

FINANCE & ADMINISTRATION GUIDE

Adopted from Big West Rotaract 2020 Virtual Institute Workbook

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Rotaract Club Incorporation & Tax Exemption Guide (California)

This information is not intended to give legal or tax advice. Please consult with a professional advisor to determine the specific rules applicable to you or contact the IRS directly.

Clubs which follow this guide are 501(c)(4) nonprofits. Donations to your club are not tax deductible (only contributions to 501(c)(3) charities may be tax deductible).

Date Club Chartered:	
Date Bank Account Started:	
Club Accounting Period:	___ July 1 - June 30 OR ___ January 1 - December 31
Club Mailing Address:	

Getting Started Checklists

FEDERAL	
Date Submitted	Task
	Applied for an Employer Identification Number (EIN) <ul style="list-style-type: none"> The IRS will only provide your EIN letter once. Save it as a PDF immediately once issued.
Employer Identification Number:	
	Submitted Form 8976 to notify the IRS that you intend to file as a 501(c)(4) Social Welfare Organization <ul style="list-style-type: none"> One-time fee of \$50. You have to create an account as an individual with your own email address The date of organization refers to the date that the constitution or articles of association were adopted (when was your club constitution signed). This form must be submitted within 60 days of that date.
	Submitted a copy of EIN to rotaract@rotary.org saying that your club would like to be included in Rotary's group ruling to be a 501(c)(4)
	Add your club's EIN to the e-Postcard account (e-Postcard User Guide)

STATE	
Date Submitted	Task
	<p>Submitted the Articles of Incorporation (Form ARTS-PB) form for the CA Secretary of State</p> <ul style="list-style-type: none"> ● You don't have to use the template - feel free to write your own articles! But you must include all 6 of the sections ● \$30 filing fee + optional \$6 for certified copy ● Section 2: Needs to be somewhere you can reliably receive mail. Sponsor clubs can often help, for example UC Berkeley Rotaract shares its sponsoring Rotary club's mailing address. ● Section 3: Can be your club treasurer and their address ● Section 4: Check both "public purposes" and "charitable purposes" <ul style="list-style-type: none"> ○ Specific purpose is to "perform community service"
State Organization Number:	
	<p>Submitted the FTB 3500A Application for the CA Franchise Tax Board</p> <ul style="list-style-type: none"> ● You won't be able to file this form until you receive confirmation of the Articles of Incorporation form with your California Corporation Number. ● CA has a minimum franchise tax of \$800 per year on all corporations, regardless of income. Nonprofits are exempt from this tax, but only if the corporation applies using this form. ● Your application must include: <ul style="list-style-type: none"> ○ Rotary International's Group Exemption Determination Letter ○ Letter from Rotary International confirming your club is part of the group exemption
	<p>Submitted Form CT-1 for the CA Attorney General (instructions)</p> <ul style="list-style-type: none"> ● Your application must include: <ul style="list-style-type: none"> ○ Articles of Incorporation (first form from state section) ○ Your club's bylaws ○ Rotary International's Group Exemption Determination Letter ○ Letter from Rotary International confirming your club is part of the group exemption ○ \$25 registration fee
State Charity Registration Number:	

Documents Needed to Set Up a Club Bank Account

Check with your bank to confirm if they have any additional requirements.

- EIN (Tax ID) Confirmation Letter from IRS
- [Rotary International Group Exemption Determination Letter](#)
- Letter from Rotary International confirming you were added to the group exemption list
- Signed Meeting Minutes authorizing your Treasurer to open the bank account
- Articles of Incorporation

Annual Checklist

Accounting Period:		
Federal/State	Date Submitted	Task
Federal		990-N Form using the e-Postcard , due the 15th day of the 5th month after your accounting period ends
State		<p>Statement of Information for the CA Secretary of State</p> <ul style="list-style-type: none"> ● Make sure to update your CEO (Pres), CFO (Treasurer), and Secretary every year with your board transition ● \$20 filing fee + optional \$6 for certified copy ● Must be filed within 90 days after filing the Articles of Incorporation and every two years thereafter. <p><i>Recommended to file annually</i></p> <p><i>Note: you can file online at this link.</i></p>
State		<p>199N California e-Postcard for the CA Franchise Tax Board</p> <ul style="list-style-type: none"> ● State tax return. All you need to list is gross receipts (aka annual revenue) ● If gross receipts exceed \$50k, must file a full state tax return (Form 199)
State		<p>RRE-1 Forms for the CA Attorney General</p> <ul style="list-style-type: none"> ● Need to attach a copy of your federal 990 form (if applicable) or fill out CT-TR-1 Form ● No filing fee unless gross receipts exceed \$25k, then there is a \$25 filing fee.

Club Records Checklist

Federal

- EIN (Tax ID) Confirmation Letter from IRS
- [Rotary International Group Exemption Determination Letter](#)
- Letter from RI confirming that they added you to the group exemption list

State

- Approved [Articles of Incorporation \(Form ARTS-PB\)](#)
- Most recent [Statement of Information \(Form SI-100\)](#)
- State Tax Exemption Letter from the Franchise Tax Board

Check Status

Federal

- Tax Exempt Organizations Database: apps.irs.gov/app/eos
 - The IRS maintains a database of tax-exempt clubs. You can search for your club, verify its tax exemption, and view prior year Form 990's
 - Hint: sometimes clubs show up in the database as "Rotary International (dba: Rotaract Club Name)". If you can't find your club, try searching for "Rotary International" + your city + your state

State

- Secretary of State
 - businesssearch.sos.ca.gov
 - Free PDF copies of your club's past submissions (articles and statements of information) are available for download.
- Franchise Tax Board
 - webapp.ftb.ca.gov/eletter
 - Generates a letter which verifies and validates your state tax exemption
- Attorney General
 - rct.doj.ca.gov/Verification/Web/Search.aspx?facility=Y

Other Considerations

Insurance

- The *U.S. Rotary Club and Liability Insurance Program* provides general liability insurance coverage to all chartered Rotaract Clubs in the United States for their liability arising out of bodily injury or property damage to a third party (subject to policy terms and conditions).
- Rotaract Clubs may obtain a certificate of insurance through the Gallagher Insight Portal.
- Contact finance@bigwestrotaract.org for general information about the program, such as a copy of the policy, certificate of insurance, or login details for Gallagher Insight Portal.
- Contact insurance@rotary.org for specific questions regarding the policy, to request an additional insured endorsement, or to report incidents and claims.

Sales Tax

- Required whenever your club is a *retailer of tangible goods*, such as:
 - Meals prepared and served by your club
 - Silent auctions
 - Merchandise sales (club t-shirts)
- Register for a [Seller's Permit](#)
 - You'll need your club's EIN number and Articles of Incorporation.
 - [Registration](#) > Register a New Business Activity or Location
 - Check "Selling items or goods in California"
 - Answer the questions (most likely all no)
 - For business type, select "Organization/Association"
- Know your [sales tax rate](#) and add it to any merchandise sales
- The CDTFA assigns a filing frequency (quarterly prepay, quarterly, monthly, fiscal yearly, yearly) based on your reported sales tax or your anticipated taxable sales at the time of registration.

Raffles

- All raffles must be registered with the California Attorney General's office. This registration is separate from the Charity Registration described above. Note that an "opportunity drawing" does not make a raffle legal. There is a \$20 fee. More info [here](#).
- Registration applications must be submitted at least 60 days before the scheduled date for the raffle.

Information from Rotary International

Rotary, Rotaract, and Interact clubs are entitled to 501(c)(4) tax-exempt status under RI's group exemption ruling. Under this ruling, a Rotary club does not have to apply to the IRS to become tax-exempt. Upon being admitted to membership in Rotary, the club simply needs to send a copy of the IRS' notice indicating their EIN and also confirm that they want to be included in the group ruling. The club is then automatically granted 501(c)(4) tax-exempt status.

Note: Rotaract/Interact clubs usually work closely with their sponsor Rotary club(s) or their school/partner organization. For instance, a Rotaract club based in a university may use that school's 501(c)3 status. More often, Rotaract/Interact clubs will work under the umbrella of their sponsor Rotary club's 501(c)4 status/EIN/checking account. The Rotary club or the school keeps track of these funds for their sponsored Rotaract/Interact club—facilitating donations to The Rotary Foundation or using the funds to support the club's activities. If neither of these organizations serves as the Rotaract/Interact club's fiscal agent, if the Rotaract/Interact club wishes to open their own bank account and is required to have an EIN in order to do so, or simply out of preference, please use the information below to secure a separate EIN for the Rotaract/Interact club.

The advantage of being tax-exempt under section 501(c)(4) of the Internal Revenue Code is that an entity is recognized by the IRS as a nonprofit or "social welfare" organization and is therefore exempt from *federal* income taxes.

The majority of clubs in the U.S. and its territories are under RI's 501(c)(4) group exemption ruling. Nevertheless, the decision regarding which tax-exempt status to obtain is a matter between an individual club and the IRS. Rotary cannot advise on the advantages or disadvantages of one tax-exempt status or another.

For general information about tax classifications, please see this [Frequently Asked Questions document](#). Included is information on how to apply for an Employer Identification Number (EIN), steps to becoming exempt from federal taxes under RI's 501(c)(4) group exemption ruling, and requirements for maintaining your club's tax-exempt status.