

Arizona Association of
Student Financial Aid Administrators

May 23, 1995

To: AASFAA Board of Directors
From: Gerry Reynolds, Vice President
Subj: Association Tax Exempt Status

This letter shall serve as a report regarding the outcome of our application as a tax exempt organization with the Internal Revenue Service. An IRS letter dated May 9, 1995 was received that gives AASFAA tax exempt status under section 501 (a) of the IRS Code. Tax statements that were filed previously for the years 1992, 1993, and 1994 will not have to be amended. At least, that is my understanding at this point in time.

There are several conditions that will warrant careful consideration by the Board as it carries out its duties. The Association is liable for Social Security tax payments on remuneration of \$100 or more to any paid employees. But, AASFAA is not liable for making unemployment tax payments, nor excise taxes under Chapter 42 of the Code. However, we are not automatically exempt from other excise taxes, so we need to check with our accountant prior to employing any individual.

Contributors to the Association may rely on the IRS determination as a tax exempt status. Donors may deduct contributions as provided by Section 170 of the Code as long as no consideration is received. Board members will need to become aware of Revenue Ruling 67-246 which sets forth guidelines regarding the deductibility of charitable contributions or payments made by taxpayers to fund raising activities.

Because the Association gross receipts are in excess of \$25,000 annually, a Form 990 must be completed each year in its entirety. These forms have been filed as stated above, however a final determination has not been made by the IRS regarding late fees for the 1992 & 1993 forms. The late fee is \$10 a day up to \$5,000, or 5% of our gross receipts whichever is less.

AASF AA May 22, 1995

AASF AA has received employer ID 86-0776710 which was used in filing the various federal forms. The ID is required even though we have had no employees.

To assure AASF AA's continued exempt status, records should be maintained to show that funds are expended only for the purposes listed in Section 501 (c) (3) of the Code.

I am asking our CPA to have copies made for each Board member. If we distribute funds to other organizations, our records must show whether they are exempt under Section 501 (c) (3). If they are not, the records should show that they are dedicated only to tax exempt purposes.

If we distribute funds to individuals, case histories regarding the recipients should be kept showing names, addresses, purposes of awards, manner of selection, relationships to officials or donors of funds in order to be substantiated in event of an IRS audit.

An Arizona Department of Revenue application for tax exempt status was submitted today. They require that we include the IRS letter concerning our IRS tax exempt status, and copies of the By-Laws and Articles of Incorporation. We should receive tax exempt status shortly, which will allow us to submit our state tax forms for 1992, 1993 & 1994.

Tom Greninger at Ameritax Inc (not affiliated with Ameritax in Glendale) is our representative for IRS matters and his office is located in Ahwatukee (602/893-9154). To date, he has not charged AASF AA for any of the hours he has spent with the post-tax filing activities (including telephone calls to the IRS).

If you have any questions prior to our next Board meeting, please give me a call.