



*Automotive Service Councils of California*  
Professionals in Automotive Service ~ Since 1940

## **Chapter Tax Manual**

# **ASCCA Financial Reporting Forms**

**Fiscal Year-End  
December 31, 2016**

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## 2016 Chapter Tax Returns

One of the chapter core requirements is to file all appropriate IRS tax returns and the ASCCA Financial Reporting Forms in a timely manner. This manual will provide guidelines for both.

It is assumed that your chapter's treasurer is responsible for maintaining chapter financial records and for completing and filing all financial reports and tax returns – as such, all information related to tax filing is being sent to your treasurer. However, it is also the final responsibility of the chapter president to ensure these obligations are met.

Although this tax manual is intended as a guide for chapters to complete and file the required IRS forms, it is not a substitute for professional advice. If a Chapter does not have a clear understanding of what reporting should be done, please call the main office. If further clarification is necessary you may wish to seek the advice of a qualified professional with experience in non-profit association finances.

### Timeline

File Form 990 by the 15th day of the 5th month after the organization's accounting period ends (May 15th for a calendar-year filer). If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after liquidation, dissolution, or termination.

If the return is not filed by the due date (including any extension granted), explain in a separate attachment, giving the reasons for not filing on time.

### May 15, 2016:

1. File completed taxes returns directly with the IRS. (Visit [www.irs.gov](http://www.irs.gov) to download all forms and instructions.) A fillable PDF of the 990 form is available at <https://www.irs.gov/pub/irs-pdf/f990.pdf>.  
Mail to: Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0027
2. Submit all ASCCA Financial Reporting Forms to ASCCA Headquarters.
3. Send a copy of the completed tax returns to ASCCA Headquarters with the chapter sign-off form to confirm your chapter filed. Be sure to save a copy for the chapter's records as well.

### Quick Tips

- All chapters have an individual tax exemption.
- On the line for the “name of the organization”, you must list: The legal name as provided on your tax exemption notice.
- On the “address” line, use the chapter's administrative office address. If there is not an administrative office, use the chapter treasurer's address.
- If not typed, use blue or black pen – do not use pencil or marker.

- Use thorough and complete statements in the appropriate narrative sections.
- Sign and date all tax returns. The forms must be signed by a chapter officer.
- Keep a copy of all tax returns and all other tax-related correspondence for the chapter's files.
- Follow the tax form instructions carefully.
- Use your Employer Identificaiton Number (EIN). If you are unsure of your EIN, please contact Nito Goolan at 800-810-4272, extension 103.

## State Tax California Franchise Tax Board

For a general discussion of the California Franchise Tax Board's requirements for exempt organizations, please refer to their Exempt Organizations publication available at <http://www.ftb.ca.gov/forms/misc/927.pdf>.

### 1. Form 199

**Due Date: 5 ½ months after end of fiscal year**

*Online filing only:*

[https://www.ftb.ca.gov/businesses/Exempt\\_organizations/Filing\\_Requirements\\_Form\\_199.shtml](https://www.ftb.ca.gov/businesses/Exempt_organizations/Filing_Requirements_Form_199.shtml)

*Filing Fee: \$10\**

*Note: If gross receipts and pledges are normally: Less than or equal to \$25,000, you are not required to file Form 199. Greater than \$25,000, you are required to file Form 199.*

### 2. Form 109 (Exempt Organization Business Income Tax Return)

**Due Date: 5 ½ months after end of fiscal year**

*Franchise Tax Board*

*PO Box 942857*

*Sacramento, CA 94257-0701*

*Phone: (916) 845-4171*

*Web Site: [www.ftb.ca.gov](http://www.ftb.ca.gov)*

*Filing Fee: \$0*

*Note: This filing is required **only** if the organization derived more than \$1,000 in gross unrelated business income. A fillable form is available in the FTB website at [https://www.ftb.ca.gov/forms/2016/16\\_109.pdf](https://www.ftb.ca.gov/forms/2016/16_109.pdf)*

## Forms

### ASCCA Financial Reporting Forms

ASCCA Financial Report Forms:

1. Income Funds and Expenses Statement (page 10-14)
2. Audit of Chapter Finances (page 15)
3. Chapter Balance Sheet (page 16)

These forms are designed to make chapter tax filing easier and provide information to ASCCA for historical purposes and chapter profile data. Much of the information requested on these forms can be transcribed onto your IRS tax forms.

If your chapter generates an Income Funds and Expense Statement and/or a Chapter Balance Sheet from an accounting software package or through an accounting firm, you may submit those forms for the ASCCA forms. However, all chapters must submit the Audit Form included in this manual.

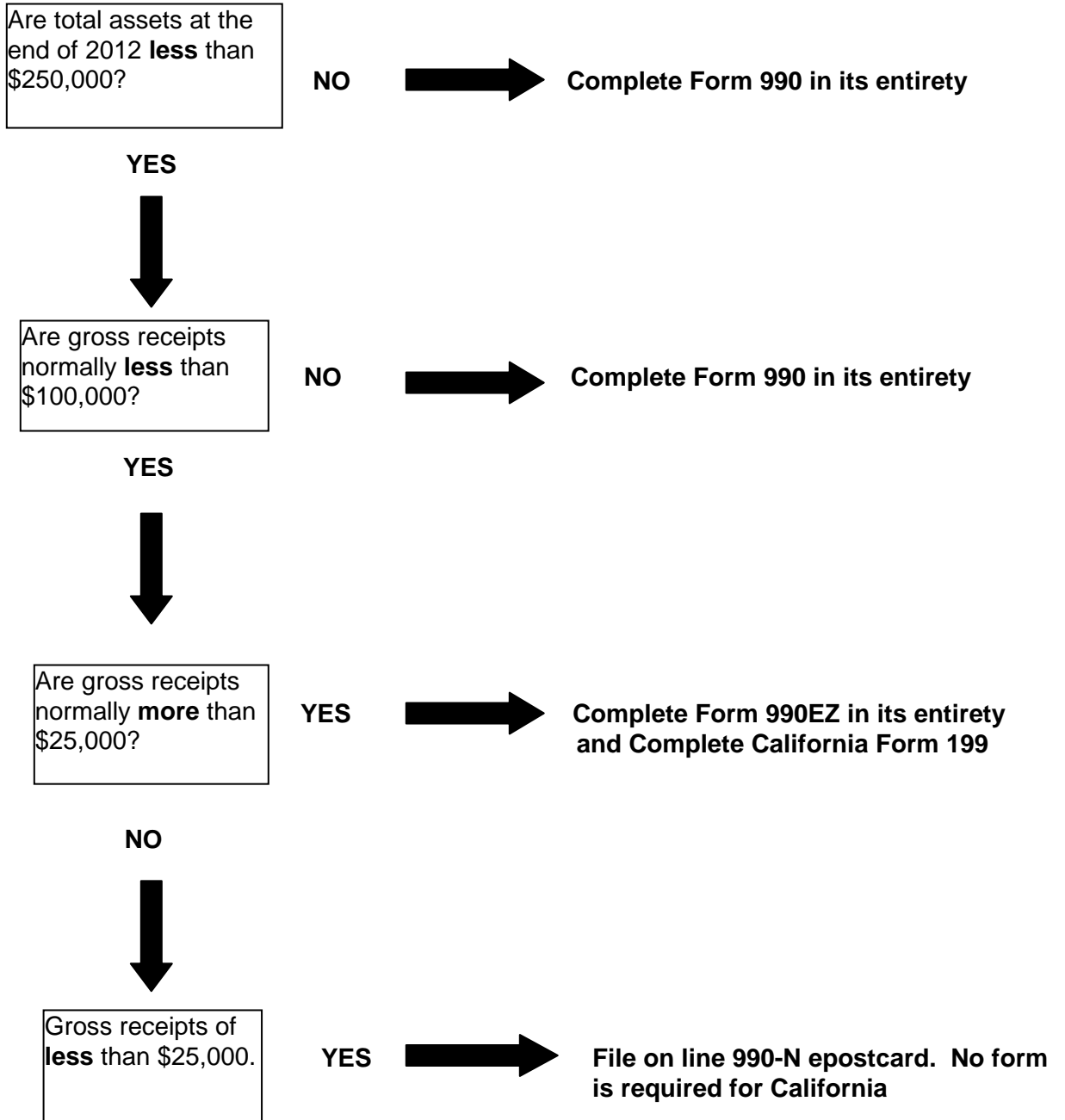
Once complete, the audit statement should be presented to the chapter's executive officers.

## IRS Forms

**Every chapter** is required to **complete IRS Form 990**, *Return of Organization Exempt from Income Tax* or **IRS Form 990EZ** (<https://www.irs.gov/pub/irs-pdf/f990ez.pdf>), *Short Form Return of Organization Exempt From Income Tax*. Your chapter may or may not have to complete IRS Form 990-T and Schedule B depending upon the criteria outlined in the descriptions below. All forms and instructions can be downloaded from the IRS Web site, [www.irs.gov](http://www.irs.gov). (See chart on the next page.)

Failure to file appropriate returns in a timely manner, absent reasonable cause, can give rise to a \$20 daily penalty, payable by the organization, for each day the failure continues with a maximum of the lesser of \$10,000 or 5% of the gross receipts for the year. An additional penalty is imposed at the same rate and maximum on individual(s) responsible for the failure to file, absent reasonable cause, where the return remains unfiled following demand for the return by the IRS.

# Which IRS Forms Should Your Chapter Complete?



## IRS Tax Form 990

Form 990 must be completed by chapters with total assets at year-end of more than \$250,000 **OR** gross receipts of more than \$100,000, regardless of asset size.

## IRS Tax Form 990EZ

To decrease the burden for small organizations, the IRS introduced Form 990EZ, "Short Form Return of Organization Exempt from Income Tax." This form may be used by chapters that have total assets at year-end of less than \$250,000 **AND** less than \$100,000 in gross receipts. Form 990EZ is shorter and simpler than Form 990.

### **Form 990EZ (Entire Form)** <https://www.irs.gov/pub/irs-pdf/f990ez.pdf>

*For chapters with total assets of less than \$250,000 and gross receipts of **more than** \$25,000 but less than \$100,000 or a requirement by the state to attach a federal form.*

- Complete sections A-L on the form as listed in Section A above. Do not check box K.
- Complete Part I in full
- Complete Part II in full
- Upon completing Parts I and II of Form 990EZ, be sure that Line 27 (column B) is the same as Line 21.
- Complete Part III in full ("Statement of Program Service Accomplishments"). The expenses column is optional. The organization's primary exempt purpose is: "To elevate and unit automotive service professionals, and give them voice."
- Complete Part IV. List previous years officers, not the year in which you are preparing the filing. Include the chapter's president, president-elect, and secretary/treasurer.
- Complete Part V. Although most of the questions will be answered "No," be sure to carefully complete Line 35 (Form 990-T), Line 37 (political activity), and Line 42 (books in care of).
- Sign and date the form. Keep a copy for the chapter's files.

## **FORM 199 – California Exempt Organization Annual Information Return**

- Form is self explanatory after completing the 990 EZ form.



## Form 990-N epostcard

*The E-Postcard is filed every year by organizations with gross receipts that are normally \$50,000 or less. The IRS link to information on who, when and how to file is:*

<https://www.irs.gov/Charities-&-Non-Profits/Annual-Electronic-Filing-Requirement-for-Small-Exempt-Organizations-Form-990-N-e-Postcard>

## Additional Tax Filing Information

### Record-Keeping for Tax Purposes

Each chapter must retain certain documents representing chapter finances and program activities. The IRS will ask for these documents in an audit. A list of these documents and the length of retention time follows:

<b>Record</b>	<b>Retention</b>
Bank statements	7 years
Book of minutes	forever
Canceled checks	7 years
IRS exemption letter	forever
Supporting data for income and expenses	7 years
Contracts, leases, etc.	10 years
All tax returns (Forms 990, 990EZ and 990-T)	at least 10 years

Regarding Form 990-T: If there is a net operating loss that is available to carryover, the records should be retained until three years after the loss is used.

### Retaining Copies of Tax Returns

Chapters must retain copies of all tax returns and send copies to Headquarters. Legislation enacted in 1987 requires tax exempt organizations to make available for public inspection exact copies of their exemption applications (Form 1024), all supporting documents, and 990 returns (but not 990-T forms) for the past three years. This means that an exempt organization, such as an ASCCA chapter, must make a copy of its last three returns available for inspection during regular business hours at its principal office. There is a penalty for failure to make available the copies of the chapter's annual returns.

### ASCCA Chapter Exemption and Employer Identification Number (EIN)

All ASCCA chapters must have their exemption recognized by the IRS pursuant to Section 501 (c) (6) of the Internal Revenue Code of 1954, as amended, in order to be exempt from federal income tax. No chapter is recognized as tax-exempt until its exempt status has been officially recognized by the IRS following application by or on behalf of the chapter.

Each chapter is required to have an Employer Identification Number (EIN), which identifies any employer or organization with incoming funds and verifies its exemption from federal income taxes. If you need your EIN, please contact Nito Goolan at 800-810-4272, extension 103.

## **IRS Audits**

Any chapter that is audited by the IRS for any given year will be responsible on a local basis to comply with the IRS auditor. ASCCA Headquarters will offer assistance only if requested by the chapter.

## **Unrelated Business Income Tax (UBIT)**

The IRS imposes a tax, normally at corporate rates, on the net “unrelated business income” (UBI) of exempt organizations. Income from activities that are “substantially related to” and “an integral part of” exempt functions of the chapter are not taxable. Unrelated business income is gross income from any trade or business activity that is regularly carried out and not related to the chapter's exempt purpose. Unrelated business income of \$1,000 or more in any fiscal year is reported on IRS Form 990-T. Follow the *IRS Instructions for Form 990-T* very carefully. Special instructions for revenues less than \$10,000.

As a reminder, quarterly tax payments are required during any year in which your chapter anticipates having a tax liability. A coupon book (Form 8109) must be obtained from your local IRS office. Your chapter must have paid in 90 percent of its tax liability by the end of the tax year to avoid penalties.

## **Proxy Tax**

Organizations exempt under Section 501(c)(6)—such as ASCCA and its chapters—are required to tell their members what portion of their membership dues were allocable to the political or lobbying activities of the organization. If an organization does not give its members this information, the organization is subject to a proxy tax. The tax is reported on Form 990-T. Exclusions do apply; please check the *IRS Instructions for Form 990 or Form 990-EZ* for more detailed information. Information on filing for the proxy tax on Form 990-T is included in the *IRS Instructions for Form 990-T*.

## REPORTING TO CHAPTER MEMBERS AND THE ASSOCIATION

Chapters that do not have a formal accounting software to track revenue and expenses can provide simple reporting to the chapters and association by using a excel spreadsheet. ASCCA has developed a template worksheet that may be used by all chapters. A copy of the spreadsheet will be sent annually with the tax reporting manual.

Instructions for the worksheet are a follows:

The attached excel spreadsheet allows chapters to use the worksheet monthly to keep track of income and expenses. The spreadsheet has been formulated and samples have been typed in to show how to use the spreadsheet. Please follow the simple instructions below:

1. Save the spreadsheet as:Checking Master
2. Save it again as: Current month and year (e.g, July 2016) -Use this worksheet to enter your information.
3. **DO NOT TYPE IN THE GREY AREAS** – they contain formulas that will automatically update all balances.
4. Type in beginning balance of checking (see tan area)
5. Type in any revenue you receive in the appropriate area (typing over the samples or entering a zero where samples have been typed)
6. Expenses - type over sample check number and vendor name and descriptions and type in your own information.
7. At end of the month save the spreadsheet as: July (current month) 2016 Checking
8. **Year-end:**
  - a. Save a master spreadsheet as YEAR END 2016
  - b. Put in the ending balance of the check book for the prior year
  - c. Add up all the revenue categories from the 12 months of worksheets and enter totals in the balance of each category. Sample; add up all dues and enter in dues line etc.
  - d. Add up all the expenses and enter as one category per line: example – \$250.00 Office Supplies, it doesn't matter if it was for 8 vendors. Just show total type of expense.

When you are done with adding up and entering all of the categories of income and expenses the **year-end balance of the checking should be the same number as the balance at the end of the December worksheet.** If it does not balance then re-add all of your income and expenses to make sure you haven't missed something. Save and use this worksheet as your reporting to your chapter members and state treasurer.