

FEDERAL TAX ISSUES AND REGULATIONS AFFECTING LION CLUBS

- According to the IRS Lions Clubs are 501 (c)(4) Tax Exempt Civic Organizations and not Charitable organization. Since most Lion Clubs perform charity work the opportunity exists to form a charitable foundation and file under IRS Code 501(c)(3)
- Lions Clubs International (LCI) is exempt from Federal Income Taxes under 501(c)(4) of the Internal Revenue Code. When a new Lions Club receives its' charter from LCI it is granted the 501(c)(4) tax exemption under Group Exemption Number 0239 and must file Form 8976 "Notice of intent to Operate Under Section 501(c)(4)" electronically with a \$50 payment, also, on line. Note: A penalty of \$20 per day for each day after the due date, up to a maximum of \$5,000 applies for an organization that does not submit Form 8976 on time.
- All Lions Clubs must have an employer identification number (EIN). The EIN number identifies the organization to the Internal Revenue Service. To apply for an EIN, you should obtain a Form SS-4 and its instructions from the IRS. You may apply for an EIN online (www.irs.gov/charities), by telephone (1-800-829-4933), or by fax (804-322-1040). It is important that Clubs are using the correct EIN for their annual filing. Failure to use the correct EIN will result in revocation of the 501(c)4 exemption. Should your Club have the wrong EIN, you may correct the records with the IRS through their Exempt Organization (EO) customer service at 877-829-5500.
- Tax-exempt organizations with gross receipts under \$50,000 or less for a tax year must file a tax year Form 990-N, Electronic notice (e-Postcard). All clubs must file Form 990-N, 990-EZ or 990 annually. You must provide the following information on the 990-N. The club's legal name; The mailing address; the club's website address (if applicable); the club's EIN number; name and address of principal officer (President); the fiscal year for the club; (usually June and a statement that the club's annual gross receipts are \$50,000 or less. You must file the returns by the 15th day of the 5th month. If a club's tax year ends June 30th, the form is due November 15th. No extensions are allowed for Form 990-N.

- There are late filing penalties imposed on any tax exempt organization for failure to file a tax return on time. For organizations with gross receipts less than \$1 million the penalty is \$20 for each day during which the failure continues. Partial penalties are not allowed.
- Relief from penalties fall into four categories:
 1. Reasonable cause.
 2. Statutory exceptions.
 3. Administrative waivers.
 4. Correction of service errors.
- If a Lions Club fails to file a timely Form 990, 990 EZ or 990N for three (3) consecutive years the IRS will list the organization on the IRS Revocation List. If this is the club's first revocation and the elapsed time is still (within 15 months) of receiving the Revocation Letter or appearing on the IRS Revocation List (whichever is later) the club can complete and submit an exemption application for retroactive reinstatement.
 1. Complete Form 1024, Application for Exemption.
 2. Include the user fee.
 3. Write "Revenue Procedure 2014-11, Streamlined Retroactive Reinstatement," at the top of the Form 1024.

Make sure you have adequate time to complete within the 15 months grace period as these applications require significant information. To avoid late penalties, the club should file properly completed Forms 990-EZ for each missed year. Not necessary for Forms 990-N. Write "Retroactive Reinstatement" at the top of the Forms 990-EZ.

If the club applies for reinstatement (after 15 months) of receiving a Revocation Letter or appearing on the IRS Revocation List:

1. File Form 1024, Application for Exemption and include user fee.
2. File all annual returns for the three consecutive years that caused the revocation and any following years. Write "Retroactive Reinstatement." Include two statements with the application:
 1. Statement establishing a reasonable cause for failure to file for the three consecutive years.
 2. A statement confirming that returns for all three years have been filed.