

# Non-Profit and Tax Exempt Information for 4-H Clubs and Affiliated 4-H Organizations

## **4-H Club Exemption Status**

As determined by the Internal Revenue Service (IRS), 4-H Clubs and Affiliated 4-H Organizations are exempt from Federal income tax. Donors may also deduct contributions to 4-H Clubs and Affiliated 4-H Organizations. To provide for appropriate tax exemption and avoid leaders needing to provide personal information for 4-H Clubs to operate, 4-H Clubs should do the following.

1) They should obtain an EIN number. It is simple, can be done on the phone and there is no cost. Most banks require one to hold a bank account. The form for obtaining an EIN number is here: [https://sa.www4.irs.gov/sa\\_vign/newFormSS4.do](https://sa.www4.irs.gov/sa_vign/newFormSS4.do)

Instructions for obtaining and EIN are at this site, including the phone number to apply by phone: <http://www.irs.gov/businesses/small/article/0,,id=97860,00.html>

2) Submit a request in writing to the IRS for inclusion under the 4-H Group Exemption Number. Here is National 4-H's site on what clubs should do regarding their status.

[http://www.national4-hheadquarters.gov/library/fs\\_tax\\_4-05-06.pdf](http://www.national4-hheadquarters.gov/library/fs_tax_4-05-06.pdf)

## **Tax Exemption Clarification**

As a non-profit organization, 4-H Clubs and Affiliated 4-H Organizations are exempt from federal and state income taxes. Non-profits with at least \$25,000 in revenue are required to file an information tax return (form 990). There are certain types of income which may be taxable, such as advertising income in which case you would also be required to pay income taxes on that revenue (form 990T).

Generally we are subject to state of Iowa sales taxes. Iowa does not issue a sales tax exempt number. Items purchased that are not subject to sales tax are items for resale, auction, etc. for educational fundraising. If this is the case you can fill out an *Iowa Sales Tax Exemption Certificate* and provide it to the vendor.

<http://www.state.ia.us/tax/forms/31014.pdf>

## **Sales and Raffles**

### *Sales by the organization*

- This may include auctions and other general sales.
- Generally sales are subject to state of Iowa sales taxes, unless the proceeds of the sale are used for educational purposes then the proceeds are not subject to state of Iowa sales tax.
- The donor of an item to an auction/sale must be notified that "*no goods or services were provided in return for the donation*" (or similar wording).
- The purchaser of an auction item must be notified that "*You can deduct the price you paid over the fair market value of the item*" (or similar wording). However, as an organization, you are not required to determine the FMV of donated items. That is between the donor of the item and the purchaser. If you purchased the item for the auction/sale, you likely have a FMV in the price you paid.

### *Raffles (gambling)*

- You must have a gambling license to hold a raffle where a person pays a consideration for a chance to win a prize. There are different types of gambling permits. The Dept. of Inspections and Appeals can help with determining the license you need. Allow 30 days to process an application. You will need to provide proof your 4-H club is affiliated with the Iowa 4-H program (a letter from the extension office.)
- Proceeds from raffles are subject to state of Iowa sales tax, no exceptions. The tax is figured on the gross amount received.

- A quarterly report must be filed with the Dept. of Inspections and Appeals with all income and expense information and any taxes due are paid to the Dept. of Revenue and Finance.
- The purchase of raffle tickets is not tax deductible to the purchaser.
- Winnings are taxable to the individual. If the winner of a raffle or other award receives \$600 or more in winnings/awards, a 1099 must be provided to the individual by January 31<sup>st</sup> of the following year.
- There are record keeping requirements when holding a raffle.
- If you want to review more information on the raffle items listed above, you can go to the Dept. of Inspections and Appeals web site.  
<http://www.state.ia.us/government/dia/page10.html>
- Counties that have a county endowment with the Iowa 4-H Foundation and wish to hold a county-wide raffle for their 4-H program may use the Iowa 4-H Foundation raffle license. The county will need to provide the gross receipts, expenses, date, and raffle location if they qualify to use the Iowa 4-H Foundation's raffle license. This information is required for reporting to the state. Taxes paid will be deducted from your endowment. Please contact the Iowa 4-H Foundation for more information.

### **Gifts/Donations**

#### *Cash, securities, bequests, other*

Generally, donations made to 4-H Clubs and Affiliated 4-H Organizations are tax deductible. Contributions designated for a specific individual are not tax deductible. Donors should see their tax advisor regarding deductibility of their specific gifts. To be deductible, the gift must be unconditional and no goods or services can be provided in return for the gift (immaterial quid pro quo items may be acceptable.)

If a county extension office is forwarding gifts to be deposited with the Iowa 4-H Foundation, the checks should be sent to the Iowa 4-H Foundation with instructions as to where the funds should be designated. If the county extension office writes a check for multiple gifts, we need a list of the donors' name, address, check number (or mark as cash if cash was given), gift amount and gift date to give the donor credit for the gift. Otherwise, the gifts will be credited to the county.

#### *Matching Gifts*

Many companies match their employee's contributions. These companies may have restrictions on the type of organization that they will match. If a donor working for a matching gift company wishes to make a donation, the gift should be sent to the Iowa 4-H Foundation so we can properly receive the matching gift from the company. If the donor designates his/her gift to a specific county or club, we can deposit the funds in that county's endowment fund or send the proceeds of the gift and matching gift to the club or county.

#### *Year-end gifts*

IRS regulations require year-end gifts to be postmarked by 12/31 or delivered in person by closing on the non-profit's last day of business of the year to be deductible in that year.

### **Iowa 4-H Foundation**

The Iowa 4-H Foundation is a 501(c)(3) non-profit, tax exempt organization. We do have an EIN number. We also hold a type 7 raffle license. You need permission from the Iowa 4-H Foundation to use its EIN number. It cannot be used for establishing bank accounts and general business activity.

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