

4-H Tax Exemption Update – October 2008

In fall of 2007, in response to new filing procedures for small tax exempt organizations earning \$25,000 or less, National 4-H Headquarters sent instructions to the State 4-H Office to update eligible and qualified 4-H clubs and affiliated 4-H organizations listed under a group exemption for 4-H (GEN 2704).

The IRS is dealing with the volume of data as well as the frequency of error in the data – such as EINs that belonged to other organizations and EINs that did not match the IRS' records for organizations listed. As a result, the IRS put a hold on updating GEN 2704 records and began a series of discussions and negotiations with National 4-H Headquarters. National 4-H continues to work to identify more efficient and effective procedures for managing tax exemption for qualified 4-H entities that fit with current tax codes. **National 4-H Headquarters does not have plans to collect additional EIN records in December as originally planned.** The State 4-H Office will follow up when information about how 4-H clubs and duly authorized affiliated 4-H organizations can update existing IRS records, including tax years.

As indicated in the current (July 2008) [tax exemption update](#) posted on the National 4-H Headquarters website, the IRS encountered delays in processing the GEN 2704 list. Some highlights in review:

- * 4-H organizations that are eligible for federal income tax exemption under GEN 2704 are chartered 4-H clubs and duly authorized affiliated 4-H organizations - under the control of Cooperative Extension.
- * This does not include affiliated groups that function under the authority of their own board of directors or other authorities, nor families - as the IRS does not recognize a single family group as a qualified subsidiary of GEN 2704.
- * Affiliated groups not under the control of Cooperative Extension need their own 501(c)3 status.
- * State 4-H Program Leaders submitted EIN records for 4-H organizations deemed eligible for inclusion under GEN 2704, and Extension Directors signed letters certifying that all organizations listed were duly authorized and under the control of Cooperative Extension-unless marked for removal.
- * Following data cleaning efforts, such as removing records where multiple organizations were using the same EIN, we submitted a national data set to the IRS in March for them to update the GEN 2704 list. Entities being added to GEN 2704 will become tax exempt when the IRS updates each record.

TAX EXEMPTION LETTERS:

National 4-H Headquarters, USDA will generate "emergency letters" upon request to chartered 4-H clubs and duly authorized affiliated 4-H organizations under the control of Cooperative Extension up through June 1, 2009. "Emergency letters" are for clubs that cannot accept funds or grants without some evidence of tax exempt status to share with a funder. To request such a letter, contact Jim Adams at the State 4-H Youth Development Office (785) 532-5800. Please allow approximately two weeks for National 4-H Headquarters to respond to special requests. Letters are mailed to the 4-H organization contact and copied to State 4-H Program Leader and Extension Director.

Note: County Extension Councils are part of the land grant university, and usually operate under the tax status of the university and are not eligible for inclusion under the existing GEN 2704.

ADDITIONAL REMINDERS:

- * All 4-H tax exemption questions by county level colleagues and 4-H organization leaders must be routed through the State 4-H Program Office. Do not go directly to the IRS.
- * Remove from your files and websites outdated tax exemption information-such as the tax booklet from the early 1990s, and the Kirby letter-as these are no longer supported by the IRS or USDA.

HOW TO FILE A 990-N (E-POSTCARD)

If you are asked to file a 990-N (e-postcard) for one of your groups, follow these steps:

1. Go to www.irs.gov/charities/
2. Click on Form 990-N (e-postcard)
3. Click on the "Here" spot to file 990-N
4. Click to leave IRS site (Government contracted with a company to process forms)
5. Follow directions to Register as a New User
6. Request Login ID by inserting EIN for the group
7. Create a password
8. Receive e-mail
9. Follow directions

If you have any questions, contact Jim Adams (jadams@ksu.edu) or 785-532-5800.



TAX EXEMPT STATUS FOR 4-H CLUBS & AFFILIATED 4-H ORGANIZATIONS

As the parent organization for the National 4-H Group Exemption (GEN 2704), National 4-H Headquarters-USDA with the Internal Revenue Service (IRS) have determined that chartered 4-H Clubs and formally recognized Affiliated 4-H Organizations *under the control of* Cooperative Extension are eligible for inclusion as a subsidiary of National 4-H special exemption from federal income tax under the provisions which *correspond* to section 501(c)(3)* of the IRS Code. This means that:

- ✓ Formally authorized 4-H groups are exempt from paying federal income tax on funds raised on behalf of 4-H, or to support educational programs; and
- ✓ Donors may deduct contributions to 4-H clubs and affiliated 4-H organizations such as: bequests, legacies, devises, transfers, or gifts as applicable under the IRS Code.

The tax exempt status addresses only federal income tax and does not provide exemption from any state or local taxes, such as hotel tax, property tax, sales tax, or other taxes. While some states have granted certain tax exemptions for some youth organizations such as 4-H, the majority have not. Please check with your state or local taxing authority for information related to potential exemptions. There has also been some confusion since most Cooperative Extension and 4-H educators are public employees and are exempt from sales tax, it has sometimes created the impression that 4-H clubs or volunteers are automatically exempt from sales tax. The exemption for public employees does not automatically extend to clubs and volunteers.

DEFINITION OF A 4-H ORGANIZATION QUALIFIED TO BE A SUBSIDIARY

Any organization that functions for the purpose of furthering 4-H objectives and programs, and that has been formally authorized to use the 4-H Name & Emblem by the appropriate representative of the Cooperative Extension Service. This includes, but is not limited to, local 4-H Clubs; county, regional or State 4-H Councils; county, regional or State 4-H Committees; and 4-H leader associations. It may also include county, regional or State 4-H Foundations and authorized 4-H camps and training centers, when they operate under the guidance and control of Cooperative Extension; and funds authorized to use the 4-H name and which expend funds exclusively for 4-H purposes.

1. An important note is that for a 4-H group to be included as a subsidiary, according to the IRS, they must be under the guidance and control of Cooperative Extension. This means that affiliated groups that function under the authority of their own Board of Directors or other authorities would not qualify for inclusion and should establish their own tax exempt status.
2. Families – the IRS does not recognize a single family group as a qualified subsidiary for inclusion under the national 4-H GEN.

Inclusion of independent groups or families under our National 4-H GEN potentially jeopardizes the special tax exempt status continuing to be granted by the IRS to the 4-H program.

For a 4-H Club or Affiliated 4-H Organization to be eligible for inclusion under GEN 2704, the group must be officially recognized either through the official charter or other appropriate mechanism and under the control of Cooperative Extension. This means that affiliated groups with which a Land Grant University has a Memorandum of Understanding, and are under the control of an independent board or other entity, would not qualify for inclusion and should establish a separate 501(c)3 status.

See the [Request for Inclusion & Certification of 4-H Groups Under National 4-H Tax Exempt Status Fact Sheet](#) for steps 4-H Clubs & Affiliated 4-H Organizations, and their State 4-H Program Offices, take to request inclusion under GEN 2704 through National 4-H Headquarters. This and other fact sheets are at <http://www.national4-hheadquarters.gov>. **Questions?** Contact your State 4-H Program Office, or National 4-H Headquarters at USDA at (202) 720-2908 or 4-H_tax_info@csrees.usda.gov.

* As an entity of the Federal Government, National 4-H Headquarters, and consequently, National 4-H, has not been classified as a 501(c)3 entity but has been given a unique exemption that is similar in scope. As a result, not all policies or privileges of 501(c)3 entities apply to National 4-H.

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