

# Frequently Asked Questions

## US Rotary Clubs and the IRS



This information is not intended to give legal or tax advice. Please consult your professional advisors to determine the specific rules applicable to you or contact the IRS directly: [www.irs.gov](http://www.irs.gov) or 1-877-829-5500.

### **What is an Employer Identification Number (EIN) and does my club need to apply for one?**

An EIN is a nine-digit number used by the IRS to identify an entity. All Rotary clubs in the US and US territories (American Samoa, Guam, Northern Marianas, Puerto Rico, US Virgin Islands) need to apply for an EIN when they charter. To find out more, visit [www.irs.gov](http://www.irs.gov). Please note that RI's Group Exemption Number (GEN) 0573 must be included on the form in order for your club to be tax exempt under RI's 501(c)(4) group exemption ruling.

### **My club has a satellite club. Do they need their own EIN?**

Since satellite club members are members of their sponsor club, it is recommended that the satellite club operate under the tax exempt status of the sponsor club. A club can only be included under RI's group exemption ruling once chartered as an independent Rotary club.

### **What do the terms 501(c)(3) and 501(c)(4) mean?**

These are federal tax classifications for organizations that meet the requirements of Internal Revenue Code section 501(a). Charitable organizations are exempt under section 501(c)(3) and social welfare organizations under 501(c)(4) of the Internal Revenue Code. Under RI's group exemption ruling, Rotary and Rotaract clubs are entitled to 501(c)(4) tax exempt status. For more information about these tax classifications, please visit [www.irs.gov](http://www.irs.gov).

### **My club intends to operate as a 501(c)(4) organization. What do we do next?**

The IRS requires clubs to notify them of this intent by submitting [Form 8976](#) within 60 days of the date your club becomes a legal entity (i.e. date your articles of incorporation were approved or date your constitution or bylaws were adopted). Failure to complete the form may result in penalties. Visit [Electronically Submit Your Form 8976](#) at [www.irs.gov](http://www.irs.gov) for more details. Note: Submitting this form is not a determination of tax exempt status. See the next question for more information on becoming tax exempt under RI's group exemption ruling.

**What must my club do to be included under RI's 501(c)(4) group exemption ruling?**

Send a copy of the notice from the IRS confirming your EIN to your Club and District Support Representative (CDS). It is also necessary to include a positive confirmation that your club wishes to be included in RI's 501(c)(4) group exemption ruling. RI will enter your club's EIN into its database and annually confirms with the IRS all clubs included under RI's 501(c)(4) group exemption ruling.

**Can my club use RI's EIN when applying for a bank account or filing?**

No. Each EIN is specifically assigned to a single entity or club. Your club must use its own EIN when applying for a bank account or filing its annual information form.

**Are contributions to my club considered charitable contributions?**

Contributions to clubs that are 501(c)(4) organizations are generally not tax deductible as charitable contributions. Contributions to any club or club charitable fund that is tax exempt under Section 501(c)(3) may be tax-deductible as charitable contributions. Membership dues may be deductible as business expenses for some Rotarians.

**Can my club or club foundation use The Rotary Foundation's EIN to receive charitable contributions?**

No. Each EIN is assigned to a specific entity. The club or club foundation itself must meet the IRS requirements in order to receive charitable contributions.

**Can my club or club foundation obtain 501(c)(3) tax exempt status under The Rotary Foundation?**

No. The Rotary Foundation (TRF) does not currently have a group exemption under which clubs or club foundations can obtain 501(c)(3) tax exempt status. Clubs must work directly with the IRS to apply for this exemption on their own.

TRF operates a Donor Advised Fund (DAF) that provides similar benefits to a club foundation. Any club interested in forming a foundation or having trouble managing an existing foundation should review the opportunities available through TRF DAF at [www.rotary.org/plannedgiving](http://www.rotary.org/plannedgiving).

**My club obtained 501(c)(3) tax exempt status. Do we need to notify RI?**

Yes. Your club should submit to your CDS representative a copy of the IRS notice confirming its tax exempt status. RI will then exclude your club and EIN from our 501(c)(4) group exemption ruling.

**Does my club need to file an annual return with the IRS?**

Yes. RI's group exemption ruling does not include group filing. Therefore, each club is responsible for filing their own annual return (Form 990, 990-EZ) or annual electronic

notice (990-N) in order to remain tax exempt. The version a club files depends on its gross receipts for the year. For more information about this requirement and to find out which form to file, see [Which Forms Do Exempt Organizations File?](#) at [www.irs.gov](http://www.irs.gov).

**What is the deadline to file an annual return?**

The deadline is the 15<sup>th</sup> day of the 5<sup>th</sup> month after the close of your tax year. For clubs following RI's tax year ending on 30 June, the deadline to file is 15 November.

**Should my club include the receipt of Global or District Grants on our form with the IRS?**

If you are required to file an annual information return (Form 990, 990-EZ), generally you should report all receipts and disbursements on the form regardless of where those receipts originated.

**My club received notice from the IRS that our tax exempt status was automatically revoked for failure to file for three consecutive years. What does this mean and what do we do?**

According to IRS regulations, an organization whose tax exempt status has been automatically revoked must apply to have its tax exempt status reinstated, even if it was not originally required to file an application for exemption. To check your club's tax exempt status, visit [Tax Exempt Organization Search](#) at [www.irs.gov](http://www.irs.gov). For more information about the consequences of revocation and how to apply for reinstatement, please see [Revoked? Reinstated? Learn More](#) at [www.irs.gov](http://www.irs.gov). For any further questions, please contact the IRS directly at 877-829-5500.