

LWVNJ Local League Treasurer's Guide

TABLE OF CONTENTS

	Page
The Job of Treasurer	2
Resources for local League Treasurers	2
Record Keeping	2
Treasurer's Reports.....	3
Membership Responsibilities	4
Insurance.....	4
Local League Payments to the State Office	5
Local League Payments to the National Office	6
League Addresses	6
Numbers Every Treasurer Must have	7
Bulk Mailing Permit.....	7
Treasurer's Calendar	8
Monthly Calendar.....	9
Education Fund Guidelines	11
Other Tax Issues	15
Federal Tax Obligations	15
New Jersey Taxes	17
Incorporation.....	18

Page numbers
are "live" links if
viewed online.

THE JOB OF TREASURER

The treasurer of a local League plays a vital role in the functioning of that League. The job is mostly behind the scenes: paying bills, collecting and keeping records of dues payments and other payments, paying moneys owed to the LWVNJ and the LWVUS, providing membership reports, etc... You are responsible for submitting tax forms and providing proof of insurance, and you'll also be preparing regular reports for your local League board.

In addition, the treasurer is generally on the executive board of the League, meaning that you will be involved in meetings and discussions at the highest level, whether they critically involve finances or not.

There are a variety of resources to help with all this. Certainly, your League's former treasurer should be high on the list! The LWVNJ and the LWVUS websites provide much information about various aspects of the job. They also send forms and reminders for many of the periodic tasks that you will be doing. Recording of income and expenses and producing reports can be greatly assisted by computer software designed for that purpose, but a ledger book often works fine too.

RESOURCES FOR LOCAL LEAGUE TREASURERS

Local League Treasurer's Handbook (2008). This booklet, \$2.25.

LWVUS resources: Go the LWVUS web site (www.lwv.org), follow links to "For Members" then "Tools for Leaders" under that, then "Treasurer". There are several publications and guidelines there that can be helpful.

In addition to the above, the treasurer should also have National and State Publication catalogs.

RECORD KEEPING

Keep complete records of everything for at least 5 years! Be thorough with both income and expenses: Record exactly what every check was for, obtain a receipt from anyone requesting a reimbursement, keep store and business receipts from all purchases, room rentals, or any other expense. Write the number of the check used to pay them on bills and receipts. Record every incoming check, its source, and when it was deposited. Make photocopies of all checks deposited, and carefully document any donations.

TREASURER'S REPORTS

Local

You will be presenting a treasurer's report to your board on a regular basis, typically monthly. Many Leagues find a simple statement to suffice, composed of **income** (divided into 20 or so categories like, "Dues", "Member contributions", "Annual meeting" etc...) and **expenses** (also divided into as many categories as your board finds helpful). You should use the same categories for these reports as the ones in the budget, so comparisons can be made.

Generally, your reports will have a column for the amount budgeted in each category, the amount spent or acquired in the fiscal year to date, and the amount spent or acquired since the last report. Sometimes a percentage of the budgeted amount (or a difference from it, probably less useful than a percentage) is included, to show where the League stands in relationship to where it should be. Line numbers are extremely helpful for referencing entries. Various common spreadsheet programs as well as financial programs can be used to create these documents, or you can use a simple table.

More complex double-entry systems, favored by accountants, are mainly useful for large Leagues with a need to track complex income and expense histories. There is also software available to help keep the books in this format.

Normally all income and expenses should be presented as gross, rather than net. For example, if your annual meeting costs \$800 in food, room, etc, and if you take in \$1,000 in payments, raffle income, etc., you shouldn't show a single entry with \$200 income. Rather, show \$800 expense and \$1,000 income, in order to reveal the actual sources of income and expenses.

Money raised as tax-deductible donations to the education fund must be kept separate from money raised in other ways, and separately reported. This is true whether you allow the LWVNJEF to handle such moneys for you, or choose to maintain your own education fund. See page [11](#)).

Your report should also indicate the financial situation of your League, such as the amounts in your checking account, any CD's or long-term accounts, any special funds, etc., and any outright liabilities (money you legally owe someone else, like payment for an printing order received from a local printer but not yet paid). A formal balance sheet is difficult for the uninitiated to interpret and is more useful in large complex budgets than in smaller ones.

After your books close for the year, you will tie up any loose ends and present a final report to your board.

State Reports

Most local Leagues are now using a July 1 - June 30 fiscal year. The annual (or final) treasurer's report for the fiscal year should be prepared over the summer. When it is complete, please send a copy to the state office, ideally by September 1.

MEMBERSHIP RESPONSIBILITIES

Local and National

The treasurer sends out dues notices, collects and records payments of dues. S(he) also is responsible for updating the local League's roster on the LWVUS website on a regular basis, making additions, deletions and corrections as appropriate. This is especially important in January, since the information on the roster on Jan. 31 is used by LWVUS and LWNJ to calculate PMP (per member payments) owed by your League to those entities for the next year. You should also be alert to additions and changes to the list that are initiated by the LWVUS. Nationally-recruited members may be added to the list by LWVUS, and other national members inactivated, also by LWVUS, without action by the local League. Active national members should be included in your local mailings, and you should plan to recruit them as local members the next time you do a membership renewal mailing.

The current web page for the LWVUS member list is <https://member.lwv.org/Login.asp>. You will need your League's user name and password to access this site.

State

Updating the roster regularly also means LWNJ can serve your members by sending them the next NJ VOTER, the eVOTER and other mailings, and it can conserve funds by not sending mail to people who have moved or otherwise dropped membership. Make sure that you acquire a new member's email address and record that in the roster also, since email is becoming the primary means of communication for League work.

INSURANCE

COMPREHENSIVE GENERAL LIABILITY

The League of Women Voters of New Jersey carries a master Comprehensive General Liability insurance policy that covers the LWNJ and each local League in the state. Each League is responsible for paying its share of coverage, and payment is due on January 15 each year. Liability insurance is necessary for many League activities, and a certificate of insurance is often required by public places where many meetings and activities occur.

The insurance carried by the League has limits of liability of \$2,000,000 bodily (physical) injury and property damage for each occurrence. This covers all League meetings for members and the public, and candidates' nights. Community action events such as clean-ups, painting projects, or working with outdoor equipment may not be covered, depending on the nature of the event. The state office can advise you as to whether a supplement to the policy must be purchased for these activities. Please plan far enough ahead as to allow extra time if your meeting is something other than a routine, indoors event.

If liquor will be served at your meeting, you generally **will** need to purchase a supplementary rider for the insurance policy. Again, arrange this through the state office well in advance.

LOCAL LEAGUE PAYMENTS-TO THE STATE OFFICE

Per Member Payments (PMP)

Each local League treasurer receives a bill indicating that League's PMP to the LWVNJ, determined at Convention or Council, due on the last day of the first month of each quarter: July, October, January, and April. The LWVNJ office sends a reminder notice directly to the treasurer of each local League. For the 2007-2009 biennium, the PMP to NJ is \$23 for individuals, \$11.50 for a second household member.

Local Leagues may pay up to 25 percent of their PMP owed to the LWVNJ from their Ed Fund accounts. If the Ed Fund is held by LWVNJ for the League, simply direct that funds from it be taken out for that part of the PMP and pay the rest from the local League's bank account. If your League has its own Ed Fund, the check from it should be made out to LWVNJ-EF and the balance from its general fund should be made out to LWVNJ.

Publications Payments

All orders for state publications must be prepaid. See catalog and order form for details.

Sales and Use Tax Payments

A form for the sales and use tax (Quarterly Payment Form) on national publications, state publications, local publications, and "money raising events" is available on the LWVNJ website and in the first issue of the SBR each year. It is due in April, July, October and January. **This tax cannot be ignored.** It must be paid no matter how insignificant. The form must be completed and signed even if you owe no tax. Return the original to the state office and keep a copy for your files. Make sure you charge tax when appropriate and turn over tax monies to the LWVNJ for distribution to the State of New Jersey. See page [17](#) for the technical details of handling sales and use taxes.

LOCAL LEAGUE PAYMENTS TO THE NATIONAL OFFICE

Per Member Payments (PMP)

In accordance with the bylaws of the League of Women Voters of the United States, each local League is obligated to support it by a per member payment each year. The amount is determined by each national convention. The membership figure is that of January 31 preceding the beginning of the fiscal year. The bill for the LWVUS PMP is sent to the local League president or official contact address (like your League's PO Box) by the start of the typical fiscal year (July 1 for most local Leagues) . Bills are also sent at each quarter, to the same location, clearly marked as "for the treasurer". Payments are due on the first day of each quarter. Provisional Leagues start payments the quarter after they are recognized as a provisional League. For the fiscal year 2008-2009, the LWVUS PMP is \$28 for individual members, rising to \$29.20 in 2009-2010.

Each full-fledged local League may now elect to meet up to one-fourth (25 percent) of their total national PMP commitment via tax deductible contributions to the LWVUS Education Fund, and can pay more from their Ed Fund if permission is granted from LWVUS. See comments under Payments to the State Office, above. The logic is the same.

Publications Payments: All orders for national publications must be prepaid.

LEAGUE ADDRESSES

National Office

League of Women Voters of the United States
1730 M Street, N.W. Suite 1000
Washington, D.C. 20036-4508
Phone: 202-429-1965
Fax: 202-429-0854
E-mail: lww@lww.org
Web site: <http://www.lww.org>

State Office

League of Women Voters of New Jersey
204 West State Street
Trenton, N.J. 08608
Phone: 609-394-3303 or 800-792-VOTE
Fax: 609-599-3993
E-mail: [contact @lwwnj.org](mailto:contact@lwwnj.org)
Web site: <http://www.lwwnj.org>

NUMBERS EVERY TREASURER MUST HAVE

IRS Employer Identification Number

Even though most Leagues are not employers, each local League, as a tax-exempt organization, must have an identification number. It is 22 or 23 followed by seven digits. Call the state office if you do not know this number for your local League. Note that "tax-exempt" does not mean that donations to the local League can be deducted as charitable donations. In this context, "tax-exempt" means exempt from federal income taxes on most income (See page 15).

When a new League is formed, the LWVNJ office will take care of the necessary paperwork. As soon as the application is processed and an Employer Identification Number is assigned, the local League will be notified. The state League must keep all treasurer's names and local League identification numbers in its files and must report them yearly to the Internal Revenue Service.

BULK MAILING PERMIT

A local League, as a 501 (c) 4 organization, may apply to its local post office for a special third class bulk mailing permit form #3624 called, "Application to Mail at Nonprofit Standard Mail Rates". This allows a League to send a minimum of 200 identical pieces of mail at the same time at a reduced rate per piece. There are one-time application and annual fees, both subject to change -- call your post office. The mail is classified as third class and, consequently may take somewhat longer than first class. There is no maximum number of pieces, but very large mailings may be sent via a more distant processing center, possibly adding more delay. There are various stipulations for separating and bundling the pieces of mail. All this information is available from the post office.

If you include ads (like business cards) in your bulletin, there are a variety of postal restrictions that apply. Perhaps the most likely to impact Leagues is the fact that ads of any sort for insurance agencies, travel agencies, or financial institutions are prohibited. These institutions may act as sponsors (and be acknowledged as such), but they may **not** take ads. In addition, a bulletin 75 percent or more composed of ads (you should be so lucky!) cannot be sent by bulk mail. There is a list of other technicalities that most League bulletins will already meet, but you should contact the LWVUS for the current regulations if you plan to include ads.

If a local League sends out more than 200 local bulletins each month, or does a large voters service mailing, it would be worth-while to inquire about a bulk mailing permit. Sometimes it is worthwhile to send a few extra bulletins (think of possible recipients -- libraries, public officials, etc.) to reach 200 copies, because the bulk rates are so much less expensive than regular mail.

TREASURER'S CALENDAR

MONTHLY

Keep membership files and bookkeeping sheets up to date.

Report to local board on income and expenditures, cash balance on hand, and number of paid members.

Update the membership roster (new members, members dropped, change of addresses) on the LWVUS website. Provide copies for membership director and bulletin editor.

QUARTERLY

Send per member payment (PMP) to national office. Forms for this payment are sent from national to the local League president quarterly. She or he should promptly forward them to the treasurer.

Send quarterly payment of state PMP to the state office. Forms for this are sent to the local League by the state office each June. Quarterly notices are also sent, directly to your treasurer.

Send quarterly sales and use tax forms with monies due to the state office. Form is sent in state board report.

IMPORTANT YEARLY DATES

After Annual Meeting:

Adopted budget for current year due in state and national offices.

Have books audited over summer or before turning over to new treasurer.

After fiscal year ends:

Annual treasurer's report for your fiscal year is due in state office. (A copy of your report to your annual meeting, or to the board if the annual meeting is too soon) will suffice. If the report is prepared over the summer, please send a copy by September 1.

If League's gross receipts are over \$25,000, Form 990 must be filed with the IRS by the 15th day of the 5th month following the end of your fiscal year. At present, all NJ Leagues appear to be listed with the IRS as having an April 1 to March 31 fiscal year, meaning that the deadline to file the 990 is August 15th. Leagues with income \$25,000 or less must file the electronic "postcard" version of the 990 form by the same deadline. See page [16](#).

January 31:

Date as of which LWVUS and LWFNJ determine your local League's member total for purposes of paying PMP. Be sure you have updated your list on the LWVUS web site by this time. Visit <https://member.lwv.org/Login.asp>. You'll need your local League's number and a password to access this database.

MONTHLY CALENDAR

Assuming July 1 - June 30 fiscal year for local League, Annual Meeting in June.

Month	Local	State	National
July	Have books audited, if possible before a new treasurer takes over. Present final annual report for previous fiscal year to the board. If you have a new treasurer or a new president, register their signatures at bank(s) which carry League account(s). Set up new bookkeeping sheets with new budget. (Re)read this handbook. Send second dues notice to unpaid members.	Send quarterly PMP to state office by end of the month. Pay Sales or Use Tax owed. Send copy of adopted local League budget and annual treasurer's report to state office.	Send quarterly payment of PMP to national office. Send copy of adopted local League budget to national after annual meeting. (Do not send minutes.)
Aug.	If gross receipts are over \$25,000, prepare Form 990 for IRS from your final statement. Send final dues notices to unpaid members. Smaller Leagues (\$25,000 or less) must file the e-Postcard version of the 990. The 990 and e-990 are due by August 15 (at present). A league that fails to file its required e-Postcards (or information returns – Forms 990 or 990-EZ) for three consecutive years will automatically lose its tax-exempt status.		
Sept.	Meet with membership director re unpaid members to devise a strategy to keep them in the League.		

Oct	Quarterly budget comparison report to local League board and budget director. After consultation with membership director, drop all members who have not paid dues	Send quarterly PMP to state office by the end of the month. Pay Sales or Use Tax owed.	Send quarterly payment of PMP to national office.
Nov.			
Dec.		Pay insurance fee to state. (Due Jan 15).	
Jan.	Quarterly budget comparison report to local League board and budget director.	January 31 Deadline to update membership on the LWVUS web site (see above). Send quarterly PMP to state office by end of the month. Pay Sales or Use Tax owed.	Send quarterly payment of PMP to national office.
Feb.			
March			
April	Quarterly budget comparison report to local League board and budget director. Prepare figures for budget committee and attend budget committee meetings	Send final quarterly PMP to state office by end of the month.	Send final quarterly payment of PMP to national office.
May	Arrange for books to be audited after July 1. Prepare dues notices for members.		
June	Send dues notices to members. Pay all outstanding bills. Close books and prepare for audit. Present preliminary annual report to the Annual Meeting.		

EDUCATION FUND GUIDELINES

Tax Status Issues or "Why we have an Education Fund"

The LWVUS, the League of Women Voters of New Jersey (the LWVNJ), and the local Leagues are non-profit, income tax-exempt organizations, but they are not tax-deductible organizations. A "non-profit" organization is a group organized for purposes other than making a profit. An income tax-exempt organization is an organization which does not have to pay an income tax on money it earns but is required to pay the New Jersey Sales and Use Tax. The IRS classifies these as 501 (c) 4 organizations. Thus the LWVUS, the LWVNJ, and local Leagues fit under this IRS designation. Note that if you have substantial income from business sources not related to League activities (say, you run a shop that sells books and you share the proceeds with the library), you might be subject to income taxes on your profits anyway, especially if you hire people to run the activity (rather than using volunteers). See page [16](#).

A "tax-deductible" organization is an organization, donations to which are deductible on the income tax of the donor. The only branches of the League organization which are "tax deductible" are the LWVUS Education Fund, the LWVNJ Education Fund, and any education fund accounts set up by local Leagues. These funds are classified as 501 (c) 3 organizations.

In addition to the instructions in this document, the LWVUS has a document called "State and Local League Grants Service Guidelines". Its primary focus is on Leagues that choose to use the LWVUS Ed Fund as their EF manager, rather than the LWVNJ Education Fund, but there are some tips and guidelines on creating and using an educational account that are of general interest. It is available online.

Local League use of Education Fund Moneys: Education Fund Accounts

If your local League wants to do fund raising with tax deductibility as an additional incentive to the donor, you will need an education fund. Some Leagues choose to set up their own, but most choose to have LWVNJ set up a sub-account for them under the LWVNJEF umbrella. This is simpler, and reduces paperwork compared to establishing a separate local fund.

The process of setting up an account under the LWVNJEF is easy -- send the state office a check from a donor, made out to the LWVNJEF, for \$25 or more, with a cover letter asking the office to create a local League Education Fund account. That's it!

There is no charge for account maintenance by the LWVNJEF, but the state office will keep the interest from the account.

If a local League **does** establish its own education fund, then it will be responsible for ensuring that money from that account is properly used on projects that meet IRS requirements. It is also responsible for filing the necessary paperwork to create the education fund with the IRS.

For accounting purposes, the LWVNJ requests that all local Leagues with sub-accounts under the LWVNJ Education Fund maintain a nominal amount (\$25 is suggested) in the sub-account. If the account is completely used up, it may "disappear" from our balance sheets and create needless confusion.

Leagues that keep their education fund money with the LWVNJEF will need to submit a request to the state office, in advance of usage, stating their desire for release of the money, and how they intend to spend it. A specific budget must be provided. Generally the LWVNJ Executive Director, in consultation with the LWVNJEF Treasurer when necessary, can decide and approve spending by local Leagues for their Education Fund activities. See below for details.

Please allow a reasonable time for processing and for questions that may arise, several weeks if possible.

Criteria for tax-deductible projects are:

- X Approval before initiation. (A project may not be funded with tax deductible money "after the fact.")
- X A focus on member and/or public education.
- X Objective information and analysis.
- X No advocacy of League position.
- X No attempt to influence legislation.

Kinds of projects that are permissible for Education Fund funding are:

- X Citizen education on issues, through mechanisms such as public meetings and seminars.
- X Impartial analyses or studies such as "Know Your Town" or "Know Your Schools".
- X Voter registration and get-out-the-vote campaigns.
- X Nonpartisan voter information and education.

Guidelines for raising Education Fund money, and dealing with donors:

1. **Let the state office know before beginning a project** that will be funded with this money, or for which you will seek contributions. The office wants to make your use of your Education Fund money as simple as possible, but we must have enough information to be able to satisfy our auditor (and the IRS). A phone call with enough information to clarify the nature of the project will usually suffice. A project can be approved before you have funding in hand. If the project is a publication, please provide the state office with a draft version for review, before seeking approval to use education fund monies.

Note that you do not need advance approval merely to solicit tax-deductible contributions.

Note also that a project can be partially funded with tax-deductible money, with the remainder budgeted from regular League sources. In this case, you should arrange to pay with two checks, one from the LWVNJEF and one from the local League.

2. **Checks for deductible gifts** should be made out or endorsed to the League of Women Voters of NJ Education Fund and mailed directly to the state office, with a covering letter briefly explaining the intent of the donor to have the gift earmarked for use by your League. They can also be made out to <Your League> Education Fund, even if your Education Fund is a subsidiary under the LWVNJEF. This often simplifies solicitation, since donors don't know why they should make out a check to LWVNJEF when they want to support you locally. Again, send the check to the LWVNJ office with a cover letter. Do **not** deposit the check first if you intend to include it in your LWVNJEF account.
3. For projects of \$1,000 or more (and for requests for donations of \$1,000 or more) the local League should send to the state office a copy of either the grant proposal or the letter requesting the donation, as appropriate.
4. All **donors who give more than \$200** should be thanked by mail and provided with the LWVNJEF's Employer Identification Number. Some Leagues will choose to thank all donors.

Mechanisms for using/spending Education Fund money

Local Leagues using EF money from an LWVNJEF sub-account can proceed in one of three ways (or a combination, if appropriate):

1. Spend the money out of your local budget (general fund) and submit detailed receipts to LWVNJEF for reimbursement. There is no limit to the amount, but all such expenditures

must be clearly consistent with the general purpose of the project **pre-approved** by the office as an education fund project. Individuals can also be reimbursed under the same conditions.

2. Obtain the services or products and submit a payment voucher to LWVNJEF, which will send a check to the vendor on your behalf. This simplifies paperwork, since it avoids any education fund money entering your general fund. It also avoids the need for your League (or a member) to put out money up front then wait to be reimbursed. Again, the expense must be consistent with a **pre-approved** education fund project, and you will need to document the expense with a voucher from the vendor and an explanation from you.
3. Sometimes the amounts involved may be too large for individuals or your local League to be able to pay out of pocket up-front, but the vendor may insist on payment at the time of the transaction. In this case, you may request a special grant of money in advance of the purchase from LWVNJEF. This should be in support of an approved education fund project, and you will need to provide justification for the grant amount, or a close approximation thereto (since you may not know in advance exactly what X copies and Y supplies will cost -- but you should have a reasonable estimate). Since our auditors require very careful control of all moneys dispensed on education fund projects, this is the most problematic approach from the state League's standpoint. It can be difficult confirming how such a grant was spent, ensuring that it was spent pretty much exactly as stated, and getting back any unspent extra. Therefore grants in-advance of purchase will be provided only when there are specific reasons to do so.

Acknowledgments

1. Whether printing a program for a meeting or seminar or preparing a publication for community distribution, acknowledgment should be made of the education fund's role and, if the donors wish, of their gift. A program could say, "This seminar is conducted by the League of Women Voters of _____ and has been made possible by a contribution from _____ to the League of Women Voters Education Fund." Or a booklet may include, "Prepared by the League of Women Voters of _____, published by the League of Women Voters Education Fund and financed by contributions from _____."

Warning: Many donors think donations to the LWV itself are tax-deductible

Not many businesses and individuals understand (or care about) the relatively arcane distinctions between the regular LWV and the LWV Education Fund. Some do, but you cannot count on it. If someone deducted a large donation to the LWV and was audited by the IRS, he or she could get into legal trouble. If the supporter had donated to the Education Fund (tax-deductible 501 (c) 3 organization), but the details were not handled properly, the auditors could also challenge the deduction. The responsibility is partly on the donor's

shoulders, but clearly also partly on yours.

This raises two issues:

1. When someone wants to donate, you should be sure they understand that only donations to the Education Fund are tax-deductible. In general, solicitations should clearly state the distinction.
2. If someone does want the tax deduction, it is important that they follow proper procedures. They **must** make out a check that includes the words "Education Fund" as part of the recipient line. The donor cannot make out the check to the LWV, and then have your League deposit it into the Education Fund. The IRS sees only the check, made out to a non-tax deductible organization. Uh oh!

Be aware that not all donations, even from businesses, are intended as tax deductions. For example, some may consider a contribution that puts their name on a document as "advertising" and thus a "business expense", which is different from a charitable donation. Business expense contributions can be made to either branch of the League (regular or Education Fund) and deducted as such from taxes.

If you remember to **tell donors about the distinction** and **ask them what they intend** if there is uncertainty, you won't go wrong.

OTHER TAX ISSUES

As noted above, under Education Fund guidelines, the LWV is an income tax-exempt organization. As such, it does not have to pay an income tax. Leagues are, however, required to pay the New Jersey Sales and Use Tax, possibly one or two other taxes, and sometimes to deal with other tax forms. These are explained in detail below.

FEDERAL TAX OBLIGATIONS

FEDERAL FORM 990

Every local League is required to file a form 990 or an e-postcard 990 with the IRS. This is a change from previous policy.

As before, if the League's gross receipts are over \$25,000 it is required to file a regular Form 990. This is due on or before the 15th day of the fifth month after the end of the organization's accounting year. For most qualifying New Jersey Leagues this is August 15, since the IRS evidently considers us as still having a fiscal year from April 1 through March 31. Form 990 is sent to each qualifying local League by the IRS. Each local League is listed with the IRS in Washington. Form 990 cannot be ignored.

If your League's gross receipts are over \$25,000, and you have not received the pre-addressed Form 990 in time, call your District Director of the IRS for the form. If you do not know your Employer Identification Number (it begins with 22 or 23), call the state League office. The date of the group exemption letter is September 5, 1969. Exemption code is 501 (c) (4), group exemption number is 2027. If address or name of League has changed make the correction on the pre-addressed label.

Starting in 2008, every local League that has receipts \$25,000 or less must file a brief, electronic, version of the form 990 (called the e-postcard 990 or the 990N), by five and a half months after the end of the official League year. At present, the NJ League year is set as April 1 to March 31 with the IRS, meaning that the 990N is due by August 15th.. Go to <http://www.irs.gov/index.html> and click on the tab for Charities and Non-profits. There are instructions and further links there.

Note that when you enter your local League's tax ID, the organization that comes up may be the LWVNJ. According to the IRS:

<http://epostcard.form990.org/frmTSFAQDisplay.asp?FAQID=164>

that's because, "when your parent organization filed for a group tax exemption, the IRS used the parent name as the legal name for the subordinate organizations. This field cannot be changed on the e-Postcard. However, you can enter the name of your subordinate organization in the 'Doing Business As' (DBA) name field on the second screen of the e-Postcard." So you should continue filing, but enter your local League's name in the "Doing Business As (DBA)" section of the form.

If your local League has its own Education Fund, you will need to file the e-Postcard for it as well, since it counts as a separate organization from the IRS's viewpoint. This is not necessary if you have an money in an Education Fund under the state League's EF umbrella.

FEDERAL INCOME TAX RETURNS

Federal Income Tax Returns are not required from local Leagues unless they are subject to the tax on unrelated business income under section 511 of the IRS Code, in which case they file Form 990-T. If a local League has earned over \$1,000 in unrelated business income, you may be subject to this tax. On July 13, 1972, the LWVUS stated: "Leagues having unrelated business income (see IRS definition) may be required to file Form 990-T. Please consult a local accountant or attorney versed in non-profit tax matters if you have any questions. For your information, the national office has recently received a ruling from our attorney indicating that, while income-producing activities may not be related to your tax-exempt purpose, and hence be held taxable, nevertheless to the extent that substantial volunteer labor was used in the production of the income, that income would be exempt from taxation. As Leagues are operated almost completely by member volunteers, the above ruling should cover virtually every local League."

The national office sends a memo to presidents every June detailing the procedure for the above forms.

NEW JERSEY TAXES

BUSINESS PERSONAL PROPERTY TAX (BPT-1) & RETAIL GROSS RECEIPTS TAX (RGR-100)

If you receive these forms, they should be returned, marked Not Applicable - non-profit organization on the BPT-1 and Not Applicable - not in retail business on the RGR-100.

NEW JERSEY SALES AND USE TAX

A local League is an income tax exempt organization, but it is not a sales tax-exempt organization. Therefore, each League is required to pay a **7 percent** sales tax on every item purchased for League use (note increase from 6% as of 2006). There are however, exceptions to this rule which you need to know about. The laws are quite complex on this matter, and only a summary can be provided here. The state office can talk you through specific situations and questions that may arise.

In a nutshell, you will generally **pay sales taxes** on goods you buy, like anybody else. The **exception** is products, most often publications, that you pay for with the intent to **sell** them yourself. In that case you will collect sales tax when you sell the items, so the state does not expect you to also pay sales tax when you buy them.

Consider publications that you buy for resale. At the time of print contract negotiating, the local League will furnish the printer with a resale certificate (St-3 form), so no sales tax will be charged on the order. St-3 forms may be obtained from the state League office. The trick is that now the **League must collect sales tax** when it sells the items. The St-3 form is basically a promise to the state that the tax will be collected at a later time, by you!

So what happens if you intend to sell 100 items, so you provide the St-3 form and pay no sales tax upon purchase, but you only sell 60, and you then decide to give away the other 40? Uh oh! There was no sales tax ever collected on the 40 you gave away. Trenton isn't happy... so you have to pay a tax on them **as if you had sold them**. This is what is called a "**Use tax**".

Note that use taxes only come up if you escaped paying sales tax when you bought the items. If you paid sales tax at that time, intending to give away the entire set of publications (like a voters guide), you don't need to pay it again. Also, you can give the items away to certain "**exempt organizations**" (notably governmental bodies and charities) without being subject to a use tax even if you filled out the St-3 form and paid no sales tax initially.

Sales and use taxes are collected by local leagues and sent to LWVNJ, which pays them in lump sums to the state of NJ. Under the authorization agreement of March 19, 1973 between the League of Women Voters of New Jersey and the Division of Taxation of the State of New

Jersey, the League of Women Voters of New Jersey is the party responsible for reporting and paying the sales and use tax due on all sales made by the local League.

A report form is issued by the state League office quarterly to each local League. It must be completely filled out, even though no tax is owed, signed, and one copy returned to the state office. The local League must keep a copy on file for three years.

Publications from the LWVNJ and the LWVUS -- tax issues

When your local League buys publications from the LWVNJ, the state League charges you the tax and forwards the tax to the state of New Jersey. The local League collects this tax upon resale of the publications and keeps it. This is true also for LWVUS items if purchased through the LWVNJ. This gets tricky sometimes, however, because you may sell certain publications for a higher amount than the charge to your League (notably Citizen's Guides, intended to be a fund raising source for local Leagues). In this case, you will owe sales tax on the difference in prices.

If the local League is buying publications from LWVNJ for resale **to an exempt organization**, or for free distribution to an exempt organization (mainly governmental bodies and charities) note this fact on the order and no sales tax will be charged. Only that part of the order which is for an exempt organization may be tax free. To justify the extra bookkeeping involved, the order for resale to an exempt organization must total at least \$3.00.

The LWVUS **does not** collect sales tax when it sells items to your local League directly, so these are considered like any other purchase on which you did not pay sales tax. If you sell or give them away, you owe sales or use taxes.

Fund raising events -- tax issues

Many fund raising events involve sales of products or commodities. Garage sale, flea markets, plant sales, fund raising dinners, etc... may sometimes involve tax liabilities for the local League. In some cases an St-3 form may be used. Contact the state office if you need advice on these events.

INCORPORATION OF LOCAL LEAGUES IN NEW JERSEY

The reasons for incorporating a League is that in certain situations the membership of an unincorporated organization might face personal liability when such might not be the case if the League were operating in corporate form. There is no guarantee that incorporating a League protects the officers and members from personal liability.

Incorporation of a local League in New Jersey is a relatively simple matter. A lawyer is not necessary for completing and filing incorporation papers. The forms are available from the Department of State, State House, Trenton, New Jersey 08625. Be sure to specify you wish the forms for a non-profit organization.

A statutory agent for the service of process has to be designated in the incorporation papers. This will probably be the president of the local League. Each time a new president is elected, an amendment must be filed with the above agencies designating a new agent and address.