

## S.B.A.S.C.N.A. Area Motion

**Date:** July 20,2025

**Submitted By:** S.B.A.S.C.N.A. Ad Hoc Committee for Becoming Non-Profit

**Motion:** To allow the S.B.A.S.C.N.A. Area to become a Tax Exempt 501(c)(3) Corporation under the provisions of Section 501(c)(3) IRS.

**NOTE:** Section 501(c)(3) is the portion of the US Internal Revenue Code that allows for federal tax exemption of nonprofit organizations, specifically those that are considered public charities, private foundations or private operating foundations.

### **Reasons for Motion:**

Here are the reasons the Area Ad Hoc Committee feels it is important to obtain a Tax-Exempt status.

1. Legal Liability. Corporations provide limited liability protection to their owners (in our case Board & Committee Members). Typically, the owners are not personally responsible for the debts and liabilities of the business; thus, creditors cannot pursue owners' personal assets, such as a house or car, to pay business debts. Currently the Retreat Chair signs the contract with the DNR Center, thus making them legally liable for the provisions of that contract. This is an unnecessary burden that we place on the Chair Person and is somewhat irresponsible on our part to ask someone to put themselves and their personal finances at risk should an unexpected issue arise. This will also add the same protection to all subcommittee chairs holding events.
2. Being a "Corporation" allows us to have ease of transferring "Board Members" without going through the whole process every time key Board Members are replaced.
3. Having the 501(c)(3) status relieves our worry every year that we will be asked to pay the 6% Sales Tax to the DNR Center, as stated in our contract. We currently have the anticipated tax money for a single Retreat of \$1,200.00 set aside should we be asked to pay it. This money will be used to pay any expenses incurred in this process.
4. The new 501(c)(3) status would allow us to take other forms of payment such as a credit card for registrations, shirt sales and donations. Currently because we are not legally recognized as a "non-profit" organization, taking such payments would require using an individual member's personal information, such as their bank account and social security number, and would be considered personal income for that member's personal finances. This technically would show up as "income" for that member and they would be responsible for paying income tax on it.
5. Area will save money on literature purchases by not having to pay taxes on the purchases.
6. This change will position Area to properly support raffles and other fund-raising activities.

### **Requirements for being Tax Exempt:**

1. File with the State of Michigan for a Tax ID number. This is simple, takes just a few days and costs about \$20.00.
2. File that Tax ID number with the IRS. This is simple, takes just a week or so and costs about \$20.00

3. File for 501(c)(3) status with the IRS. This requires a very long and technical form to be filed out and submitted to the IRS. and could take several months to receive a reply from them as to their decision whether we would be granted “non-profit” status under a 501(c)(3) corporation. A non-refundable fee of \$500.00 is required by the IRS to file this form.

This form has such required info as:

- a. Name of Organization
- b. Purpose and function
- c. List of Board Members:
  1. President
  2. Secretary
  3. Treasurer

We will attempt to follow the process used by Region to become a non-profit Corporation. If it becomes necessary, we will work with Alan Wazny, the CPA who worked with Region to become a non-profit organization. His CPA firm’s fee is \$600.00 for this entire process.

4. The Area would be required to file annually a Federal Tax Return. The first year we would require an accountant to file the return. This will cost about \$500 and will be covered by the Retreat money set aside for taxes. The following years the board can file the taxes.

5. **Notables:**

1. We would be using the existing \$1,200.00 we have put aside for the Retreat’s “anticipated” sales tax to pay for becoming a 501(c)(3).
2. The “Board Members” for the new 501(c)(3) would be President- Area Chairperson, Secretary- Area Secretary, Treasurer- Area Treasurer. The board for the corporation would always be made up of the area board members and would change when the area administrative members are elected.
3. For the last 30+ years, the Retreat has not paid sales tax. The contract states: “Should your group fall under tax exempt status, please provide your state issued Tax Exempt Letter together with your contract”. It is only a matter of time before they request this letter and we currently do not have one. So we would be charged 6% Sales Tax, which would be around \$1,200.00. Getting our 501(c)(3) non-profit tax-exempt status could take several months and our hope is that we will have this status by the time of the next annual area retreat.

In Loving Service

The SBASCNA Area Ad Hoc Committee for Becoming Non-Profit