

National Association of Health Underwriters

TREASURER GUIDEBOOK



America's Benefits Specialists

National Association of Health Underwriters
2000 N. 14th Street, Arlington, VA 22201
703-276-0220 (phone)
703-841-7797 (fax)
www.nahu.org

TREASURER GUIDEBOOK

Table of Contents

Introduction	3
Dues and Dues Billing	3
Direct Deposit	3
Online Dues Reports	4
Tax-Exempt Status	4
State and Local Taxes	5
Form 990	5
Unrelated Business Income Tax (UBIT)	5
Checking Accounts	6
Lobbying	6
Conclusion	6

This guide is the property of the National Association of Health Underwriters. It is intended for the use of state and local association officers and directors. All or any part of this guide may be reprinted by the local or state association.

Chapters are strongly encouraged to obtain the services of a qualified certified public accountant to address any financial questions and to prepare and compile all documents filed with the IRS and statutory agencies. No part of this guide should serve as financial advice.

Updated 06/05

INTRODUCTION

Volunteering to serve as a chapter treasurer is a big commitment of time, but there are a number of resources to assist you. Thank you for agreeing to serve your chapter in this important role!

As the treasurer of a state or local NAHU chapter, you have four major responsibilities:

- To keep accurate financial records and prepare accurate and informative financial statements.
- To anticipate and budget for financial challenges.
- To safeguard and manage the chapter's financial assets.
- To comply with federal, state and local reporting requirements.

For the sake of space, this manual will cover topics unique to NAHU and your role as a state or local chapter treasurer only. If you need additional assistance with basics such as keeping the chapter's books, financial statements, budgeting and internal control, we recommend you read *The Complete Guide to Managing Chapter Funds*, by Susan S. Vowell, CPA (available through the American Society of Association Executives: www.asaenet.org).

DUES AND DUES BILLING

Your chapter receives income from NAHU's national office on a monthly basis in the form of membership dues. All members of NAHU pay national, state and local dues. Each state and local chapter determines the amount of dues to be charged to its members at the state and local level and communicates this amount to NAHU annually. NAHU will send your chapter president a notice at the appropriate time of year to ask for the amount of dues to charge its members the following year. All changes in the state and local dues amount are implemented each year on January 1st.

NAHU collects the *entire* dues amount (national, state and local dues) from new or renewing members. **Holding local or state dues and forwarding only the NAHU portion to NAHU will prevent assignment of the member to a local or state association.** After the dues amount is processed by NAHU's membership staff, NAHU either mails your chapter its dues check (to the person designated as the "dues check recipient") or, if your chapter has authorized us, deposits the dues directly into your chapter bank account. (See "Direct Deposit" section below.)

Dues and renewal notices are prepared by NAHU and mailed directly to the members in much the same manner that an insurance premium notice is handled. The dues statement is prepared by computer and includes the national, state and local dues. **Members may pay the dues amount by monthly bank draft, Visa, Mastercard, Discover, American Express or by check.**

DIRECT DEPOSIT

If your chapter currently receives its monthly dues check in the mail from NAHU, please consider using our ACH (automated clearinghouse) system. It ensures your chapter receives its funds faster, it saves staff time and postage costs, and it eliminates check delivery problems due to changed or incorrect addresses and post office delays. It's just like "direct deposit" of your paycheck – quick and easy!

To use the ACH system, please send NAHU's Vice President of Finance a copy of a voided check from your chapter's bank account. The bottom of the check contains a 9-digit ABA (American Banking Association) number and your account number, so please **do not send a deposit slip** instead of a check because it may not contain the necessary tracking codes. Along with a copy of a voided

check, please send a letter authorizing NAHU to use the ACH system to send your chapter its monthly dues.

If your chapter changes bank accounts and uses the ACH system, please inform NAHU so that we may make the appropriate adjustment to our records.

ONLINE DUES REPORTS

NAHU's website has an online report feature called **YODA** (Your Online Database Access). Each chapter "dues check recipient" (generally the treasurer) is authorized to access its dues reports through YODA, which allows you to view the current dues activity for the month as well as the past 12 months of activity. Here is the link to YODA: www.nahu.org/member/index.cfm. Follow the directions for "New Users" if you've never accessed this portion of our website, and be sure to click on "Dues Reports."

TAX-EXEMPT STATUS

NAHU chapters incorporated under state non-profit laws generally qualify for exemption from federal income tax. This is not an automatic process, however – your chapter must file for tax-exempt status with the IRS and demonstrate that it was organized and is operating in accordance with the requirements under Section 501(c)(6) of the Internal Revenue Code.

The first step in the process is to obtain a Federal Employer Identification Number (FEIN). Even if your chapter has no employees, you still must file a Form SS-4 -- "Application for Employer Identification Number." This identification number is used by the IRS to locate and maintain your association's tax records. Form SS-4 is a single page in length, and there is no cost to file this application with the IRS.

After obtaining your FEIN, you may then tackle IRS Package 1024 – "Application for Exemption Under Section 501(a)." Although you will be filing for recognition as a 501(c)(6) organization, you must use this particular form that references Section 501(a). Don't be confused by the reference! This multi-form package allows you to document your chapter's purposes and activities, and while it's not terribly difficult to complete, you may wish to consult an attorney or accountant specializing in services to tax-exempt organizations. The filing fee to submit IRS Package 1024 ranges from \$150 to \$500, but most NAHU chapters fall under the \$150 fee category. Please be sure to complete Form 8718 and file it with Form 1024, along with your filing fee. NAHU will reimburse each state and local chapter \$150 toward the filing fee – just send us copies of your application and check.

The IRS provides all the necessary forms and instructions for filing via its website, under the "Information for Tax-Exempt Organizations" section: www.irs.gov/bus_info/eo/index.html. Take a moment to visit this page and, in particular, read "Tax Tips," some suggestions on how to avoid the most common filing errors, or call the IRS directly and request the forms: (800) TAX-FORM.

Don't forget that NAHU staff is also here to assist you! Thanks to a couple of NAHU chapters that have been through the process and shared the documentation with us, we have completed application forms to share with you. If you'd like to receive sample Form 1024s from these tax-exempt NAHU chapters, please contact NAHU and we'll be happy to send them to you.

STATE AND LOCAL TAXES

Don't be confused by your chapter's federal income tax-exempt status. Very often, members believe that their chapter's federal tax exempt status flows down to state income and sales and use taxes. It does not!

If your chapter is federally tax-exempt, this may not also make the chapter exempt from state income tax or sales and use taxes. Most likely your chapter is exempt from state income tax liability if it was incorporated under the state's non-profit laws. In order to be exempt from sales and use taxes, your chapter would have to separately apply for this exemption from the appropriate local taxing authority. Very, very few 501 (c)(6) organizations are granted exemptions from sales and use taxes – this is generally something granted to 501 (c)(3) charitable organizations only.

FORM 990

Once your association receives the IRS' determination of its tax-exempt status, you may be required to file an annual information return – Form 990, "Return of Organization Exempt from Income Tax" or Form 990-EZ, "Short Form - Return of Organization Exempt from Income Tax"

(www.irs.gov/bus_info/eo/eo-tkit.html). In general, if your association received more than \$25,000 during its fiscal year, it has a federal filing requirement. Associations with less than \$100,000 in gross receipts and total assets at year-end of less than \$250,000 may file Form 990-EZ. A Form 990 must be filed if your chapter received more than \$100,000 in gross receipts. Both Forms 990 and 990-EZ must be filed on or before the 15th day of the fifth month following the close of your association's fiscal year.

If the association's gross receipts are less than \$25,000, the association may not need to file a return with the IRS; but if your chapter received a Form 990 package in the mail, you should file a return without financial data. Some states require a complete return. **Be sure to check the reporting requirements in your state.** If your association meets IRS reporting thresholds, we recommend that you engage a local CPA to prepare the forms.

An association must, for a three-year period, make its return available for public inspection upon request. All parts of the return and all required schedules and attachments, other than the schedule of contributors to the association, must be made available. Inspection must be permitted during regular business hours at the association's principal office or treasurer's office. An association may mail the information to the requestor, and you may charge for copying and postage only if the requestor gives up the right to free inspection.

UNRELATED BUSINESS INCOME TAX (UBIT)

Some associations may also have to file a separate additional return on IRS Form 990-T (www.irs.gov/bus_info/eo/eo-tkit.html). This is required in cases where the association has gross "unrelated trade or business income" of \$1,000 or more in a taxable year. Unrelated trade or business income is defined in the instructions for Form 990-T as gross income derived from any regularly carried on trade or business not substantially related (aside from the need of the organization for the income) to the exempt purpose or function of the organization. Fortunately, the major sources of revenue for most associations — e.g., dues, exhibitor and meeting registration fees and interest on bank accounts — are not unrelated business income.

Activities such as lotteries, sales of membership lists, sales of advertising in the association's publications, certain sponsorships and other seemingly unrelated business activities of the association (if regularly carried on) may result in UBIT and should be reported when all such combined gross

unrelated income is \$1,000 or more in a taxable year. Increasingly the IRS has been focusing attention on such activities and many questions have arisen over what activities are deemed to be “unrelated” to an association's exempt function.

The IRS will make available, upon request, its Publication 598, “Tax on Unrelated Business Income of Exempt Organizations” (www.irs.gov/bus_info/eo/eo-tkit.html). This publication discusses in detail the IRS rules on what income it considers to be “unrelated business income” and how to calculate the tax due on such income.

Due to the number of state and local associations affiliated with NAHU, and the increasing complexity of federal tax laws affecting these associations, NAHU staff is precluded from rendering specific tax assistance to individual associations in connection with their tax-exempt status. Efforts are made; however, to keep the chapters abreast of important tax developments affecting member associations.

CHECKING ACCOUNTS

At the time of the first organizational meeting of a new local or state association, the minutes of the meeting should reflect that a motion was made, seconded and approved authorizing the treasurer or secretary/treasurer to open a checking and/or savings account on behalf of the association. In the motion it should state the name of the bank to be used, which officers are authorized to sign checks or withdrawals from the account, and how many signatures are required.

When establishing the account, most banks will ask for a social security number or Federal Employer Identification Number. **Do not give them your SSN.** Always use your association’s Federal Employer Identification Number for all association accounts (discussed above under the “Tax-Exempt” section).

If your association has received funds that contain “donor-imposed restrictions”, it would be prudent to maintain these funds separately from those available for current use. Taking this step will help ensure that the funds are not misappropriated (unintended or not), will spare the association possible legal action as a result of misappropriation, and be separately reported on your association’s Balance Sheet.

LOBBYING

Another concern of chapters is the amount of lobbying and political activity it may engage in without threatening its tax-exempt status. In order to avoid placing your tax exempt status at risk; make sure lobbying and other political activities are not the primary purpose of your organization.

Federal tax regulations limit the business expense deduction for dues used to support an organization’s lobbying activities. A chapter involved in lobbying and political activities must provide its members with a notice containing a reasonable estimate of the amount of their dues they may not deduct as a business expense. This “notice” may be communicated in the following way: “x% of dues are used for lobbying expenses and are not deductible for tax purposes.”

CONCLUSION

This manual has been developed to assist treasurers in responsibly managing chapter funds and operations. It is intended to serve as a guide, in the broadest sense of the word; i.e., to “set you on your way.” Thank you again for accepting this challenge and volunteering your time and expertise.