



## Procedure for Handling 4-H Accounts: Tax-Related Procedures for 4-H Clubs and Affiliated Groups<sup>1</sup>

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An authorized chartered 4-H club or other 4-H affiliated group with a treasury account is subject to both state and federal laws and regulations, including tax laws. The guidelines below are provided as an overview of these laws. Specific information regarding individual circumstances will require additional consideration. Understanding the general tax implications will assist volunteers and staff in conducting proper financial transactions, fundraising, and reporting.

### Federal Income Tax Exemption

Chartered 4-H Clubs and Affiliates who have been authorized to use the 4-H Name and Emblem and have treasuries with an IRS Employer Identification Number (EIN) using the National 4-H Headquarters Group Exemption Number (GEN) 2704 are exempt from paying federal income tax. Documentation to verify this is obtained by registering the unit with the County Extension Office and the State 4-H Office. The State 4-H Office must request a verifying letter from National 4-H Headquarters for each separate group. Each 4-H club or affiliated group also has a responsibility to file an annual Federal Income Tax Report. This report will be the IRS Form 990 for groups with income exceeding \$25,000. For groups with less than \$25,000, the IRS Form 990 EZ will be used. This is an annual requirement. If the IRS online filing process fails, documentation should be kept about each attempt.

Current IRS publications covering tax-exempt status should be reviewed annually for details on reporting requirements and changes in the code.

The Internal Revenue Service has recognized the tax-exempt status of 4-H units and affiliated 4-H organizations, which are organized and operated under the auspices of Cooperative Extension. This guidance and oversight must be in keeping with the regulations governing the use of the 4-H name and emblem, and be in accordance with the policy statement in Chapter XI, Section 8.2 of the *Federal Administrative Handbook for Cooperative Extension Work*.

One publication that can help Cooperative Extension personnel interpret the authorization is *Tax Exemption Status of 4-H Clubs and Affiliated 4-H Organizations*. It can be found online at <http://www.national4-Hheadquarters.gov/>, or it can be obtained by contacting the state or county 4-H program office.

### Getting on the IRS Cumulative List (of Charitable Organizations)

Upon being contacted about making a contribution to a 4-H Club or affiliate, many large organizations or private groups will check IRS Publication 78, *Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986*. This publication, available both

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online and as a printed document, is a list of organizations eligible to receive tax-deductible charitable contributions. It can be viewed on the Web at <http://www.irs.gov/charities/article/0,,id=96136,00.html>.

Most 4-H Clubs and 4-H Affiliate Groups will not be listed in Publication 78. 4-H Clubs and affiliates need to provide the donating group a copy of the National 4-H Headquarters verifying letter.

### **Receiving Donations of Gifts, Property, Equipment, or Animals**

As determined by the Internal Revenue Service (IRS), donors may deduct contributions to 4-H clubs and affiliated 4-H organizations. These can include bequests, legacies, devises, transfers, or gifts, as applicable under the IRS Code. Most donors will request documentation of the gift on letterhead paper. The only letter that is acceptable to give to the donor is one issued from National 4-H Headquarters for the specific 4-H club or affiliate group. This letter must be requested by the County Extension Agent through documentation to the State 4-H office. The letter, once requested, takes about two to three weeks to obtain. An acknowledgement letter to the donor may also include the date of the donation, the name of the organization, a brief description of the gift (do not provide the gift value unless it is cash), and the specifications for the unrestricted or restricted use of the gift as defined by the donor.

Due to IRS regulations surrounding donated animals, it is not recommended (for tax purposes) to accept the donation of any live animal.

### **Florida Sales Tax Exemption**

A Florida 4-H Club or Affiliated Group may apply to the Florida Department of Revenue to receive a certificate of exemption from sales tax on things *purchased* that further the mission of the nonprofit. This exemption is *not* automatically granted just because a group is exempt from federal income tax.

A 4-H Club or affiliate must apply through the Florida Department of Revenue. Form DR-5 must be completed. This form is available online through the Department at <http://dor.myflorida.com/dor/forms/2003/dr5.pdf>. A letter documenting the 4-H Club or Affiliate Group as eligible for the Sales Tax Exemption may be requested from the State 4-H Office, since the National 4-H Headquarters letter

will not be accepted. The process takes several weeks. This certificate must be renewed every five years.

The best way to use a Florida sales tax exemption is to establish a charge account with any companies you do business with on a regular basis. They will ask for a copy of your certificate. The Florida sales tax exemption is only good when materials are purchased with a foundation/county/club/affiliate (whatever entity has filed and received a certificate of tax exemption) check. For instance, if a volunteer were to go to a local business to buy paper supplies for the 4-H banquet, he or she *could not* write a personal check and still be granted the Florida sales tax exemption. The Florida sales tax exemption is valid only for the entity that specifically applies for it. All purchases must be paid for with monies from a nonprofit entity—not money of an individual. The Florida Department of Revenue will penalize any organization sharing a sales tax exemption number.

Companies wanting to verify the name and certificate number of 4-H groups holding the Florida Department of Revenue Certificate may perform an online search at <https://suntax.state.fl.us/irj/portal/anonymous>.

The University of Florida is a qualifying governmental body exempt from paying Florida sales tax on purchases for its own use, as are county governments. Extension Offices may obtain the Consumer's Certificate of Exemption (Form DR-14) from University Tax Services or Purchasing or from county governmental offices.

### **Paying State Tax on Items Sold by the 4-H Club or Affiliate Group**

When a 4-H club or affiliated group decides to sell specific items to others, they must collect sales tax on the sold items. This sales tax then needs to be transferred to the State of Florida.

Chapter 212 of the Florida Statutes defines sales taxes as applying "...to the sale, rental, lease, or license to use goods, certain services, and commercial property in Florida, unless the transaction is specifically exempt."

Florida law provides that each sale, admission charge, storage, or rental is taxable unless the transaction is specifically exempt. Florida's general sales tax rate is 6%; however, there is an established

"bracket system" for collecting sales tax on any part of each total taxable sale that is less than a whole dollar amount. Additionally, a discretionary sales surtax is imposed by many Florida counties. To compute the Florida sales tax rate for each county, you add the county-imposed discretionary sales surtax rate to the general sales and use tax rate.

The University of Florida's tax-exempt status as a state agency does not extend to any other campus or professional organization under its auspices. County 4-H Foundations, clubs, affiliated 4-H organizations, and other IFAS entities must collect the appropriate sales tax on sales of food, property, or other items to the general public. County Extension Offices have the option of obtaining their own tax resale number, and must collect and report all taxes (percentage added to state 6% by county government) in their county.

If your 4-H club or affiliated group plans to sell or resell any items, work very closely with the County Extension Director. It is important for 4-H groups to be in close contact with the Extension Office when fundraising efforts are planned.

## Resources

### USDA 4-H National Headquarters

- *Tax Exemption Status of 4-H Clubs and Affiliated 4-H Organizations*: [http://www.national4-Hheadquarters.gov/library/fs\\_tax\\_4-05-06.pdf](http://www.national4-Hheadquarters.gov/library/fs_tax_4-05-06.pdf)
- *Granting Authorization to use the 4-H Name and Emblem*: [http://www.national4-Hheadquarters.gov/library/fs\\_authorization\\_1-25-06.pdf](http://www.national4-Hheadquarters.gov/library/fs_authorization_1-25-06.pdf)
- *Charters: The Key to Official Recognition*: [http://www.national4-Hheadquarters.gov/library/fs\\_charter\\_1-23-08.pdf](http://www.national4-Hheadquarters.gov/library/fs_charter_1-23-08.pdf)

### IRS

- Application for Federal Employer Identification Number (SS-4): <http://www.irs.gov/pub/irs-pdf/fss4.pdf?portlet=3>
- Publication 78, Cumulative List of Organizations: <http://www.irs.gov/charities/article/0,,id=96136,00.html>
- Return of Organization Exempt From Income Tax (Form 990): <http://www.irs.gov/pub/irs-pdf/f990.pdf>

### Florida Department of Revenue

- *Instructions for Completing Application for Consumer's Certificate of Exemption (Form DR-5)*: <http://www.myflorida.com/dor/forms/2003/dr5.pdf>
- Florida Sales and Use Tax: [http://www.myflorida.com/dor/taxes/sales\\_tax.html](http://www.myflorida.com/dor/taxes/sales_tax.html)

### UF|IFAS Publications

- *IMM: IFAS; Cash Receipts (7C1-6.40-13 (Revised))*: [http://imm.ifas.ufl.edu/6\\_40/640-13.htm](http://imm.ifas.ufl.edu/6_40/640-13.htm)