

Kirkland Alliance of Neighborhoods

Nonprofit compliance discussion

March 13, 2024



Overview of agenda

- Statutory status of your Neighborhood Association with the IRS
- Tax exempt status differences and what does it really mean?
- Annual filing requirements – Federal, State and Local
- A new Federal requirement that you are exempt from (hooray!)
- A recent State requirement that will likely need attention for all of us



Pop Quiz!

How many of the 14 Kirkland Neighborhood Associations are “501(c)(3)” organizations in IRS-world, so you can claim a tax deduction if you make a donation to it or spend \$ as a volunteer?

- A. All 14 of them
- B. About half
- C. Just one
- D. None of them

And the answer is – ta da!

How many of the 14 Kirkland Neighborhood Associations are “501(c)(3)” organizations in IRS-world, so you can claim a tax deduction if you make a donation to it or spend \$ as a volunteer?

- A. All 14 of them
- B. About half
- C. **Just one – Finn Hill Neighborhood Alliance**
- D. None of them

Just one is 501(c)(3), the others are 501(c)(4). No, not 528!

What does it mean:

	<u>501(c)(3) – Finn Hill</u>	<u>501(c)(4) – all others</u>
What does it mean?	Charitable organizations – various criteria	Civic leagues or organizations operated exclusively for promotion of social welfare
Contributions are tax deductible?	Yes	<u>No</u> – unless from a business for a business purpose, e.g. picnic supplies as an advertising expense
Income is tax exempt?	Yes as long as related to exempt purpose	Yes as long as related to exempt purpose
Application and permission required from IRS?	Yes – extensive	Existing organizations are grandfathered, <i>however to start a new one would require a notification process</i>
Political advocacy allowed?	Very limited	Yes but limited

Note that none of the above impacts activities or purchases that would have sales tax implications. Moreover, in order to retain a status, must continue to operate as it is intended.

NEIGHBORHOOD ASSOCIATION GOVERNMENT REPORTING RESPONSIBILITIES

State of Washington – Secretary of State – due annually, \$20 per year

Federal

- Internal Revenue Service – Form 990N – due May 15 each year – no extension, no cost, all online
- Failure to file can eliminate your tax-exempt status and it is not easy to restore
- Finn Hill files 990 or 990EZ instead of 990N, as it is a 501(c)(3) while the others are all 501(c)(4)

City of Kirkland

- Annual business license, due date varies
- Must be done through the State Department of Revenue Website, \$5 annual fee for online processing

State of Washington – Department of Revenue – annual combined excise tax return due April 15

- Should have “active nonreporting status” to eliminate this requirement
- This requirement only exists because of the City’s business license being tied to the State system

Something new, but not to worry, you don't have to file this one! Unless they change the rules, of course.....



Good news, tax exempt entities are exempt from the new FinCEN Corporate Transparency Act filings that begin in 2024 for many small businesses. However, if you lose your 501(c) status, then you must file.

Could change in future, so stay alert.

And finally, changes to the Revised Code of Washington (RCW)

- Articles of Incorporation
- Bylaws
- The updates need to be identified
- This is an opportunity to look at your mission statement and the purpose of your Neighborhood Association