



Your Chapter's Tax Responsibility*

What is form 990?

Form 990 (officially, the "Return of Organizations Exempt from Income Tax") is a United States Internal Revenue Service form that provides the public with financial information about a non-profit organization. Government agencies use it to prevent abuse of a tax-exempt status.

Does our chapter have to file a Form 990 variant with the IRS?

Generally, yes. Every chapter needs to file annually with the IRS, unless their financial affairs are run through the university. If the chapter runs money through the school and do not have a separate/independent bank account, the school is likely reporting it as their own revenue. Please confirm this with your university.

We don't have any net revenue for the year. Do we still have to file?

Yes. You are required to submit proof of your filing to the Headquarters.

Our officers last semester/year didn't do this. Should we file?

Yes. You are required to submit proof of your filing to the Headquarters.

What happens if our chapter doesn't file Form 990?

If a chapter fails to file a proper Form 990, 990-EZ or 990-N, they may be fined by the IRS. Failure to complete the Form 990 for three consecutive years will result in the removal of the tax-exempt status. This could result in the chapter being required to pay federal income taxes and, in some cases, state taxes. Additionally, if a chapter loses their tax-exempt status and fails to reinstate it, they run the risk of a tax audit.

What else should we consider when thinking about our financial responsibility?

When officer elections are held, it is important that the new and old treasurer meet to discuss the chapter's financial standing. All old records should be handed over and the information regarding Form 990 communicated. It is imperative that each chapter has a thorough officer transition meeting for all officers.



Tax Designation

What is our tax designation?

Chapters are considered 501(c)(7) organizations. This is an IRS designation stating that the Alumni Association is exempt from federal income tax under the Internal Revenue Code (IRC) 501(a) as organizations described in IRC 501 (c)(7) as being “organized for pleasure, recreation, and other non-profitable purposes.”

A common misconception is that a chapter is a 501(c)(3) organization as opposed to a 501(c)(7).

The difference is that a 501(c)(3) organization must spend their income on activities that further their exempt purpose, which is a charitable cause. 501(c)(7) social clubs’ exempt purpose does not have to be charitable, but it must be social or recreational and nonprofitable. Designation as a 501(c)(7) also allows the group to limit membership. Instead of operating like a business for the public, 501(c)(7) organizations only service its members.

Aren’t chapters exempt from all taxes?

Most of a chapter’s revenue is exempt from *federal taxation*. Federal income tax-exempt simply means that if the chapter fills out and files the proper 990 form every year, because the chapter is exempt under the IRC 501(c)(7), the chapter does not pay tax on the annual new income. This does not mean your chapter is exempt from paying sales tax, however, as states have their own requirements which vary from state to state. Also, chapter are liable for federal income tax on Unrelated Business Income (UBI). Interest or income from investments are examples of UBI as well as revenue from advertising in chapter newsletters or other publications.



Filing the Form 990

What form is our chapter responsible for filing?

The following table outlines what annual forms your chapter is responsible for filling out based upon the annual gross receipts in the given fiscal period.

Fiscal Year Totals	Form to File	Where to File
Gross receipts less than or equal to \$50,000	990-N (E-postcard)	IRS.gov; file990.org
Gross receipts less than \$200,000 and total assets less than \$500,000	990-EZ or 990	IRS.gov; file990.org
Gross receipts greater than or equal to \$200,000 or total assets less than or equal to \$500,000	990	Local accountant/CPA

**Gross Receipts: The total amount the organization received from all sources of income during its annual period, without subtracting any costs or expenses.*

When do we have to file?

The filing deadline is the 15th day of the 5th month after the chapter's fiscal year.

Will we owe anything?

All organizations recognized by the IRS must file a Form 990 even if they do not owe any taxes. Anything over \$1,000 in Unrelated Business Income (UBI) is taxable. If the chapter has gross income of \$1,000 or more in UBI then they must also file form 990T.

What is an EIN?

If your chapter has a valid Employee Identification number (EIN), the IRS knows of your existence, and you are recognized by the IRS. By default, the IRS assumes that you are operating a **for-profit** business. You must complete IRS Form 1024 and IRS Form 8718 to become exempt from federal taxes.

The chapter has no employees, so why would it have an EIN?

The IRS uses EINs to track organizations and businesses just as it uses social security numbers to track individuals. IRS requires all banks to relate either a personal social security number or EIN to any account opened – and it's a really bad idea to link a Fraternity account to a personal SSN.



How do we file a Form 990 with the IRS?

Form to File	Where to File
990-N (E-postcard)	IRS.gov; file990.org
990-EZ or 990	IRS.gov; file990.org
990	Local accountant/CPA

What do we put on Form 990-N?

The 990 asks...	You should put...
Organizations Legal Name?	Your Chapter Name
Other Names your organization uses?	N/A
Organization's Address?	The University mailing address of your advisor or the address of your alumni advisor.
Organization's Website?	Chapter Website, if applicable
Organization's EIN?	Chapter EIN
Name and address?	Name and Address of Chancellor
Organization's annual tax period	Fiscal Year
Verify that your organization's gross receipts are still \$50,000 or less	Yes
Indicate if your organization has terminated	N/A; unless the chapter is closing

Are there any state requirements?

Possibly. Be sure to check with your state government about filing requirements, too. The rules vary by state. Not all states have requirements, but most do.

***Disclaimer:** The information provided is for general informational purposes only and does not constitute legal, financial, or tax advice. We are not tax professionals. For advice specific to your situation, please consult with a licensed tax advisor or qualified financial professional.