

Treasurer's Procedure Manual – Revised 5/21/20225
Prepared by Dan Zimmerman (zimmerman_dan@hotmail.com)
Treasurer, Eastmorland Community Association

Note: Annual reporting and tasks have been highlighted below.

Duties of the treasurer of a nonprofit organization and indemnification:

- Two websites provide good, brief explanations about the duties of the treasurer of a nonprofit organization: [Understanding The Duties of a Nonprofit Treasurer | BoardEffect](#) --- this website also provides information regarding “the other roles and responsibilities of board directors at a nonprofit? [Download our recent white paper to get an in-depth look at nonprofit boards.](#)”; and [Duties of the Treasurer of a Nonprofit Corporation – Nonprofit Law Blog](#)
- In general, s. 181.0872, Wisconsin Statutes, indemnifies a director/officer of a registered corporation if the director/officer if he/she shows due diligence, good-faith in completing his/her tasks as a director/officer of the corporation.

Two notes regarding accounting – I recommend using cash basis accounting and having a board member review the books at least quarterly (rather than paying for a CPA for an audit or review); this should be done to minimize embezzlement risks:

Accrual Accounting vs. Cash Basis Accounting: An Overview

The main difference between accrual and cash basis accounting lies in the timing of when revenue and expenses are recognized. The cash method provides an immediate recognition of revenue and expenses, while the accrual method focuses on anticipated revenue and expenses.

Accrual Accounting

Under accrual accounting, revenue is accounted for when it is earned. Unlike the cash method, the accrual method records revenue when a product or service is delivered to a customer with the expectation that money will be paid in the future. In other words, money is accounted for before it's received. Likewise, expenses for goods and services are recorded before any cash is paid out for them. The accrual method is generally required for companies that file audited financial statements and is required under the generally accepted accounting principles (GAAP) issued by the Financial Accounting Standards Boards (FASB).

Cash Basis Accounting

Under cash basis accounting, revenue is reported on the income statement only when cash is received. Expenses are recorded only when cash is paid out. The cash method is typically used by small businesses and for personal finances. The key advantage of the cash method is its simplicity—it only accounts for cash paid or received. Tracking the cash flow of a company is also easier.

Audit versus reviews versus compilations by a CPA. In an audit engagement, the auditor must corroborate the ending balances in the client's accounts and disclosures. This calls for the examination of source documents, third party confirmations, physical inspections, tests of controls, and other procedures as needed. In a review engagement, the auditor conducts analytical procedures and makes inquiries to ascertain whether the information contained within the financial statements is correct. The result is a limited level of assurance that the financial statements being presented do not require any material modifications. In a compilation engagement, the auditor simply presents financial statements based on the representations made by management, with no effort to verify this information. The auditor does not engage in any of the audit work that is found in a full audit or a review, so

there's no examination of controls, or walk-throughs of transactions, or tracing account balances back to the supporting documentation. In short, a compilation isn't designed to provide any assurance about the information contained within the financial statements.

An audit by a CPA is not required and it is not cost effective (\$10,000+). Because the bookkeeping for a neighborhood association/small organization is fairly simple and straightforward, even a review of the books by a CPA is not necessary and is not cost effective. It is prudent for a board director to perform a review of the information in the spreadsheet, checkbook, and bank statements at least quarterly to make sure that everything matches and is above board; this should be done to minimize embezzlement risks.

Ongoing/periodic tasks of the treasurer (Note: While accounting software, such as QuickBooks, may be purchased and used, a spreadsheet will suffice for the needs of most neighborhood associations; which should be cash basis accounting, Google spreadsheets are free to use, easy to use, and may be shared, as desired):

1. Enter information from incoming checks and cash into the organization's spreadsheet and checkbook as needed. It is good practice to check the post office box for checks and to deposit the checks and cash at least every two weeks.
2. Write checks (e.g., for pizza for a leaf raking party; printing of a newsletter; etc.) as needed and hand deliver or mail the checks (e-checks may be applicable). Enter the information for any checks written into the spreadsheet at the time the checks are written.
3. Balance the checkbook at least monthly (when the bank statement is received).
4. Prepare the balance sheet at least two days prior to a board/member meeting and distribute.
5. Prepare the Pivot Tables for revenue and expenses and prepare the proposed budget for the upcoming fiscal year at least one week before the board/member meeting in which the proposed budget will be discussed. Distribute this information as soon as possible prior to the meeting. For example, if the organization's fiscal year is July 1st – June 30th and the next board/member meeting is scheduled for the second Tuesday of July, which was July 9th in 2024, then this information should be compiled and sent by July 2nd.
6. If the neighborhood association has received tax-exempt status from the IRS, file the IRS 990-N form online (no fee). This form is due 5½ months after the association's end of the fiscal year. ECA's fiscal year is the calendar year, so it is due on May 15th. If your association's fiscal year is the calendar year, then it would be a good practice to file the 990-N form at the same time you file your own taxes, so this task isn't forgotten.
7. If the neighborhood association has incorporated with the State, file the annual report and pay the applicable fee with the Department of Financial Institutions (DFI). The DFI sends a postcard to the "registered" address (i.e., for ECA, it is the PO Box) approximately six to eight weeks before the due date. You can't file the annual report until the postcard arrives as the postcard provides an ID number for use in filing the form.

See [Navigating compliance as a 501\(c\)\(4\) tax-exempt organization | Nonprofit Accounting Basics](#)

Plan for succession

As a business, it is prudent to have a plan in place to transfer knowledge from one person (not necessarily just officers of the Board) to a successor. This document is meant to provide the information that a treasurer should have. In addition the following considerations should be made:

- Bank/checking account

1. Signatories to the checking account – It is prudent to have more than one person be a signatory for the checking account (e.g., treasurer and president) so if the treasurer moves out of the neighborhood, resigns (abruptly or not), etc., then someone can access the funds.
 2. Check printing – If your checking account doesn't include free check printing, Walmart offers a check printing service that is about half the cost of most check printing services through the bank (see [Check Printing - Personal & Business Checks - Walmart.com](#)).
- If the neighborhood association/organization chooses to use a Post Office Box (see below), then two keys are issued for the PO Box. It is prudent for the treasurer to have one copy and check the PO Box at least every other week for mail. It is prudent that another director have the other copy of the key.

The neighborhood association/organization needs to consider what its “official” address will be. If the “official” address is the address of a current officer of the Board, then this address is likely to change frequently. The alternative is to use a US Post Office Box (see [PO Boxes | USPS](#)). ECA's PO Box size is #1, which is 3" x 5½", PO Box 14584 currently costs \$200.00 annually (it is permitted to pay semi-annually, but it is more convenient to pay annually). **Toward the beginning of August each year, the Post Office places a notice in the PO Box notifying us that the rental fee is due and they send an email to the person on file via the USPS form #1093 (PSForm 1093 - How To Apply for a PO BOX (usps.com)).** This form also may be used to identify persons or representatives of the business/organization who are authorized to pick up mail addressed to this (these) PO Box number(s) are listed below. All names listed must have verifiable ID and upon request, present this identification to the Postal Service. The USPS website says, **“The information on your PS Form 1093 must always be current. As soon as any information changes (such as your street address, telephone number, or email address), you are responsible for updating the information.** Failure to update your information may result in termination of service. We keep the form on file at the Post Office where you use the service.”

Does a neighborhood association need to formally become a corporation with IRS tax-exempt status? The advantages of doing so are:

1. Without an employer identification number (and possibly tax-exempt status), it may be unlikely that an entity will provide a grant to the association, unless the association is applying for a grant in collaboration with another organization that meets specific requirements (i.e., is the fiscal agent for the grant). For example, Woodman's Food Market requires a tax identifier (i.e., employer identification number) for them to consider a request for a charitable donation or for local advertising opportunities.
2. If the association has filed the necessary documents with the Department of Financial Institutions to register as a nonstock, nonprofit corporation and has filed for and received IRS approval as a tax-exempt corporation under s. 501(c)(3) as a charitable organization or under s. 501(c)(4) as a social welfare organization, then the association's standing with the Wisconsin Department of Revenue and the IRS is clear regarding the requirements for filing corporate taxes.
3. Indemnification of the directors and officers of a registered corporation is clear under s. 181.0872, Wisconsin Statutes.

Costs associated with incorporation and obtaining/maintaining tax-exempt status (as of 9/7/2024):

	To Whom	Cost	Online?	Payment
Initial	Apply with the Dept. of Financial Institutions (DFI) as a corporation	\$35	Yes – Form 102	Credit card only
Initial	IRS	Free	Yes – Form SS4 (Application for an Employer Identification Number)	n/a
Initial	IRS	\$50	Yes – Form 8976, Notice of Intent to Operate Under Section 501(c)(4)*	Credit card only
Initial	IRS	\$600	Yes – Form 1024-A	Credit card or e-check
Annual	Report with DFI – due by June 30 th of each year, but should be done following the annual election in May to ensure timely reporting	\$25	Yes – Form 5	e-check
Annual	990-N (if the revenue during the past year is less than \$50,000 – due May 31 st of each year given that our fiscal year is the calendar year, but should be done when the treasurer files his/her personal tax return to ensure timely reporting	No cost	Yes – Form 990-N or 990-T, if not tax-exempt OR if there is unrelated business income	n/a
As needed	DFI – Statement of Change of Registered Agent	\$20	Yes – Form 13 (see page 8 below)	Credit card only

* **Note:** In general, an organization that intends to be described in Section 501(c)(4) must notify the IRS that it is operating as a Section 501(c)(4) organization within 60 days of its formation.

Start-up tasks of the organization if the organization wants to officially be tax-exempt under Wisconsin and IRS statutes regulations:

1. Consider acquiring a post office box as a “permanent address” for the organization as opposed to using a personal address for the organization (see United States Postal Service – Post Office Box above for more information).
2. Develop the article of incorporation as detailed in s. 181.0202, Wis. Stats. (see [\(000001.ildoc\) \(wisconsin.gov\)](#)). It is permissible to identify the initial directors and to develop proposed by-laws at this stage. File the articles of incorporation with the Department of Financial Institutions (see below for links to online filing). After incorporation, hold an organizational meeting to elect directors and write/finalize the initial by-laws in accordance with ss. 181.0205 and 181.0206.

Note: A Wisconsin corporation that meets the first of the two following definitions in s. 181.0303 is a nonprofit corporation, however, this does not confer federal tax exempt status:

(17) “Nonprofit corporation” means a corporation that does not make distributions, except as authorized under s. 181.1302 (1), (2) and (3).

(18) “Nonstock corporation” means a corporation without capital stock.

Note: In general, an organization that intends to be described in Section 501(c)(4) must notify the IRS that it is operating as a Section 501(c)(4) organization within 60 days of its formation. This task is accomplished by first obtaining an Employer Identification Number (see below) and completing and submitting the IRS Form 8976, Notice of Intent to Operate Under Section 501(c)(4) along with the \$50 fee.

3. To apply for IRS tax-exempt status, the organization must first receive an employer identification number (EIN) from the IRS. Go to [Employer ID numbers | Internal Revenue Service \(irs.gov\)](#) --- this website provides detailed instructions for applying for the EIN, which may be done online and is free.
4. Complete and submit the IRS Form 8976 and \$50 fee.
5. Complete and submit the IRS Form 1024-A and \$600 fee. You first must register (user name and password) for an account with Pay.gov ([Pay.gov - Home](#)). Then under the tab “See All Forms,” go to Form 1024-A ([Pay.gov - Application for Recognition of Exemption Under Section 501\(c\)\(4\)](#)).

Added on 9/9/2024 – Now, with the reasons you should seek 501(c)(4) status, not 501(c)(3) status:

1. Typically, a neighborhood association (NA) seeks dues and donations only from residents and businesses that live/operate within its boundaries. The NA meetings typically only deal with issues that affect the neighborhood. Whereas, a charitable organization's requests for donations and works generally are not limited on the boundaries of a specific neighborhood --- the efforts are geared towards one or more specific purposes.
2. The federal and state legal requirements and paperwork for charitable organizations are much more involved than it is for social welfare organizations (see [DFI Statutes & Rules \(wi.gov\)](#) and [DFI Charitable Organizations Frequently Asked Questions \(wi.gov\)](#) [DFI Charitable Organizations Frequently Asked Questions \(wi.gov\)](#)).
3. From the IRS websites [Exemption requirements - 501\(c\)\(3\) organizations | Internal Revenue Service \(irs.gov\)](#) and [Social welfare organizations | Internal Revenue Service \(irs.gov\)](#)

To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be [organized](#) and [operated](#) exclusively for [exempt purposes](#) set forth in section 501(c)(3), and none of its earnings may [inure](#) to any private shareholder or individual. In addition, it may not be an [action organization](#), i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Organizations described in section 501(c)(3) are commonly referred to as **charitable organizations**. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170.

The organization must not be organized or operated for the benefit of [private interests](#), and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an [excess benefit transaction](#) with a person having substantial influence over the organization, an [excise tax](#) may be imposed on the person and any organization managers agreeing to the transaction.

Section 501(c)(3) organizations are restricted in how much political and legislative (*lobbying*) activities they may conduct. For a detailed discussion, see [Political and Lobbying Activities](#). For more information about lobbying activities by charities, see the article [Lobbying Issues PDF](#); for more information about political activities of charities, see the FY-2002 CPE topic [Election Year Issues PDF](#).

To be tax-exempt as a social welfare organization described in Internal Revenue Code (IRC) section 501(c)(4), an organization must not be organized for profit and must be operated exclusively to promote social welfare. The earnings of a section 501(c)(4) organization may not [inure](#) to the benefit of any private shareholder or individual. If the organization engages in an [excess benefit transaction](#) with a person having substantial influence over the organization, an excise tax may be imposed on the person and any managers agreeing to the transaction. See [introduction to IRC 4958 PDF](#) for more information about this excise tax. For a more detailed discussion of the exemption requirements for section 501(c)(4) organizations, see [IRC 501\(c\)\(4\) Organizations PDF](#).

Seeking legislation germane to the organization's programs is a permissible means of attaining social welfare purposes. Thus, a section 501(c)(4) social welfare organization may further its exempt purposes through lobbying as its primary activity without jeopardizing its exempt status. An organization that has lost its section 501(c)(3) status due to substantial attempts to influence legislation may not thereafter qualify as a section 501(c)(4) organization. In addition, a section 501(c)(4) organization that engages in lobbying may be required to either provide notice to its members regarding the percentage of dues paid that are applicable to lobbying activities or pay a proxy tax. For more information, see [lobbying issues PDF](#).

The promotion of social welfare does not include direct or indirect participation or [intervention in political campaigns](#) on behalf of or in opposition to any candidate for

public office. However, a section 501(c)(4) social welfare organization may engage in some political activities, so long as that is not its primary activity. However, any expenditure it makes for political activities may be subject to tax under section 527(f).

State Requirements – Pertinent Documents and Websites

- ECA is a non-stock, non-profit corporation in compliance with Chapter 181, Wisconsin Statutes ([000001.ildoc](#)) ([wisconsin.gov](#)). The statutes detail all requirements for the organization's articles of incorporations, by-laws, registered agent, members, meetings, etc. The term "nonprofit" is used eight times in the statutes, but the most pertinent reference is s. 181.0103 ((17), which provides the definition: "Nonprofit corporation" means a corporation that does not make distributions, except as authorized under s. 181.1302 (1), (2) and (3). **Note: ECA is not a charitable organization that is IRS approved under s. 501(c)(3) and as defined under Chapter 202, Wisconsin Statutes, so references in ch. 181 to charitable assets and charitable funds are not applicable.**
- The Wisconsin Department of Financial Institutions (<https://dfi.wi.gov>) regulates state-chartered banks and credit unions, licensed financial service providers, charitable organizations, commissioned notaries, and the securities industry. For ECA, all the pertinent forms required for our business may be filed online and applicable fees may be paid with an e-check (need the bank routing number and the checking account number --- there is no processing fee with this payment method):

The Bureau offers multiple online filing options. In most cases, your filing will be accepted upon receipt and you will receive notice immediately. All online filings require a contact email address be provided. This email address will be used for all correspondence regarding that particular filing. Click on a category below or scroll to the desired form in the list:

- [File an Annual Report](#) [**Note: The DFI sends a postcard to the PO Box approximately two months in advance of the due date for the annual report, which for ECA is June 30th; it is not possible to file this report until the postcard, which provides an ID number, is received.**]
- [Create a Corporation or LLC](#)
- [Change a Registered Agent or Office](#)
- [Dissolve a Domestic entity or Withdraw a Foreign registration](#)

Available Online Filings

Form Number	Form Name	Statute
102	Articles of Incorporation - Nonstock Corporation	Ch. 181
13	Statement of Change of Registered Agent	Ch. 178, 179, 180, 181, 183
110	Articles of Dissolution - Nonstock Corporation	Ch. 181
5	Annual Report - Nonstock or Limited Liability Company	Ch. 181, 183

Contact Us

Phone: (608) 261-7577

Email: DFICorporations@dfi.wisconsin.gov

Mailing Address:

Wisconsin Department of Financial Institutions
 Division of Corporate and Consumer Services
 PO Box 93348
 Milwaukee, WI 53293-0348

Physical Address:

Wisconsin Department of Financial Institutions
 Division of Corporate and Consumer Services
 4822 Madison Yards Way, North Tower
 Madison, WI 53705

- Wisconsin Department of Revenue – Temporary Events
 One of the neighborhood events that ECA has two to three times a year is an outdoor market at which vendors may sell items (e.g., one vendor sells mushrooms, a food truck is present, etc.). On Thursday, September 8, 2022, I received a “Temporary Event Information Request” letter from the Wisconsin Department of Revenue (dated August 26, 2022) to Eastmorland Community Association. This letter states, in part, “Operators of temporary events in the State of Wisconsin are required to file form S-240 Wisconsin Temporary Event Report to submit information about all sellers at an event within ten days of the event close. Our records show you are an event operator of Eastmorland Outdoor Market on November 12, 2022. Our revenue field agents may attend your event this year to verify registration information and collect outstanding liabilities.”

The S-240 form collects the following information:

- Part A – Event Operator Information.
- Part B – Temporary Event Information.
- Part C – Vendor Information: For each vendor, we need to provide the seller’s permit number, last 4 digits of SSN, last 4 digits of FEIN, legal business name, vendor contact name, vendor phone number, vendor mailing address, and vendor email address.

The form may be found at [October 2023 S-240 Wisconsin Temporary Event Report](#). During our most recent Outdoor Market, there were 16 vendors; the form allows for the information for four vendors per page. You must complete pages 1 and 2, print pages 1 and 2 and, then, clear page 2 to enter information for four more vendors on page 3, and so on until all vendor information is entered. Print each page (for our last Market there were five pages total) and then scan and save the pages as one file. The uploading of the completed form is done at [DOR Temporary Events - File Transmission Procedures \(wi.gov\)](#).

This form needs to be completed for each temporary event; the purpose of the form is to ensure that sales tax is collected as required by Wisconsin law. It is good practice to file the s-240 form online prior to the date of the temporary event. Below are applicable sections of the Department of Revenue Publication (DOR) 228, Temporary Events: Trade Shows; Flea Markets, Art & Craft Shows, and Fairs & Festivals (see [Pub 228 Temporary Events -- July 2022 \(wi.gov\)](#)), as well as DOR Q & A documents.

A. What Are a Seller's Requirements?

Sellers may be responsible for obtaining a seller's permit from the Department of Revenue and for reporting and paying sales tax on sales at the events.

B. Who Needs a Wisconsin Seller's Permit?

Every individual, partnership, corporation, or other organization making taxable sales in Wisconsin, regardless of whether its sales are mercantile in nature, is required to have a seller's permit, unless one of the following applies:

- The seller only sells nontaxable products, such as nontaxable food.
- The seller qualifies for the occasional sales exemption. See Part 2.F.3.

C. How to Obtain a Seller's Permit

Apply for a seller's permit by one of the following methods:

- Complete the department's online Business Tax Registration.
- Mail Form BTR-101, Application for Business Tax Registration, to the Department of Revenue. Keep a copy of the completed application for your records.

D. Filing Returns and Paying the Tax

(1) How often must a return be filed?

After registering for a seller's permit each seller will be assigned a filing or reporting frequency (monthly, quarterly, or annually). A return must be filed for each reporting period even if no tax is due for that period.

Wisconsin sales and use tax returns must be filed electronically. A seller may request a waiver if the requirement to file electronically causes an undue hardship. An example of an undue hardship is the onset of a disabling illness or injury.

E. What Sales Are Taxable?

Sales, licenses, leases, and rentals of tangible personal property, certain coins and stamps, certain leased property affixed to realty, and certain digital goods are subject to the Wisconsin state sales tax. Certain services (e.g., parking, certain lodging, and admissions to amusement, athletic, entertainment, or recreational events) sold at temporary events are also subject to sales tax.

(1) Examples of taxable merchandise include: artwork, books, candles, candy, crafts and craft supplies, flowers, food and beverages that are prepared food (see "prepared food"), jewelry, plants, including fruit and vegetable bearing plants (e.g., tomato plants), seeds (for planting) and seedlings, soft drinks

F. Exemptions

(3) Occasional sale exemption

Sales of taxable products or services by persons who do not hold and are not required to hold a seller's permit are exempt as occasional sales. A person is generally not required to hold a Wisconsin seller's permit if the person's taxable sales are less than \$2,000 in a calendar year or if the person's sales are isolated or sporadic. If a person's sales are exempt occasional sales, they must pay tax on purchases of products they will sell (i.e., cannot purchase without tax for resale).

Exception: A seller's taxable sales do not qualify for the occasional sale exemption if the seller holds, or is required to hold, a seller's permit at the time of the sales.

Q & A for Event Operators

1. Who is an event operator?

An event operator:

- Arranges, organizes, promotes, or sponsors a temporary event.
- Can be an individual, association, partnership, corporation, non-profit organization, or other business entity.

2. When is the event operator's report due?

Event operators should send their report within 10 days of the close of the event either electronically through the department's secure file transmission application, or by U.S. mail. Do not email event reports to maintain the confidentiality of seller information.

3. What happens if the event operator does not file a report timely?

If an event operator fails to send an accurate and complete event report by the due date, a \$200 penalty for the first failure and \$500 for each subsequent failure may be billed to the event operator.

Federal Requirements – Pertinent Documents and Websites

- IRS Exempt Organization Types - [Exempt organization types | Internal Revenue Service \(irs.gov\)](#) - -- ECA is approved by the IRS under section 501(c)(4), as a social welfare organization (see [Social welfare organizations | Internal Revenue Service \(irs.gov\)](#)).
- Lifecycle of a social welfare organization - [Life cycle of a social welfare organization | Internal Revenue Service \(irs.gov\)](#) --- This website has all the necessary information related to IRS requirements including but not limited to creating the organization (e.g., organizing documents, by-laws, EIN application, etc.); annual exempt organization information returns (return due dates, filing thresholds – which 990 series to file); unrelated business tax income; etc.
- IRS Publication 557 – Tax Exempt Status for Your Organization ([Publication 557 \(Rev. January 2024\) \(irs.gov\)](#)). Pages 2 – 22 provide requirements for all tax exempt organizations and pages 48 – 49 deal with social welfare organizations.
- IRS Publication 598 – Tax on Unrelated Business Income of Exempt Organizations ([Publication 598 \(Rev. March 2021\) \(irs.gov\)](#)). For ECA, the potential issue is sales of advertising space in our newsletter, which pays for the cost of printing and mailing of the newsletter (see page 6). Note: The IRS and USPS are predisposed to consider advertising revenue in a periodical to be unrelated business income. ECA sets the newsletter advertising rates based on the cost of printing and mailing of the newsletter with no profit, although rounding or new advertisements may generate some excess in a given year. Any profit generated in one calendar year is applied as a credit to the next year's invoice for each returning advertiser. Hence, there is no profit requiring a 990-T tax return.

- IRS Publication 1024-A – Instructions for Form 1024-A (January 2021) Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code ([Instructions for Form 1024-A \(Rev. January 2021\) \(irs.gov\)](#)).
- IRS Publication 4221 - Compliance Guide for Tax-Exempt Organizations ([Publication 4221-NC \(Rev. 9-2014\) \(irs.gov\)](#)). This document has some useful information, such as what records to keep and for how long.
- IRS Form 990-N Electronic Filing System (e-Postcard) – User Guide ([Publication 5248, \(Rev. 8-2023\) \(irs.gov\)](#)).
- IRS Form 990-N ([Annual electronic filing requirement for small exempt organizations — Form 990-N \(e-Postcard\) | Internal Revenue Service \(irs.gov\)](#)). Form 990-N is due every year by the 15th day of the 5th month after the close of your [tax year](#). You cannot file the e-Postcard until after your tax year ends. Example: If your tax year ended on December 31, the e-Postcard is due May 15 of the following year. If the due date falls on a Saturday, Sunday or a legal holiday, the due date is the next business day. **Note: If your organization’s fiscal year is the calendar year (January 1 – December 31), then I recommend filing the 990-N the same day when you file your personal income taxes so this requirement is not forgotten.**

Newsletter, Advertising, and Unrelated Business Income – legal/background information):

The sole source of ECA’s income that could be viewed as unrelated business income by the Internal Revenue Service (IRS), the Wisconsin Department of Revenue (DOR), which follows the IRS guidelines and the United States Postal Service (USPS) is advertising revenue for the newsletter. If the income from selling ads for the newsletter is considered unrelated business income, then ECA is required to file a corporate income tax return and a USPS non-profit postal permit to mail the newsletter is prohibited. Functionally, we would owe no taxes for ads related to the newsletter because the costs of printing and mailing the newsletter are deductible expenses are close to the amount of the income from the ads.

While I believe that the newsletter and its ads is a substantially related business and not regularly carried out so that we don’t have to file taxes on the profits from the ads, further appealing the USPS denial of a non-profit postal permit opens ECA to scrutiny by the IRS and USPS related to the income from the ads and may not result in the issuance of a non-profit postal permit. Even if ECA is granted a non-profit postal permit, it appears that the permit is not to be used for unrelated business (see page 5 of this document), which includes ads as part of an unrelated business.

The following selected information provides the background IRS and USPS requirements related to this issue. Bolded font is used to highlight significant information and yellow highlighter for the most significant information.

Note: The revenue from advertising pays for the printing and mailing of the newsletter. If we only publish the newsletter online, then we don’t need to have advertising revenue/unrelated business income. ECA could adopt a policy that permits any person or entity to request to have an article, ad, or other information (e.g., an obituary, an anniversary announcement, etc.) at no cost, although contributions to ECA would be welcomed; ECA would retain the right to determine which requests for an article, ad, or other information would be accepted and published in the newsletter.

From the IRS Publication 557 – Tax-Exempt Status for Your Organization

Unrelated Business Income Tax Return

Even though your organization is recognized as tax exempt, it still may be liable for tax on its unrelated business income. **Unrelated business income is income from a trade or business, regularly carried on, that isn't substantially related to the charitable, educational, or other purpose that is the basis for the organization's exemption.**

If your organization has gross income of \$1,000 or more from a regularly conducted unrelated trade or business, you must file Form 990-T in addition to your required annual information return or notice. The form instructions and [irs.gov](https://www.irs.gov) should be consulted for electronic filing guidance. For tax years beginning after December 31, 2017, an organization with more than 1 unrelated trade or business must compute its UBTI (unrelated business taxable income), including for purposes of determining any net operating loss deduction, separately with respect to each such trade or business. Organizations subject to the rule should complete a separate Schedule A (Form 990-T) to calculate UBTI for each additional trade or business.

Estimated tax. An organization that expects to owe \$500 or more in tax (including tax on unrelated business income) is required to make quarterly estimated tax payments. Use Form 990-W to figure your organization's estimated tax payments. Failure to make appropriate quarterly estimated tax payments may result in an underpayment penalty.

See Publication 598, Tax on Unrelated Business Income of Exempt Organizations more information on UBTI.

From the IRS Publication 598 – Tax on Unrelated Business Income of Exempt Organizations

1. Organizations Subject to the Tax

The tax on unrelated business income applies to most organizations exempt from tax under section 501(a). These organizations include charitable, religious, scientific, and other organizations described in section 501(c), as well as employees' trusts forming part of pension, profit-sharing, and stock bonus plans described in section 401(a).

3. Unrelated Trade or Business

Unrelated business income is the income from a trade or business regularly conducted by an exempt organization and not substantially related to the performance by the organization of its exempt purpose or function. Use by the organization, of the profits derived from this activity, does not, alone, make the activity substantially related to the performance by the organization of its exempt purpose or function.

Certain trade or business activities aren't treated as an unrelated trade or business. See Excluded Trade or Business Activities, later.

Trade or business.

The term “trade or business” generally includes any activity conducted for the production of income from selling goods or performing services. An activity must be conducted with intent to make a profit to constitute a trade or business. An activity doesn’t lose its identity as a trade or business merely because it is conducted within a larger group of similar activities that may or may not be related to the exempt purposes of the organization.

For example, the regular sale of pharmaceutical supplies to the general public by a hospital pharmacy doesn’t lose its identity as a trade or business, even though the pharmacy also furnishes supplies to the hospital and patients of the hospital in accordance with its exempt purpose. **Similarly, soliciting, selling, and publishing commercial advertising is a trade or business even though the advertising is published in an exempt organization's periodical that contains editorial matter related to the organization's exempt purpose.**

Regularly conducted.

Business activities of an exempt organization ordinarily are considered regularly conducted if they show a frequency and continuity, and are pursued in a manner similar to comparable commercial activities of nonexempt organizations.

For example, a hospital auxiliary's operation of a sandwich stand for 2 weeks at a state fair would not be the regular conduct of a trade or business. The stand would not compete with similar facilities that a nonexempt organization would ordinarily operate year-round. However, operating a commercial parking lot every Saturday, year-round, would be the regular conduct of a trade or business.

Not substantially related.

A business activity isn’t substantially related to an organization's exempt purpose if it doesn’t contribute importantly to accomplishing that purpose (other than through the production of funds). Whether an activity contributes importantly depends in each case on the facts involved. In determining whether activities contribute importantly to the accomplishment of an exempt purpose, the size and extent of the activities involved must be considered in relation to the nature and extent of the exempt function that they intend to serve.

For example, to the extent an activity is conducted on a scale larger than is reasonably necessary to perform an exempt purpose, it doesn’t contribute importantly to the accomplishment of the exempt purpose. The part of the activity that is more than needed to accomplish the exempt purpose is an unrelated trade or business. Also in determining whether activities contribute importantly to the accomplishment of an exempt purpose, the following principles apply.

Examples

The following are examples of activities that were determined to be (or not to be) unrelated trades or businesses using the definitions and principles just discussed.

Magazine publishing.

An association of credit unions with tax-exempt status as a business league publishes a consumer-oriented magazine four times a year **and makes it available to member credit unions for purchase.**

By selling a magazine to its members as a promotional device, the organization furnishes its members with a regular commercial service they can use in their own operations. This service doesn't promote the improvement of business conditions of one or more lines of business, which is the exempt purpose of a business league.

Since the activity doesn't contribute importantly to the organization's exempt function, it is an unrelated trade or business.

Sales of advertising space.

A national association of law enforcement officials publishes a monthly journal that contains articles and other editorial material of professional interest to its members. The journal is distributed without charge, mainly to the organization's members.

The organization sells advertising space in the journal either for conventional advertising or to merely identify the purchaser without a commercial message. Some of the noncommercial advertising identifies the purchaser in a separate space, and some consists of listings of 60 or more purchasers per page. A business firm identified in a separate space is further identified in an Index of Advertisers.

The organization solicits advertising by personal contacts. Advertising from large firms is solicited by contacting their chief executive officer or community relations officer rather than their advertising manager. The organization also solicits advertising in form letters appealing for corporate and personal contributions.

An exempt organization's sale of advertising placed for the purchaser's commercial benefit is a commercial activity. Goodwill derived by the purchaser from being identified as a patron of the organization is usually considered a form of commercial benefit. Therefore, advertising in an exempt organization's publication is generally presumed to be placed for the purchaser's commercial benefit, even if it has no commercial message. However, this presumption isn't conclusive if the purchaser's patronage would be difficult to justify commercially in view of the facts and circumstances. In that case, other factors should also be considered in determining whether a commercial benefit can be expected. Those other factors include:

1. The normal manner in which the publication is circulated;
2. The territorial scope of the circulation;
3. The extent to which its readers, promoters, or the like could reasonably be expected to further, either directly or indirectly, the commercial interest of the advertisers;
4. The eligibility of the publishing organization to receive tax-deductible contributions; and
5. The commercial or noncommercial methods used to solicit the advertisers.

In this situation, the purchaser of a separate advertising space without a commercial message can nevertheless expect a commercial benefit from the goodwill derived from being identified in that manner as a patron of the organization. However, the purchaser of a listing can't expect more than an inconsequential benefit. Therefore, the sale of separate spaces, but not the listings, is an unrelated trade or business.

Yearbook advertising.

An exempt organization receives income from the sale of advertising in its annual yearbook. The organization hires an independent commercial firm, under a contract covering a full calendar

year, to conduct an intensive advertising solicitation campaign in the organization's name. This firm is paid a percentage of the gross advertising receipts for selling the advertising, collecting from advertisers, and printing the yearbook. This advertising activity is an unrelated trade or business.

Deductions

To qualify as allowable deductions in computing UBTI, the expenses, depreciation, and similar items must generally be allowable income tax deductions that are directly connected with carrying on the unrelated trade or business to which they relate. They can't be directly connected with excluded income. For an exception to the "directly connected" requirement, see Charitable contributions deduction, under Modifications, later.

Directly Connected

To be directly connected with the conduct of an unrelated trade or business, deductions must have a proximate and primary relationship to carrying on that trade or business. For an exception, see Expenses attributable to exploitation of exempt activities, later. Expenses attributable solely to unrelated business. Expenses, depreciation, and similar items attributable solely to the conduct of an unrelated business are proximately and primarily related to that business and qualify for deduction to the extent that they are otherwise allowable income tax deductions. For example, salaries of personnel employed full-time to conduct the unrelated business and depreciation of a building used entirely in the conduct of that business are deductible to the extent otherwise allowable.

Newsletter, Advertising, and Unrelated Business Income – operational information):

Recruitment of returning advertisers, new advertisers, and establishment of advertising rates – Contact with existing advertisers to see if they want to renew their ad should begin as soon as the advertising rates for the next year have been set, which should be no later than one week after the invoices for printing and mailing the November newsletter have been received. It may be possible to set the advertising rates earlier if the costs for the first two issues are similar to the costs from the prior year's issues. Respond to inquiries from potential advertisers as the inquiries come in. Recruit new advertisers beginning in August if the projected costs for the year exceed the revenue. Invoices for the ads should be created and mailed to the advertisers shortly after they agree to renew/place an ad in the newsletter and resent monthly thereafter if the advertiser hasn't paid the invoice.

The advertising rates are calculated to cover the costs of printing and mailing the newsletters. If there is no surplus/profit after paying for these costs, then there is no unrelated business income to report. At the end of CY 2023, we had a surplus/profit of \$265.35, which was provided as a credit in the amount of \$8.26 to each of the returning advertisers for CY 2024; hence, no profit. During the past several years, we have published three issues per year:

Articles/Ads Due:	Published & Mailed
February 16	March 29
May 5	June 10
September 20	October 28

2023	Actual Costs	2024	Actual for the first two issues	Prorated for three issues
Printing Costs	\$7,878.17	Printing Costs	\$4,715.92	\$7,073.88
Mailing Costs	\$1,977.07	Mailing Costs	\$1,442.58	\$2,163.87
Total Costs	\$9,855.24	Total Costs	\$6,158.50	\$9,237.75
Total Ad Revenue	\$10,119.59	Total Ad Revenue	\$8,286.50	\$8,286.50
Surplus	\$264.35	Surplus/Deficit	\$2,128.00	-\$951.25

Historically, nearly all of the advertisers chose to renew their ads, although in 2024 we lost five advertisers, two 1/10 page ads, one 1/8 page ad, one ¼ page ad, and one ½ page ad (Java Cat moved to a location out of the neighborhood). The treasurer/advertising director should begin in September to solicit new advertisers. At this time, it is believed that there will be a similar amount of advertising space sold to cover the costs; the prorated costs for 2024 are very similar to 2023. So, it seems that there is not a need to increase or decrease the advertising rates for CY 2025.

			CY 2024 Rates Single Issue	CY 2024 Rates with Discounts per Issue	CY 2024 Rates with Discounts - 2 issues	CY 2024 Rates with Discounts - 3 issues
Ad Sizes	inches	# si	Full Cost			
Full	7.5*10	75	\$463.95	\$394.36	\$788.72	\$1,183.08
Half	7.5*5	37.5	\$242.52	\$206.14	\$412.29	\$618.43
Quarter	3.75*5	18.75	\$126.53	\$107.55	\$215.10	\$322.65
One-sixth	3.75*3.34	12.5	\$83.04	\$70.58	\$141.16	\$211.75
One-eighth	3.75*2.5	9.375	\$60.63	\$51.54	\$103.07	\$154.61
One-tenth	3.75*2	7.5	\$52.72	\$44.81	\$89.63	\$134.44
One-fifth	7.5*2	15	\$97.53	\$82.90	\$165.81	\$248.71
One-third	7.5*3.33	25	\$154.65	\$131.45	\$262.91	\$394.36

- 5% discount for being a renewing advertiser
- 10% discount for paying for three issues in advance

Mailing process -- United States Postal Service – Every Door Direct Mailing (EDDM) – see [Every Door Direct Mail \(EDDM\) - Targeted Mail Marketing | USPS](#). EDMM delivers to every residence and business located on selected postal routes. Currently, we deliver to the following postal routes in the LENA and ECA neighborhoods:

(Lake Edge): 53716 - C001 --- 506 copies, 53716 - C006 --- 445 copies

(Eastmorland): 53714 -C002 ---782 copies, 53714 -C008 --- 757 copies, 53714 - C009 --- 579 copies, 53714 - C017 --- 447 copies for a total of 3,516 copies+ **200 extra (for hand-delivery in LENA and approximately 50 copies to Pinney Library = 3,716 copies.**

ECA does not have a business postal permit, but we use the postal permit of Thyse, who prints our newsletter and brings the necessary number of newsletters to the post office for distribution via EDDM. The use of Thyse's postal permit gives us access to very favorable postal rates (only charitable organizations have a lower rate).

Last issue – Use of PayPal

PayPal is a wonderful way of accepting payment of dues, as well as advertising revenue if needed. Our dues are \$10 for a basic membership and \$25 for a supporting membership; we have an option for paying more than these two membership fees (if you only ask for the basic membership fee, then you are likely to only get that amount from individuals). Also, the option for the individual to pay the fee that PayPal charges us for each donation is enabled. There are no benefits to individuals who pay for a membership other than a good feeling that they are supporting the neighborhood association. Currently, to receive a \$50 block party permit reimbursement or a \$100 community building grant, ECA does require at least one person involved with the event have a paid membership. I updated our

Two caveats with PayPal:

1. As a business, PayPal will require that you provide evidence of the business's existence (e.g., lease, utility bills, etc.). Because ECA doesn't have a physical address, I provided PayPal with a scanned copy of our approvals from the Wisconsin Department of Financial Institutions and our approval of tax-exempt status from the IRS (if the state and federal government send official documents to us at the PO Box, then that should provide sufficient evidence of our existence).
2. If we didn't have tax-exempt status, our fees from PayPal would be higher.

Sample IRS 990-N completed form:

Form 990-N

Electronic Notice (e-Postcard)

OMB No. 1545-2085

Department of the Treasury
Internal Revenue Service

for Tax-Exempt Organization not Required to File Form 990 or 990-EZ

2023

Open to Public Inspection

A For the **2023** Calendar year, or tax year beginning **2023-01-01** and ending **2023-12-31**

B Check if available

Terminated for Business

Gross receipts are normally \$50,000 or less

C Name of Organization: **EASTMORLAND COMMUNITY**

ASSOCIATION INC

PO Box 14584, Madison, WI,

US, 53708

D Employee Identification

Number **35-2666594**

E Website:

<https://eastmorland.org>

F Name of Principal Officer: **Daniel Zimmerman**

3634 Dennett Drive,

Madison, WI, US, 53714

Privacy Act and Paperwork Reduction Act Notice: We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws.

The organization is not required to provide information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 990-N is covered in code section 6104.

The time needed to complete and file this form and related schedules will vary depending on the individual circumstances. The estimated average times is 15 minutes.

Note: This image is provided for your records only. Do Not mail this page to the IRS. The IRS will not accept this filing via paper. You must file your Form 990-N (e-Postcard) electronically.

