

USATF ASSOCIATIONS GROUP EXEMPTION DISCUSSION INDIVIDUAL EXEMPTION FILING FAQs

1. Is this process mandatory for all Associations of USATF?

Yes. After careful consideration and conferring with the AEC and the Accreditation Committee, we jointly feel that the benefits outweigh the costs. We hope to accomplish the following by dissolving the Group Exemption:

- a. We want to reduce confusion as to what a “Group Exemption” is and requires of all parties involved. Normal turnover in Association leadership means misunderstandings happen on a fairly regular basis. Whether or not an Association has their own tax exempt determination or is under group exemption does not change the tax reporting and filing they must do themselves. This is often misunderstood and can jeopardize the Association’s tax exempt status either way.
- b. Since it is a one-time effort and cost, we want to assist all Associations at the same time which will then streamline things going forward and make the process consistent.
- c. It will prevent Associations from being inadvertently left off of the Group Exemption for not responding to the wufoo election form each year. We have this happen each year and then must remedy at the cost of much time by both the Association and the National Office.
- d. We think we are preempting the change in direction the IRS seems to be making on this topic. Currently no new Group Exemptions are being granted and the IRS has hinted that they plan to make the Group Exemption reporting process much more detailed (and onerous) in the future.
- e. We will be able to remove any doubt as to whether USATF’s Group Exemption meets all 5 criteria of the 5 Factor Test that the IRS requires. The way our Associations are structured, it is uncertain if they could be considered to be “subject to its (the parent org) general supervision and control.” See #4 of the document linked here. <https://www.irs.gov/pub/irs-tege/eotopica87.pdf>
- f. We believe this will enforce each Association’s individual identity, autonomy and also accountability.
- g. National Office is committed to defraying the cost of certain filing fees and other costs which would be burdensome on some Associations in order to remove that part of the concern.

2. Why do we need to consult a tax professional?

It is best business practice for any not-for-profit organization to use a tax/accounting professional who is aware of current federal and state tax laws. It is especially important for filing for exemption since state laws vary and will be important in this process. In addition, National Office personnel are not legally allowed to offer tax advice or opinions on specific situations. Only general information can be shared.

3. Didn’t we already receive our tax exempt (501c3) status when we registered to do business and received our state tax exemption ruling?

No, the Federal tax exempt ruling which must be applied for separately and by using Form 1023 or Form 1023EZ is separate from what has been granted by the state. The state granted your status due to your inclusion in the Federal Group Exemption of USATF which National Office filed for. Once this Group Exemption is dissolved, you will need to have your own FEDERAL determination of tax status.

4. What associations have already gone through this process?

Recently, Texas Southern, Alabama, Nevada have gone through the process of receiving their own determination letters and tax exempt statuses. Also, New England has had their own tax exempt determination for many years. They would be a resource. Again, be reminded that each state will have different requirements as part of this process so avoid attempting to directly copy any of their forms.

5. Is it possible that an Association could have had an individual tax exempt status granted prior to later being included in the Group Exemption? If so, is the prior status no longer in effect?

It is possible that an Association was granted an individual determination of tax exempt status; however, once it elects to file under the Group Exemption, all prior determinations are negated and the Association would have to, once again, file for its own determination of tax status.

6. With the due date of the 990 on May 15, should our Association still file as being under the Group Exemption?

Yes! Associations should continue to file as they normally would including marking that they are part of the Group Exemption until notice is received of its own determination ruling. USATF will continue filing the Group Exemption until all Associations have confirmed notification of receiving their ruling. Group Exemption wufoo forms will again go out in August of this year. Please be sure to elect that your Association wishes to be included in the Group Exemption.

7. As a small Association, our annual gross receipts are under \$50,000 every year except in the year when we host the JO Outdoor Regional meet. Is that enough to disqualify us from using Form 1023EZ?

Most likely, yes. There is a lookback period of several years that is considered when determining which form can/must be used. The questionnaire you will receive and fill out will walk you through the specifics of that requirement. It is also advised that you discuss your Association's specific situation with your tax professional.

8. How do other NGBs handle this Group Exemption issue?

Since most NGBs are unique in and of themselves and due to the wide variations in how those that have associations or chapters are structured, it is hard to compare USATF to other entities. At least one other NGB that we've spoken to has Associations but all aspects of those Associations are primarily handled by their National Office. For instance, all spending is done through the National Office who writes the checks, handles the accounting and reporting etc for the Associations. USATF's Associations are much more autonomous and independently operated. That being the case, individual determinations seem to make the most sense for our organization.

9. Will there be a deadline imposed for filing the Form 1023 or 1023EZ?

Please see the document entitled FIRST STEPS and IMPORTANT DATES. There is a target date for filing of Nov 1, 2023. This is for the filing only, NOT the date we expect all to have their determination letters back. We understand the IRS will consider and process the filed requests at varying rates. The Group Exemption will remain in effect until all Associations have received a response. To be included, Associations must continue to respond to the wufoo form indicating such. The AEC and the National Office will request periodic status reports so we can better pinpoint dates as the process progresses.