



In 2007, the Internal Revenue Service (IRS) changed filing requirements for non-profit organizations. Following this change, KEHA consulted with principals from the firm Dulworth Breeding & Karns, an accounting firm in Lexington, to develop information for distribution statewide as to the steps necessary for clubs and counties to remain in compliance with IRS regulations. These materials provide details.

Since these initial steps were taken in 2009 and 2010, the UK Cooperative Extension Service has developed detailed financial guidelines for Extension volunteer groups. All CES volunteer groups have the option of obtaining exempt status through the IRS 501(c)(3) process or as an affiliated entity under the Extension District Board governmental exemption. The Financial Guidelines for CES Volunteer Groups are available online at <http://manual.ca.uky.edu/content/financial-guidelines-ces-county-volunteer-groups>. All KEHA groups should consult and follow these guidelines.

Once you have determined your 'path' for exemption, each group will need to submit annual reports and information as requested in the Financial Guidelines for CES Volunteer Groups. For those choosing the IRS 501(c)(3) process, please review the information below and the appropriate detail document. Annual IRS filing requirements must be followed to maintain 501(c)(3) status.

If you choose to follow IRS 501(c)(3) procedures, you will first need to determine your average annual gross receipts for the past three fiscal years. The IRS defines gross receipts as "the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses." (Further information about gross receipts and the "gross receipts test" is available in IRS Publication 557, *Tax-Exempt Status for Your Organization*, available at <https://www.irs.gov/forms-pubs/about-publication-557>.)

To calculate your three-year average, simply total all funds received during the most recent three fiscal years and divide by three.

- For clubs or county organizations with less than \$5,000 in average gross receipts for the past three fiscal years, please refer to attached "Document A."
- For clubs or county organizations with more than \$5,000 and less than \$25,000 in average gross receipts for the past three fiscal years, please refer to attached "Document B."
- For clubs or county organizations with more than \$25,000 in average gross receipts for the past three fiscal years, please refer to attached "Document C."

Completing these steps and taking action is very important! The final step regardless of your level of gross receipts instructs that you file the applicable IRS return (990-N or 990) for your most recently completed tax year and annually henceforth.

## **Document A**

### ***Average less than \$5,000 in annual gross receipts for the most recent three tax years:***

The following steps apply to clubs/counties/areas with a treasury and gross receipts averaging under \$5,000 annually. Gross receipts are “the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.” To calculate your three-year average, total your receipts for the most recent three tax years and divide by three.

#### ***Step 1:***

Do you have an organizing document (i.e. constitution, bylaws, etc.)?

If yes, please review the document to be sure it includes the language required by the Internal Revenue Service to be recognized as a non-profit. Refer to the “Bylaws Requirements for Non-Profit Organizations” included in this packet for guidance.

If no, you will need to draft bylaws. The “Bylaws Requirements for Non-Profit Organizations” prepared by Barb Brown, previous KEHA State Parliamentarian, and included in this packet is a good reference for those who do not have an organizing document. It includes sample bylaws specifically targeted to clubs.

#### ***Step 2:***

Do you have an employer identification number (EIN)? If yes, move on to step 3. If you do not, apply online at <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>. When completing this form, indicate you are requesting the number for banking purposes. *You must have an EIN to file required IRS returns as described in step 3 below.*

#### ***Step 3:***

Nonprofit organizations with less than \$5,000 in annual gross receipts who have completed the two steps listed above are recognized as ‘tax exempt’ under Internal Revenue Code and do not have to apply for exempt status from the Internal Revenue Service. Such organizations are required to file Form 990-N (e-postcard) with the Internal Revenue Service each year. The form is due the 15<sup>th</sup> day of the 5<sup>th</sup> month following the end of your fiscal year (i.e. if your fiscal year ends June 30<sup>th</sup>, your 990-N is due November 15<sup>th</sup> each year; if your fiscal year ends December 31<sup>st</sup>, your 990-N is due May 15<sup>th</sup> each year). For information about the e-postcard, go to [www.irs.gov](http://www.irs.gov) and enter “990n” in the search box.

#### ***TO BE SET-UP TO FILE THE 990-N:***

An officer of each club/county organization will need to call 1-877-829-5500 to be set-up to file the 990N/e-postcard. You will need the organization’s EIN number and fiscal year. Additional questions will ask the officer to verify the group operates as a non-profit and to indicate if your average gross receipts are more or less than \$5,000. Once this call is made to register the organization, it will be approximately 8 weeks before the 990-N can be filed.

## **Document B**

### ***Average more than \$5,000 and less than \$50,000 in annual gross receipts for the most recent three tax years:***

The following steps apply to clubs/counties/areas with a treasury and gross receipts averaging more than \$5,000 and less than \$50,000 annually. Gross receipts are “the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.” To calculate your three-year average, total your receipts for the most recent three tax years and divide by three.

#### ***Step 1:***

Do you have an organizing document (i.e. constitution, bylaws, etc.)?

If yes, please review the document to be sure it includes the language required by the Internal Revenue Service to be recognized as a non-profit. Refer to the “Bylaws Requirements for Non-Profit Organizations” included in this packet for guidance.

If no, you will need to draft bylaws. The “Bylaws Requirements for Non-Profit Organizations” prepared by Barb Brown, previous KEHA State Parliamentarian, and included in this packet is a good reference for those who do not have an organizing document. It includes sample bylaws specifically targeted to clubs.

#### ***Step 2:***

Do you have an employer identification number (EIN)? If yes, move on to step 2. If you do not, apply online at <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>. When completing this form, indicate you are requesting the number for banking purposes. *You must have an EIN to file required IRS returns as described in step 3 below.*

#### ***Step 3:***

Nonprofit organizations with more than \$5,000 in annual gross receipts must file for tax exempt status with the Internal Revenue Service by submitting Form 1023, *Application for Exemption*. You must have secured your EIN and have proper organizing documents/bylaws for the application process. The following links below provide information about the application process.

- Form 1023: <https://www.irs.gov/forms-pubs/about-form-1023>
- Form 1023 Instructions <https://www.irs.gov/forms-pubs/about-form-1023>
- Information about Tax Exempt Status: <https://www.irs.gov/forms-pubs/about-publication-557>

A sample Form 1023 drafted with assistance from Dulworth Breeding and Karns is available. Contact Kim Henken, KEHA State Advisor, if you would like a copy.

Filing for recognition as an exempt organization does require a filing fee. For organizations (areas, counties or clubs), the fee is currently \$400 if you average less than \$10,000 in gross receipts. If your annual gross receipts are greater than \$10,000, the filing fee is \$850. Learn more about the filing/user fee by reviewing IRS Form 8718 accessible at [www.irs.gov](http://www.irs.gov) (enter ‘Form 8718’ in the search box).

**Step 4:**

Nonprofit organizations with more than \$5,000 but less than \$50,000 in annual gross receipts are required to file Form 990-N (e-postcard) with the Internal Revenue Service each year.\* The form is due the 15<sup>th</sup> day of the 5<sup>th</sup> month following the end of your fiscal year (i.e. if your fiscal year ends June 30<sup>th</sup>, your 990-N is due November 15<sup>th</sup> each year; if your fiscal year ends December 31<sup>st</sup>, your 990-N is due May 15<sup>th</sup> each year). For information about the e-postcard, go to [www.irs.gov](http://www.irs.gov) and enter “990n” in the search box.

**TO BE SET-UP TO FILE THE 990-N:**

An officer of each club/county organization will need to call 1-877-829-5500 to be set-up to file the 990N/e-postcard. You will need the organization’s EIN number and fiscal year. Additional questions will ask the officer to verify the group operates as a non-profit and to indicate if your average gross receipts are more or less than \$5,000. Once this call is made to register the organization, it will be approximately 8 weeks before the 990-N can be filed.

## **Document C**

### ***Average more than \$50,000 in annual gross receipts for the most recent three tax years:***

The following steps apply to clubs/counties/areas with a treasury and gross receipts averaging more than \$50,000 annually. Gross receipts are “the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.” To calculate your three-year average, total your receipts for the most recent three tax years and divide by three.

#### ***Step 1:***

Do you have an organizing document (i.e. constitution, bylaws, etc.)?

If yes, please review the document to be sure it includes the language required by the Internal Revenue Service to be recognized as a non-profit. Refer to the “Bylaws Requirements for Non-Profit Organizations” included in this packet for guidance.

If no, you will need to draft bylaws. The “Bylaws Requirements for Non-Profit Organizations” prepared by Barb Brown, previous KEHA State Parliamentarian, and included in this packet is a good reference for those who do not have an organizing document. It includes sample bylaws specifically targeted to clubs.

#### ***Step 2:***

Do you have an employer identification number (EIN)? If yes, move on to step 2. If you do not, apply online at <http://manual.ca.uky.edu/content/financial-guidelines-ces-county-volunteer-groups>. When completing this form, indicate you are requesting the number for banking purposes. *You must have an EIN to file required IRS returns as described in step 3 below.*

#### ***Step 3:***

Nonprofit organizations with more than \$5,000 in annual gross receipts must file for tax exempt status with the Internal Revenue Service by submitting Form 1023, *Application for Exemption*. You must have secured your EIN and have proper organizing documents/bylaws for the application process. The following links below provide information about the application process.

- Form 1023: <https://www.irs.gov/forms-pubs/about-form-1023>
- Form 1023 Instructions: <https://www.irs.gov/forms-pubs/about-form-1023>
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Filing for recognition as an exempt organization does require a filing fee. For organizations (counties or clubs), the fee is currently \$400 if you average less than \$10,000 in gross receipts. If your annual gross receipts are greater than \$10,000, the filing fee is \$850. Learn more about the filing/user fee by reviewing IRS Form 8718 accessible at [www.irs.gov](http://www.irs.gov) (enter ‘Form 8718’ in the search box).

**Step 4:**

Nonprofit organizations with more than \$50,000 in annual gross receipts are required to file Form 990 or 990-EZ with the Internal Revenue Service each year through the 2009 tax year. The required 990 form is due the 15<sup>th</sup> day of the 5<sup>th</sup> month following the end of your fiscal year (i.e. if your fiscal year ends June 30th, your 990 is due November 15<sup>th</sup> each year; if your fiscal year ends December 31<sup>st</sup>, your 990 is due May 15<sup>th</sup> each year). Additional information about filing a 990 return is available at [www.irs.gov](http://www.irs.gov) (enter '990' in the search box).

## **BYLAW REQUIREMENTS FOR NON PROFIT ORGANIZATIONS**

Each separate group in an organization such as the Kentucky Extension Homemakers Association (KEHA) must have its own written rules and guidelines for directing it. If the group is not incorporated the document is most often called the “bylaws”. In the past, the term “Constitution” has been used, but Robert’s Rules of Order suggests “Bylaws” is the preferred term now. (Ref. *“Robert’s Rules of Order, Newly Revised, 10<sup>th</sup> Edition”*, pg. 12.)

A group may also have “Standing Rules”. These are rules which are related to the details of the administration of the group. These are placed at the back of the Bylaws.

The bylaws or other governing document of a nonprofit group *must* now include wording that covers the following four points:

1. In the Kentucky Extension Homemakers Association, the area, county and club bylaws must state that they are “organized exclusively for educational and charitable purposes.”
2. There should not be anything in the bylaws permitting any other purpose to be more than just an insignificant part of the group’s activities.
3. There should be an article or articles outlining limitations specified for nonprofits under Internal Revenue Code 501(c)3. (*See “Article IV – Limitations” in the sample club bylaws attached.*)
4. If there is dissolution of the group, the remainder of the assets must be given to another nonprofit group or a purpose such as a scholarship. (*See “Article XI – Dissolution” in the sample club bylaws attached.*)

### **BYLAWS FOR AREAS AND COUNTIES**

KEHA area and county organizations should have bylaws already established. As these groups check their bylaws to be sure the four points above are included, it would be a good time to review the whole document to see that it conforms to accepted standards and meets their needs.

### **BYLAWS FOR CLUBS**

In the past, some KEHA clubs have operated without a governing document. With the IRS now requiring all groups to report each year, every club *must* have an organizing document such as bylaws.

Club bylaws may be simple or more detailed if needed. If a group or club is “nonprofit”, the four items of information listed above must be included in the document.

Attached are some sample bylaws for clubs that will meet the minimum criteria. They are based on *Robert’s Rules of Order, Newly Revised, 10<sup>th</sup> edition*. Different wording may be used and there may be other ARTICLES, but the four required points must be included.

It is a good idea for groups to review their bylaws every few years to make sure they meet the needs of the organization.

The following document is a suggested format based on *Robert's Rules of Order*. In it, some information needed is shown as "fill in the blank" spaces for you to complete. Any words in parenthesis are for information or explanation. You may add more Articles as needed.

"Articles" are commonly designated with Roman numerals. "Sections" are designated with Arabic numerals.

Be sure your finished document is dated and signed when it is accepted.

References are from "*Robert's Rules of Order, Newly Revised, 10<sup>th</sup> Edition*".

Your state parliamentarian will be glad to answer any questions you may have.

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BYLAWS OF THE \_\_\_\_\_ CLUB  
KENTUCKY EXTENSION HOMEMAKERS ASSOCIATION  
\_\_\_\_\_ COUNTY, KENTUCKY

ARTICLE 1 - NAME

The name of the organization shall be \_\_\_\_\_.

ARTICLE II – OBJECT

The \_\_\_\_\_ Club is organized exclusively for educational and charitable purposes.

The objects shall be: (You may keep your purposes as is or refer to the state KEHA bylaws ARTICLE I for ideas.)

ARTICLE III –MEMBERS

Section 1. Membership is open to all adults without regard to gender, race, color, age, disability, religion or national origin.

Section 2. Club dues shall be set by mutual agreement of the club members.

Section 3. Members shall also pay dues annually to cover county, area and state dues. These dues are payable in September of each year.



#### ARTICLE IV – LIMITATIONS

No part of the net earnings of the club shall inure to the benefit of, or be distributable to, any of its members, trustees, officers or other private persons, except that the club shall be authorized to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the exempt purposes.

No substantial part of the activities of the club shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the club shall not participate in, or intervene in any political campaign on behalf of or in opposition to any candidate for public office.

Notwithstanding any other provision of these articles, the club shall not carry on any other activities not permitted to be carried on (a) by an organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by an organization, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

#### ARTICLE V – OFFICERS

Section 1. Officers and duties. Officers shall consist of a President, Vice President or President Elect, Secretary and Treasurer or Secretary/Treasurer. These officers will comprise the club's Executive Committee.

1. Officers and duties.

a. The duties of the President shall be;

- (1.) To preside over all meetings of the club, the executive committee and any special club meetings;
- (2.) To attend all the meetings of the \_\_\_\_\_ County Council;
- (3.) To appoint all club committees unless otherwise provided for; and
- (4.) To perform all duties normally applicable to the office as prescribed by the Parliamentary authority adopted by the club.

b. The duties of the Vice President or President Elect shall be;

- (1.) Attend all meetings of the club, the executive committee and any special club meetings;
- (2.) To attend the \_\_\_\_\_ County Council meetings,
- (3.) Perform president's duties during her absence or inability to serve;
- (4.) Assist the president in any way possible: and

(5.) To perform all duties normally applicable to the office as prescribed by the Parliamentary authority adopted by the club.

c. The duties of the Secretary shall be;

(1.) To attend all meetings of the club, the executive committee and any special club meetings. Record and preserve the minutes;

(2.) To handle all correspondence; and

(3.) To perform all other duties normally applicable to the office as prescribed by the Parliamentary authority adopted by the club.

d. The duties of the Treasurer shall be;

(1.) To attend all meetings of the club, the executive committee and any special meetings;

(2.) Receive dues from the members and forward dues to the county, area and state by the due date each year;

(3.) Pay monies as directed by the President;

(4.) Keep accurate record of funds and give reports as required; and

(5.) To perform all other duties normally applicable to the office as prescribed by the Parliamentary authority adopted by the club.

Section 2. Nomination and election of officers.

(Clubs often have their own procedures for nominating and electing officers. Therefore this section should reflect the individual group's practices. The term of office should also go in this section.)

## ARTICLE VI – MEETINGS

Section 1. The regular meetings of the club shall be held on \_\_\_\_\_ with the exception of the months of \_\_\_\_\_. One third of the members shall constitute a quorum. The President may change the meeting date or place with the concurrence of the club's executive committee or by the request of five (5) club members. Five days notice of a meeting change shall be given to members unless the change is due to weather or unforeseen circumstances. (The information here is just an example.)

Section 2. The place of the meeting shall be \_\_\_\_\_.

## ARTICLE VII – EXECUTIVE COMMITTEE

Section 1. The officers of the club shall constitute the Executive Committee.

Section 2. The Executive Committee shall meet as required and have general supervision of the affairs of the club between regular meetings.

#### ARTICLE VIII – COMMITTEES

Standing or Special Committees may be appointed by the President from time to time as deemed necessary to carry on the work of the club. The President shall be an ex officio member of all committees except the nominating committee. Duties, responsibilities and goal are assigned by the President.

#### ARTICLE IX – PARLIAMENTARY AUTHORITY

The rules contained in the current edition of *Robert's Rules of Order, Newly Revised*, shall govern in all cases to which they are applicable and in which they are not inconsistent with these bylaws and any special rules of order the club may adopt.

(Every organization should have a Parliamentary authority. *Robert's Rules* is the KEHA state level authority and is widely used by about 90% of all ordinary societies.)

#### ARTICLE X – AMENDMENT OF BYLAWS

The Bylaws may be amended at a regular meeting by a two thirds vote of the members present and voting, after the proposed amendment has been read at the previous meeting.

(If your club has different rules for amending the bylaws they don't have to be changed.)

#### ARTICLE XI – DISSOLUTION

In case of the dissolution of this club, after providing for the debts and obligations of the organization, the remaining assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Dated \_\_\_\_\_, 2010 (This is the date the bylaws are accepted.)

Signed \_\_\_\_\_  
Name Title

\_\_\_\_\_  
Name Title