EMPLOYER IDENTIFICATION NUMBER (EIN)

1. Do Kiwanis Clubs need to apply for an Employer Identification Number (EIN)? Yes, all US Kiwanis Clubs need to apply for an EIN. Visit www.irs.gov and search for EIN to do so.

2. Do Key Clubs and Circle K Clubs need to apply for an Employer Identification Number (EIN)?
Depends. If the money collected by the club is deposited into school accounts and reported as part of the school funds, then the club does NOT need to apply for an EIN. Clubs administered in this fashion should have their activities and financial information included and reported with the financial information for the school. If club funds are not deposited into school accounts and reported by as school funds, then the club must apply for an EIN. Visit www.irs.gov and search for EIN to do so.

3. How do you apply for an EIN? You can apply online at www.irs.gov or complete Form SS-4. Search for “EIN” to locate how to do so. The online application takes approximately 15 minutes. Using Form SS-4 requires the club to mail the form to the IRS for processing.

4. How many digits is an EIN? Nine ... it usually consists of 2 digits followed by a dash then followed by 7 more digits. Example: 12-3456789.

5. What is a club to do when they receive their EIN from the IRS? The club is requested to immediately email, fax, or mail to the Finance Department at Kiwanis International the official form they received from the IRS informing them of their EIN. This form will be provided to the club representative immediately after applying for the EIN online. Or the form will be mailed to the club representative otherwise. If the club needs a new copy of this letter, it may request one from the IRS.

6. What does Kiwanis International do with the EIN upon receipt? Kiwanis enters the EIN into its membership database and then reports the number to the IRS.

7. Why is it important for the club to send its EIN to Kiwanis? Kiwanis will report the club EIN to the IRS so that the club can be registered by the IRS as part of the Kiwanis Group Exemption filing.

8. Why is it important for each club to send Kiwanis proof of its EIN from the IRS? It is very important that the correct number be reported to the IRS and attached to the Kiwanis Group Exemption filing. Errors can create significant amounts of time, effort, and money to get corrected. Because there are many forms of tax ID numbers that the club may have in its records (both state and federal), the club should send an official letter from the IRS informing the club of its EIN. Receiving this official letter will help Kiwanis make sure the proper EIN is reported.

9. Do K-Kids clubs, Builders Club clubs, and Aktion Club clubs need to apply for an EIN? The rules for these clubs are similar to the rules for Circle K and Key Club. If the funds of the club are deposited and reported by the school, then the club does NOT have to apply for an EIN or file with the IRS as a tax-exempt organization. If the school does not deposit or report the club
funds, then it is recommended that the club file for an EIN, report the EIN to Kiwanis International, and complete the annual filing with the IRS.

10. Can a club use the EIN of its parent organization (Kiwanis, Key Club or Circle K) when applying for a bank account or for group exemption filing purposes? No. Each EIN is specifically assigned to one organization or club. Using Kiwanis’ EIN for a club could negatively impact the Kiwanis Group Exemption filing or numerous other filings the parent organization is required to do on an annual basis.

11. Can a club and a club foundation have the same EIN? No. Kiwanis clubs are classified by the IRS as 501(c)(4) organizations. Kiwanis Club Foundations are classified by the IRS as 501(c)(3) organizations. Each organization should have its own separate and distinct EIN.

12. Can a Key Club or Circle K club use the EIN of the sponsoring Kiwanis Club? Usually not, but it depends on the situation. If funds for the Key Club or Circle K club are collected and reported by the sponsoring Kiwanis Club in its financial records or its annual filings to the IRS, then the Key Club or Circle K Club may use the Kiwanis EIN. If this occurs the bank account should be titled in the name of the Kiwanis Club and list the Key Club or Circle K Club as the secondary name. If the money is not reported or controlled by the Kiwanis Club, the Circle K or Key Club should apply for its own EIN and report it to Kiwanis International to be considered part of the Group Exemption filing.

13. Can a Key Club or Circle K club use the EIN of the school for IRS reporting purposes? No. The EIN of the school should never be used by the club and reported to the parent organization for group exemption reporting. The school is a separate tax-exempt organization [usually a 501(c)(3) organization] and should not be associated with a Key Club or Circle K Group Exemption Filing.

14. Can a club use a state sales tax number or another state tax filing number for IRS reporting purposes? No. State tax numbers have a specific purpose and they are not useful for reporting to the IRS. As the laws in every state are different, each club should contact its state department of revenue for clarification as to what the number is to be used for.

15. What does EIN mean? Does a club have to have employees to be able to get an EIN? EIN means Employer Identification Number. An EIN is a name used by the IRS to refer to an identification number used to track entities and organizations when filing. It does indicate that an organization has employees or must have employees. Other names for EIN are Taxpayer Identification Number (TIN), Federal Identification Number (FIN), and the most common equivalent is the Social Security Number (SSN) for individuals.

501(c)(3) AND 501(c)(4) INFORMATION

16. I have heard the terms 501(c)(3) and/or 501(c)(4) mentioned related to my club. What does it mean? These terms are the IRS tax code section numbers that govern various tax-exempt organizations. A 501(c)(4) organization is a “social welfare organization” and that is what a Kiwanis, Key Club or Circle K club is. A 501(c)(3) organization is an organization operated exclusively for religious, charitable, scientific, literary, or educational purposes. A commonly-used term for a 501(c)(3) organization is “charitable organization”. A Kiwanis, Key Club, or Circle
K club is NOT a charitable organization or a 501(c)(3) organization. Some of the activities that a clubs does can be equated to a charitable organization, but according to the letter of the law from the IRS, clubs are not 501(c)(3) organizations.

17. **What tax classification status are Kiwanis, Key Club and Circle K International (and related clubs)?** All three organizations are considered tax-exempt organizations governed by the rules of Internal Revenue Code Section 501(c)(4). This section governs the social welfare organizations. Social Welfare Organizations consist of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. A community service club, like Kiwanis, is considered a social welfare organization.

18. **What are some of the requirements related to a 501(c)(4) Social Welfare Organization?** The organization's net earnings must be devoted only to charitable, educational, or recreational purposes. No part of net earnings may benefit any private shareholder or individual. The organization should operate primarily to further (in some way) the common good and general welfare of the people of the community – including such things as civic betterment and social improvements.

19. **Are contributions to Kiwanis Clubs considered charitable contributions for individuals?** No. Donations by individuals to clubs are generally not deductible as charitable contributions for federal income tax purposes. They may be deductible as trade or business expenses, if ordinary and necessary in the conduct of the business. Kiwanis Clubs are required to specifically indicate, in writing, that all contributions to the club are not tax deductible.

20. **Can funds from a Kiwanis Club benefit a member of the club?** Even though a club is not a charitable organization (501(c)(3) organization), IRS rules expressly prohibit personal benefit (inurement) from the net earnings of 501(c)(4) tax-exempt organizations. Failure to comply with this requirement could be loss of tax-exempt status for the club and taxable income for the person benefiting from the money – not to mention possible fines.

21. **I have heard the term “private inurement” as it relates to the operations of a club. How does this impact me?** Any member of a club should not benefit financially from the funds of a club. It is common for a member to be reimbursed for expenses or to be paid for any reasonable services provided, but a member should not have any significant financial gain from the activities of a club. Especially, if these funds were contributed to the club from the general public and such funds were to benefit the programs and projects of the club.

22. **If a Key Club has its finances controlled and reported by a school, it is considered a charitable organization?** Schools are considered 501(c)(3) organizations by the IRS. If a Key Club or Circle K Club has its finances collected and reported by a school, contributions to the Key Club or Circle K Club could be considered charitable contributions by individuals. It will be the responsibility of the individual to consult with a tax advisor on how to report such contributions on their individual income tax return.

23. **Should clubs be incorporated?** All clubs are encouraged to be incorporated, especially Kiwanis Clubs. There are certain legal benefits derived from being incorporated. Please check with an attorney in our state to determine the particulars regarding benefits and costs. It may not be as
practical for a Circle K or Key Club to be incorporated, especially if they are part of the school. Again, an attorney is the best person to consult when questions arise related to incorporation.

24. I have heard the term “Unrelated Business Income” (known as UBI) - what does this mean and what filings are required? Any income generated by the club that is not related to its tax-exempt purpose is considered unrelated business income. If there is more than $1,000 UBI, then the club is required to file Form 990-T. Consult a tax advisor regarding this situation.

GROUP EXEMPTION FILING

25. What is a Group Exemption Filing? Annually, Kiwanis International is required to file with the IRS a listing of active club names and addresses along with their respective EIN. This filing informs the IRS that each of the reported clubs (subordinates) is attached to Kiwanis (parent) and is considered a valid tax-exempt organization. If the filing is not made by Kiwanis, the club is not officially considered a tax-exempt organization in the eyes of the IRS.

26. What is meant by “parent” organization and “subordinate” organization? When a group of tax-exempt organizations are related or attached together for purposes of a Group Exemption Filing, the organization that originally filed with the IRS is considered the main organization, or the parent organization. All of the other tax-exempt organizations that are related to and controlled by the parent organization are known by the IRS as subordinate organizations. It is the parent organization’s responsibility to control and monitor all subordinate organizations and to include them in the annual Group Exemption Filing with the IRS.

27. For tax-reporting purposes, is Kiwanis considered the parent organization for Key Club and Circle K? No. When the organizations were established many years ago, each organization became a separate legal entity, and applied to the IRS for separate tax-exempt status. Each organization has its own EIN and GEN and is classified by the IRS as a 501(c)(4) tax-exempt organization. Kiwanis is the parent organization for Kiwanis clubs; Key Club is the parent organization for Key Club clubs; and Circle K is the parent organization for Circle K clubs.

28. For tax-reporting purposes, is Kiwanis considered the parent organization for Builders Club, K-Kids and Aktion Club? Yes. Builders Club, K-Kids, and Aktion Club are not separate legal entities. As a result, each organization does not have its own EIN or GEN. Each of these organizations is considered a sponsored program of Kiwanis International and is governed by Kiwanis. If any clubs in these three programs apply for an EIN, they would be considered part of the Group Exemption Filing for Kiwanis International.

29. What are the Group Exemption Numbers for Kiwanis, Key Club, and Circle K? The Group Exemption Number (GEN) is not the same as an EIN. The GEN is a 4-digit number assigned by the IRS that signifies that Kiwanis International is the parent organization and the club is the subordinate organization and the two organizations are connected. The EIN coupled with the GEN is the way the IRS determines that a Kiwanis Club belongs to the tax-exempt status of Kiwanis International. These numbers are: Kiwanis – GEN 0026; Key Club –GEN 1021; Circle K – GEN 4264.

30. Is a Kiwanis Club Foundation considered to be a subordinate of the Kiwanis International Group Exemption Filing? No. Kiwanis clubs are classified by the IRS as 501(c)(4) organizations.
Kiwanis Club Foundations are classified by the IRS as 501(c)(3) organizations. To be part of any group exemption filing, the two organizations must have the same tax-exempt status classification. Club foundations should have received an independent notice from the IRS, known as a “determination letter” that signifies they are a stand-alone 501(c)(3) organization and not subject to any group exemption filing.

31. **What happens if a club is not part of a parent’s Group Exemption filing, and should be?** The individual club would not be recognized by the IRS as a separate tax-exempt organization. As a result, the funds received by the club could possibly be considered taxable income to the club.

32. **Does the subordinate club have to have the same year end as the parent organization to be considered as part of the Group Exemption?** No, but it is recommended to have the same year end, which is September 30.

33. **Can you tell me what the IRS regulations mean by the term Group Return?** A group return is when the financial information for a parent organization and the subordinate organization are combined and reported to the IRS together. In such a case the subordinate organization must have the same year end as the parent organization. The subordinate organization does not have to apply for its own EIN.

34. **Must clubs have the same year end as the parent organization to be included in the annual Group Exemption filing?** No.

35. **Does the IRS require a subordinate organization to be incorporated?** No, it is an option. However, the subordinate organization must have an organizing document. The Standard Form for Club Bylaws can be one of those documents.

36. **What are the IRS requirements of being a subordinate organization?** A subordinate must be (1) affiliated with the central (parent) organization; (2) subject to its general supervision or control; (3) eligible to qualify for exemption under the same paragraph of IRS Section 501(c); (4) is not a private foundation; (5) use the same accounting year if both organizations are part of a group return. Kiwanis, Key Club, and Circle K clubs meet requirements (1) thru (5). Requirement (5) is met because the clubs and the parent do not file together in a group return.

37. **How does Kiwanis, Key Club and Circle K International (parent) keep the Group Exemption in force?** There are four key requirements. They are (1) continued existence of the central organization; (2) continued qualification of the central organization under Section 501(c); (3) annual filing of an information return (Form 990 family); and (4) submission by the central organization of information required annually which includes a list of the names, addresses, and EINs of all subordinates, including those that are new, that have terminated, or those that have name/address changes.

**TAX RETURN FILING REQUIREMENTS**

38. **Do Kiwanis Clubs need to file an annual tax return with the IRS?** Yes. What form the club files depends upon the amount of their gross receipts and total assets. Clubs with gross receipts normally less than $25,000 should file the electronic Form 990-N. Clubs with gross receipts greater than $100,000 and total assets greater than $250,000 should file Form 990. All other clubs are required to file Form 990-EZ.
39. What are the IRS reporting requirements for Key Club and Circle K clubs that are considered to be an activity of the school and thus are not required to have a separate EIN? There would be no separate IRS tax reporting requirements. The finances of the club would be considered assets of the school and subject to the reporting requirements of the local and state government. The club should certify to the parent organization, in writing, that the club has its activities reported by the school and does not need to be a part of the group exemption filing. 
NOTE: Both Key Club and Circle K International will send a notice to the club asking for the club to return this notice and certify that this is the case. Such certification will be entered into the membership/club database and kept on file for future reference.

40. What happens if my Key Club or Circle K Club has its financial activities controlled and reported by the school, but the club has already received an EIN and reported its EIN to Kiwanis? It is recommended that the club continue to file the appropriate Form 990 with the IRS until the following can be completed. The club will be asked by the parent to certify (in writing) that the funds of the club are controlled and reported by the school. This request will occur during the administrative year 2008-09. When the club certification is received, Kiwanis will then notify the IRS that this club’s EIN should be inactive and the club removed from the Group Exemption filing. Kiwanis will also notify the club that the IRS has been notified to remove the club’s EIN from the Group Exemption filing. When this occurs, the club can then discontinue filing Form 990 with the IRS as it would now be considered part of the school for reporting purposes.

41. Why do small clubs have to file with the IRS? The IRS recently changed its filing requirements for all tax-exempt organizations, which include Kiwanis, Key Club, and Circle K Clubs. The IRS added this filing requirement to improve transparency within the non-profit sector and will ensure that donors and the IRS will have current information about your organization. Most clubs (prior to 2008) having gross receipts less than $25,000 were not required to file with the IRS. That is not the case anymore. Effective for tax years that begin in 2007 (which would impact Kiwanis clubs with September 30, 2008 as the year end), all tax-exempt organizations with gross receipts less than $25,000 must file Form 990-N. This is an electronic form that the club must file prior to the due date. It is a simple form that takes approximately 15 minutes to file online. Go to [www.irs.gov/ez](http://www.irs.gov/ez) and search for Form 990-N.

42. What information is needed to file Form 990-N? You will need the following information to complete the online filing for Form 990-N ... EIN, tax year end, legal name and mailing address of club, name and address of principal office (this would probably be the Secretary), website address of club (if applicable), confirmation that organization’s annual gross receipts are normally less than $25,000, and confirmation that the club has not terminated operations. That is all.

43. What is the definition of gross receipts? Total cash collected into the club’s accounts before expenses are paid. Do not confuse gross receipts with net income. Example ... if you had a fund-raiser that generates $35,000 in ticket sales and $15,000 in expenses. Your gross receipts would be $35,000 and the net income for the project would be $20,000. Since gross receipts were more than $25,000, the club could not file Form 990-N. It would have to file Form 990-EZ.
44. **When is Form 990, Form 990-EZ, and Form 990-N tax filings due to the IRS?** Within 4.5 (four and one-half) months of the club’s year end. For a September 30 year end, that deadline would be February 15. If your club happens to have a June 30 year end, the deadline would be November 15.

45. **I have heard the term “e-Postcard”, what does that mean?** It is another name for the Form 990-N. It is an electronic filing that the IRS requires for clubs that have gross receipts of $25,000 or less. For club years that end in 2008, this filing is due within 4.5 months of the year end date.

46. **What happens if a club does not file its Form 990-N (e-Postcard) on time?** The IRS will send a reminder notice but the organization will not be assessed a penalty for late filing. An organization that fails to file required Form 990-N (e-Postcards) for three consecutive years will automatically lose its tax-exempt status on the filing due date of the third year. It is our understanding that the club will need to reapply to the IRS for tax-exempt status if this occurs and pay an appropriate user fee. How this will need to happen is not known at this time. Reinstatement of tax-exempt status may be retroactive if you can show that you had reasonable cause for not filing the annual electronic notices or information returns.

47. **When is Form 990, Form 990-EZ, and Form 990-N due?** Such tax returns are due on the 15th day of the fourth month after the end of the club’s administrative year, which is usually September 30. Example: The return for the year ending September 30, 2008 is due February 15, 2009.

48. **What year tax return must a club file?** The year at the top of page 1 of the tax return is the year that corresponds with the beginning of the tax year. Example: The 2007 tax form must be used for the return pertaining to the fiscal year October 1, 2007 to September 30, 2008.

49. **What is the first year that the e-Postcard (Form 990-N) is due to be filed?** The first filing is for tax years ending on or after December 31, 2007. Since most clubs are on a fiscal year, the first filing for most clubs is for the fiscal year ending in 2008.

50. **Why does the e-Postcard filing system show the parent organization’s name when entering the club’s EIN?** When the parent organization filed for a group exemption, the IRS uses the parent name as the legal name for the subordinate organizations. This field cannot be changed on the e-Postcard. You should enter the club name in the DBA (Doing Business As) name field on the subsequent screen. You should check to see that you entered the EIN correctly. If the organization name needs to be corrected, it can be done by writing to the IRS at TE/GE, EO Determination Office, P.O. Box 2508, Cincinnati, OH 45021.

51. **Will the club receive a confirmation of the e Postcard filing with the IRS?** Yes. Approximately 30 minutes after the filing, the IRS will send an email to the registered email address entered at the time of login. If accepted, you are done for the year. If rejected, the email will tell you why it was rejected and how to correct the problem. You will also be able to print a copy of the e-Postcard by accessing the Quick Menu on the Home Page and going to the “Edit/View Existing e-Postcard” option. You may not be able to access this copy for up to 3 weeks after the IRS accepts the return.

52. **Can a club locate a copy of its files Form 990-N?** Yes, the filing website has a search feature that will allow the club to locate a copy of its return
53. Does a club have to file Form 990 (any version) if it is a subordinate organization included in the parent’s group exemption filing list? Yes. If the parent has included the subordinate’s EIN in its annual list to the IRS, the club must file a Form 990 (smaller clubs would file the e-Postcard). It may take up to 6 weeks for the IRS to update its records before you can file the e-Postcard. This is not a problem, as there is no late filing fee related to the e-Postcard filing. If the parent has not reported the club’s EIN to the IRS in its annual list, the club will not be recognized by the IRS as a subordinate organization and will be unable to file the e-Postcard. The club should contact the parent organization with its EIN and ask them to add them to their annual group exemption list.

54. Do individual clubs of a group exemption ruling have to file separate Form 990 returns? The parent and subordinate must agree on their filing responsibilities. As for Kiwanis, Circle K, and Key Club, the parent organization does not file a group return (a return that combines the finances of the parent and subordinate together), and thus each of the clubs (subordinates) must file their own return—whether it be a Form 990, Form 990-EZ, or Form 990-N.

55. What are the penalties for not filing or filing late the appropriate tax returns? There is no annual penalty for failure to file Form 990-N. Failure to file for three (3) consecutive years will result in the organization losing its tax-exempt status. In this case, the club will need to contact the IRS to reapply (and pay appropriate user fee). For clubs that are required to file Forms 990 and 990-EZ, the penalty of late filing or filing incorrect/incomplete information is $20 per day up to a maximum of $10,000 or 5% of gross receipts. The penalties are higher if gross receipts are more than $1 million, but that probably does not impact too many clubs.

56. Will Kiwanis International assist the clubs with completing the Form 990-N filing to reduce the changes of failing to file during a three-year period? Kiwanis will do whatever it can to assist the clubs in filing the appropriate e-Postcard (From 990-N) with the IRS in order to keep its tax-exempt status. Periodic communications and reminders will be sent to clubs and districts. In addition, there appears to be a way to search on a website to see if clubs have filed their return. Kiwanis will make attempts to see if this site can be monitored and appropriate follow-up is done with our clubs.

57. Are there any other tax forms that a club must file to be compliant? It is recommended that each club consult a tax advisor in its state to determine if there are any state tax returns that should be filed. For instance, if the club is incorporated, it is likely that a filing with the Secretary of State in our state is required. Also, if your club has any employees, then it must file the appropriate payroll tax filing forms. Failure to file or late filing of payroll tax forms and payments is a serious matter and should be addressed with needed urgency.

58. What can you tell us about the revamped Form 990 and Form 990-EZ that the IRS is about to require? For tax years beginning in 2008 a new Form 990 and Form 990-EZ will need to be completed by those clubs required to do so. It has been the most sweeping change to this form in the last 30 years.