

**Financial Compliance Advisors Report**  
Cynthia England, CPA  
June 2008

At the May board meeting we discussed the following reporting issues that may affect our individual clubs:

Form 990-N

527 organizations are excluded from reporting on form 990-N (the E-postcard). Even if your club received a notice from the IRS (Notice CP-599) that went out, when you attempt to go online and file your report, you will receive a notice that you are NOT ALLOWED to file.

The New Texas Franchise Tax

Some clubs may have received a notice from the Texas Comptrollers office requiring the club to file this return even if there is no tax due. I am attempting to have the Texas Comptrollers office give us a ruling excluding us from this reporting requirement. In the meantime, there is an online system for filing, it is extremely easy. Our clubs are well below the threshold for paying any tax but it might be best to file this form this year while the Comptrollers office sorts this out for us. In order to file this report you will need two numbers, an NAICS code and an SIC code. Those codes are as follows:

NAICS code 813940  
SIC code 8651

Also at the Board meeting, I handed out the following summary of reports that clubs may be required to file:

**NAVIGATING THE NUMBERS**  
**(Do these form number make you crazy?)**

Don't people who work with tax returns always seem to speak in a "coded shorthand" made up of numbers that make no sense to anyone else? I am trying to give you the code sheet to work from.

For the Texas Ethics Commission

**Form AGTA**

This is the form filed immediately after your club changes its PAC Treasurer (for most clubs this occurs on January 1<sup>st</sup> of each year).

**Form GPAC**

This is the TEC form filed online by your PAC treasurers showing your club revenues and contributors' names and addresses and your expenses with vendors names and addresses.

## For the Texas Comptroller

|                            |  |
|----------------------------|--|
| <u>On Line</u>             | This is to report name and address after a change of Treasurer for the club if your club files a Sales and Use Tax Return.   |
| <u>Sales &amp; Use Tax</u> | This return is filed if your club sells any merchandise.   |
| <u>New Franchise Tax</u>   | This is the New Texas Franchise Tax. Some clubs are receiving a notice requiring them to file this form. We are attempting to get a letter ruling from the Texas Comptroller's office giving us an exemption from this filing. There is no tax due for gross receipts less than \$300,000, if your club gets a letter file the 'No Tax Due' form until we can get this sorted out. |

## For the Internal Revenue Service

|                     |   |
|---------------------|---|
| <u>SS-4</u>         | Filed by each new club, this is the application requesting a federal tax identification number.   |
| <u>8822</u>         | This is a name and address change form that should be filed each time a club Treasurer changes.   |
| <u>8871</u>         | Filed by any club whose gross revenues exceed \$25,000. This form is not required until a club's revenues pass the \$25,000 mark but then must be filed within 30 days of passing that amount.<br>Failure to file this could cause a loss of a club's tax exempt status.                        |
| <u>8871-Amended</u> | This amended form is also supposed to be filed each time there is a change in club Treasurer. Failure to file this amendment could cause the loss of a club's tax exempt status under Section 527 and forcing the club to file Form 8872 each year no matter how small the club's revenues are. |
| <u>8872</u>         | This is an IRS report that contains similar information to the PAC reports filed with the Texas Ethics Commission. It is required if your gross revenues exceed certain limits. (TFRW files this report)  |
| <u>1120-POL</u>     | This tax return filed by clubs having more than \$100 in interest income (non-exempt function income) each year.  |
| <u>990-N</u>        | This was the new notice sent out by the IRS to all non-profits, also called the E-postcard. <b><u>In March the Exempt Organization group at the IRS agreed to post a notice on its website that Section 527 organizations are not required (or allowed) to file the 990-N.</u></b>              |

990

This tax return is filed by clubs having more that \$25,000 in average gross income each year.

990-EZ

This return may be filed by clubs having more that \$25,000 but less than \$100,000 in average gross income each year.

For many of the club treasurers or PAC treasures, these reports and how they apply to their club can be very confusing, which is why my position was created. So if you have any questions about these reports or need any assistance in completing these reports, please feel free to contact me directly:

Cynthia England, CPA  
Financial Compliance Advisor  
281-389-6536 (cell)  
Email: [clengland@sbcglobal.net](mailto:clengland@sbcglobal.net)