

TAX COMPLIANCE REPORTING - GENERAL GUIDELINES

Form 1120 Reporting - Types C and B IOWA Clubs

An IOWA Club operating as either a **Type C** (unincorporated association) or a **Type B** (nonprofit corporation), neither of which are federally tax exempt, may have to annually file a Federal Form 1120 (and corresponding state form) to report its financial activities and to possibly pay taxes.

Merely being recognized under state law as a nonprofit unincorporated association (Type C) or nonprofit corporation (Type B) does not exempt an IOWA Club from income tax reporting. Only if an IOWA Club has no revenue at all, or is determined by the IRS to be a 501(c)(7) Social Club (or other federally recognized tax exempt organization) is it exempt from filing a Form 1120.

Any revenue received by an IOWA Club triggers a filing requirement, even if all revenue is offset by allowable deductions. Revenue in excess of deductions, exclusions and credits will result in an income tax liability. If revenue is offset by allowable expense or other deductions, exclusions and/or credits, then no income tax will be due, but a Form 1120 will still need to be filed.

As such, a **Type C** or **Type B** IOWA Club with any revenue (membership dues, contributions, charges, fees, raffle revenue, etc.) should annually file a Form 1120 with the IRS and any corresponding state form with the applicable state taxing authority. A Form 1120 is due by the 15th day of the third month after the end of the Club's tax year. There are potential penalties and/or interest for late filing and late payment of any taxes due.

A gift by a **Type C** or **Type B** IOWA Club of funds to the University of Iowa Alumni Association, the University of Iowa or the University of Iowa Foundation is not an operating expense available to offset income, but rather is treated as a charitable gift for which the Club is entitled to a charitable deduction of not more than 10% of its taxable income in any reporting year. As such, a gift of all of a Club's net income will not necessarily create a zero tax situation.

It is recommended that your IOWA Club seek the assistance of a tax professional (accountant or attorney) if it must file a Federal Form 1120 and/or analogous state form.

Form 990 Reporting - Type A IOWA Clubs

A Type A IOWA Club will have obtained a favorable determination letter from the IRS granting federally tax exempt status. However, a 501(c)(7) organization must annually file an appropriate version of a IRS Form 990 by the 15th day of the fifth month after the organization's accounting period ends. Most Type A IOWA Clubs will file either a Form 990EZ or, if the Club normally has gross receipts of \$25,000 or less, a Form 990-N Electronic Notice (e-Postcard).

If an IOWA Club has unrelated business income, it may need to file a Form 990T along with the applicable Form 990.

A 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax exempt.

It is recommended that you seek the assistance of a tax professional (accountant or lawyer) with regard to satisfying your Club's reporting and tax obligations.