem under the inurement provision.

***8.) Q:** If we offer paid registration to ALL members is that acceptable?

A: Yes, as long as all of your members are aware of and are eligible for the offer. (We are awaiting confirmation from the Canada Revenue service on how this is handled in Canada).

9.) Q: Can a chapter run a fundraiser specifically to pay for members/non-members to attend a specific event?

A: The fundraiser is not the issue. The potential violation of the inurement provisions occurs when a selected group of members may receive a benefit while other members of the chapter or division may not. Unless all members of the chapter receive the same offer, providing assistance to attend an event for a selected group of members would be considered a violation of the inurement provisions.

***10.) Q:** Some chapters would like to give scholarships for members to attend a CPS/CAP review class. Would this be excluded?

A: This offer must be extended to all members of the chapter who are eligible to take part in the exam and not just to a select few individuals of the chapter. (We are awaiting confirmation from the Canada Revenue service on how this is handled in Canada).

11.) Q: Is it OK to have a discounted student registration for our annual meeting?

A: Generally, a reduced registration based on membership classification would not be considered as inurement and would be okay. If the students are not members of the division or chapter, then this would certainly not be considered inurement.

12.) Q: What if a separate bank account is set up to accept direct donations to support the scholarship fund?

A: The separate bank account would still be under the control of the chapter or division. Since the chapter or division is not a charitable organization, the funds could not be used to benefit a selected group of members.

***13.) Q:** Can we have a scholarship for CPS/CAP registration if it is divided by all applicants rather than awarded to one person?

A: Yes, as long as all of the eligible members of the chapter are made aware of this offer and given the opportunity to participate in the offer. (We are awaiting confirmation from the Canada Revenue service on how this is handled in Canada).

14.) Q: So, from the sounds of it, we cannot have a scholarship that awards Annual Meeting attendance to individuals unless they are delegates or alternates?

A: The officers who have an elected responsibility at a meeting may have their expenses reimbursed.

***15.) Q:** Can we still host a division dinner (paid by the division) at EFAM?

A: Yes, as long as all of the members of the division who attend EFAM have a chance to participate. (This item should be clearly delineated in your division budget so that the expense is transparent to all members of the division and is considered when approving the budget at your annual meeting. Such an expense, if considerable, could be considered as a misuse of division funds). (We are awaiting confirmation from the Canada Revenue service on how this is handled in Canada).

16.) Q: Can the chapter raise money for an individual who is ill?

A: I would work with a local bank to establish an account for this one purpose and then advertise that donations may be directed to this account. I would then ask for the spouse or a trusted relative of the individual to work with the bank in distributing those funds to her. If the amount being raised is anticipated to be relatively small, this would be better done by having an individual taking a collection and forwarding the money directly to the ill person and not depositing these funds in the chapter bank account.

17.) Q: What are the regulations concerning raffles for 50/50's or baskets as prizes or tricky trays? We raffle door prizes to raise funds to RTF. Is this OK?

A: Regulations on raffles and other games of chance vary from state to state. Here is a link that should help you since it has through links to all state regulations: <http://rafflefaq.com/united-states-raffle-laws/>

18.) Q: Can we share documents with our board members for their review?

A: We ask that you wait until January 31st to share these documents.

19.) Q: Several chapters in our division offer scholarships and choose the recipient to assure the funds are going to a student in the administrative professional field. Do chapters now have to leave that up to the colleges to decide who the recipients are?

A: I would work with a college to develop a scholarship that is directed to a students in the administrative field and make sure they keep you informed of their selections so you can assure the funds are being applied to the right candidates.

20. Q: A donation of funds from an estate to a chapter that has been designated for chapter membership scholarships; can this be done or how would you advise the estate to donate?

A: I would advise the estate to donate the funds to a nearby college to establish an admin scholarship and make sure your members are aware of this program so they can participate. Once the chapter receives the funds, as far as the IRS is concerned, they really cannot be restricted to scholarship use for scholarships benefiting a select group of members. This would violate the inurement provisions.

21.) Q: When you say that funds can be used to help division officers attend governance meetings, does that include the committee chairs?

A: If the entire membership benefits from the committee chairs participating in the event (by virtue of these members getting governance training), then it would be okay. If the membership is not benefiting, this may be seen as a way to circumvent the inurement provision.

22.) Q: Are gift cards considered monetary gifts?

A: Yes, they are the same in the eyes of the IRS.

23.) Q: Comment: Scholarships can be established at local community foundations which can allow more latitude as to which school the student attends. They can be established specifically for the administrative professional designation.

A: Yes, as long as members and nonmembers of your chapter in the area are eligible.

24.) Q: Expenses for officer/delegate to attend Division Annual Meetings or EFAM; does this include registration, travel, room and meals? Does it exclude any one of these?

A: Most expenses associated with attending a meeting where a chapter or division officer is serving in an official capacity can be reimbursed within reason. You should establish guidelines and polcies that prevent misuse of these funds.

25.) Q: Our chapter has a \$10.00 reduced fee; is that OK?

A: As long as it is offered to everyone. Yes.

26.) Q: Please clarify regarding scholarship process. Our chapter does not select a member for scholarship but we do ask local high schools for applications. Is that still OK?

A: If the high school students are not members, yes this is okay.

27.) Q: Some of our chapter members have helped organize the division's annual event. Can we help pay their way to attend the event.

A: Those members who have an official duty at the event may be assisted by the chapter and or division. This would include governance duties or coordination of the actual event.

28.) Q: We give away candy bars and other token gifts during our meetings to reward participation, etc. Is this okay?

A: Token gifts for recognition are not a problem.

Additional Questions and Answers Added on February 25th 2011

29.) Q: If a door prize/recognition gift is purchased by the chapter for all attendees of the event, I understand this does not violate member inurement as long as all members have the opportunity to participate in event if they so choose to attend.

A: If a door prize is purchased, it must be offered as a prize to both members and non-members. In terms of recognition gifts, we would need more information in terms of what the recognition is for. A plaque or certificate for members would be allowed. If you are talking about gifts for attendees to an event, as long as all attendees (both members and non-members) receive the gift, this would be allowed. .

30.) Q: If the chapter purchases a few door prizes (not gift cards) for the event and all attendees receive a ticket for random drawings, does this practice remain within the guidelines without violating member inurement?

A: As long as nonmembers in attendance are eligible for the drawings, this is also okay.

31.) Q: If the chapter receives gift donations (not gift cards) for the event and all attendees receive a ticket for random drawings, does this practice remain within the guidelines without violating member inurement?

A: Again, as long as nonmembers in attendance are eligible for the drawings.

32.) Q: Is paying for the educational program speaker's dinner as appreciation for their time not allowed in these circumstances if the speaker is a member?

A: Paying for the dinner of a speaker in return for their preparation and providing an educational session (of benefit to all members attending) should be okay as long as the presentation is at least 30 minutes in length

33.) Q: What if a member presents the educational program to another chapter?

A: Paying for the dinner of a speaker in return for their preparation and providing an educational session (of benefit to all members attending) should be okay as long as the presentation is at least 30 minutes in length

34.) Q: What if a division officer is presenting an educational program to a chapter as part of their official duty?

A: Paying for the dinner of a speaker in return for their preparation and providing an educational session (of benefit to all members attending) should be okay as long as the presentation is at least 30 minutes in length

35.) Q: Is it okay for a chapter to establish a separate sunshine fund to help pay for off budget items such as recognition gifts.

A: While a chapter may have internal controls on how specific funds may be used or restricted, all funds coming into the chapter are still subject to the restrictions of the IRS in terms of their use. So, while you may establish a sunshine fund, it would still be considered "chapter funds" by the IRS and are subject to the inurement provisions of the IRS tax code for nonprofit associations.

36.) Q: What about recognition gifts for members or sympathy gifts for members who have an immediate family member who passes away.

A: Recognition gifts such as a plaque are okay since these are personalized and would not be of value to others. Gift cards would not be okay as a recognition gift since they do have value. The best form of sympathy gift may be a donation to the deceased's favorite charity since donations to nonprofits are always allowed by IRS regulations. Reasonably priced flowers or plants are also okay. In all cases, a policy should be developed by the chapter to determine when such sympathy gifts may be provided.