



National Governing Body of DanceSport, Member
Organization of the US Olympic and Paralympic
Committee, and the World DanceSport Federation



Tax Exempt Compliance Policy

Applies to: All USA Dance business activities and expenditures, nationally and locally.

Purpose: To protect USA Dance's 501(c)(3) not for profit and charitable status.

Definitions:

- 501(c)(3) status – The Internal Revenue Service recognizes USA Dance as exempt under this code.
- Charitable contributions – Individuals and organizations who donate to USA Dance may be able to deduct these contributions on federal and state taxes.
- State Charity Requirements – USA Dance applies for recognition as a charity in each state it has chapters where required (some states do not require this process). When state approved, these donations are usually tax deductible in the respective state.
- Private Benefit – Is a broad concept that applies whenever any individual, whether associated with USA Dance or not, reaps a benefit that is not within keeping of USA Dance's exempt purpose.
- Private Inurement – This happens when an insider – an individual who has significant influence over USA Dance – enters into an arrangement with USA Dance and receives benefits greater than the individual provides in return.
- IRS 990 – USA Dance files its tax return on the IRS Form 990. All chapter income and expenses are included.

Policy

- It is the policy of USA Dance to comply with all rules and regulations that apply to protect its exempt status as defined in the IRS Code Section 501(c)(3) and with all state requirements as a charity.

Procedures:

1. All reasonable steps such as asking for competitive bids and having board members annually sign a conflict of interest statement will help minimize any chances of private benefit and private inurement.
2. All expenditures, nationally and at the chapter level must be reviewed by at least two (2) officers to ensure compliance with the IRS Code Section 501(c)(3) and state charity requirements.
3. Expenses that are not within local market conditions or if a reimbursement is to a board officer (except for expense reimbursement documented with receipts) requires special consideration by the board.



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4. Exempt regulations can be very complex. Should you have any questions regarding USA Dance's obligations to remain exempt and a charity, please contact the National Treasure of USA Dance.

Approved By: USA Dance Board of Directions

Effective Date: 12/31/2020

Next Review Date: 12/31/2022

Contact Person or Position: USA Dance Secretary

Resources:

"How Much Unrelated Earned Income May a Nonprofit Receive?" by Joanne Fritz – www.thebalancesmb.com

"Every Nonprofit Can and Should Have a Bequest Program" by Joanne Fritz – www.thebalancesmb.com

"What Is a Non-Profit Business?" by Ausha Jackson – www.study.com

"Nonprofit Organization" by Will Kenton, Reviewed by Janet Berry-Johnson – www.investopedia.com

"Types of Will Bequests" – by Attorney Thomas Devlin Begley III – www.avvo.com



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"Asking for Bequests" – Steven L Mourning, FAHP - www.instituteforgiving.org

Appendix – Details on NonProfits

What is a Nonprofit Organization?

A nonprofit organization is a business that has been granted tax-exempt status by the Internal Revenue Service (IRS) because it furthers a social cause and provides a public benefit. Donations made to a nonprofit organization are typically tax-deductible to individuals and businesses that make them, and the nonprofit itself pays no tax on the received donations or on any other money earned through fundraising activities. Nonprofit organizations are sometimes called NPOs or 501(c)(3) organizations based on the section of the tax code that permits them to operate.

Qualifications for NPO Status

A nonprofit designation and tax-exempt status are given only to organizations that further religious, scientific, charitable, educational, literary, public safety or cruelty-prevention causes or purposes. Examples of nonprofit organizations include hospitals, universities, national charities, churches, and foundations.

A nonprofit must serve the public in some way, whether through the offering of goods, services, or a combination of the two. They are also required to make financial and operating information public so that donors can be informed about how—and how well—their contributions have been used.³ Nonprofits may also exist to collect income to dispense to other qualifying charities.

Before it can receive a tax exemption, an organization needs to request 501(c)(3) status from the IRS. Once registered and running, the organization has to maintain compliance with the appropriate state agency that regulates charitable organizations. This often requires a dedicated Chief Investment Officer and accounting team.

NPOs cannot be political, which helps explain why so many of them actively seek a non-partisan tone in their communications. Organizations seeking 501(c)(3) status must state explicitly in their organizing papers that they will not participate in any political campaign on the behalf of any candidate or make expenditures for political purposes.⁴ There are 501(c) groups that can engage in these activities, but not 501(c)(3) organizations.

Operating Rules for NPO Status

While some not-for-profit organizations use only volunteer labor, many large or even medium-size non-profits are likely to require a staff of paid full-time employees, managers, and directors. Despite having special tax advantages in other respects, nonprofits typically must pay employment taxes and abide by state and federal workplace rules in the same way as for-profit organizations.



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Nonprofits are allowed to provide assets or income to individuals only as fair compensation for their services. Indeed, the organization must explicitly state in its organizing papers that it will not be used for the personal gain or benefit of its founders, employees, supporters, relatives, or associates.

Nonprofit vs. Not-for-Profit

The terms nonprofit organization (NPO) and not-for-profit organization (NFPO) are sometimes used interchangeably. There are, however, key distinctions between the two types of enterprise.

A key one is their purpose. As mentioned, nonprofits must offer some social benefit and provide goods or services. Not-for-profits need not have such an orientation and may exist simply to serve their membership rather than society at large.

The sections of the IRS's 501(c) code that governs each of NPOs and NFPOs serve to further delineate their differences. Nonprofits operate under 501(c)(3), for "corporations, funds or foundations that operate for religious, charitable, scientific, literary or educational purposes." NFPOs, by contrast, primarily do so under other sections, such as 501(c)(7), for "recreational organizations." One classic example of an NFPO, then, is a sports club that's jointly owned by its members and sustained simply for their enjoyment.

In turn, the code sets out different tax treatment for NPOs and NFPOs. In general, both organization types are tax-exempt, as in the income they earn is not subject to tax. But only with NPOs is the money people give to the organization, as dues or donations, deductible from their taxable income.

THE BASICS

What's the role of the board of directors of a nonprofit corporation?

Just as for any corporation, the board of directors of a nonprofit has three primary legal duties known as the "duty of care," "duty of loyalty," and "duty of obedience."

Duty of Care: Take care of the nonprofit by ensuring prudent use of all assets, including facility, people, and good will;

Duty of Loyalty: Ensure that the nonprofit's activities and transactions are, first and foremost, advancing its mission; Recognize and disclose conflicts of interest; Make decisions that are in the best interest of the nonprofit corporation; not in the best interest of the individual board member (or any other individual or for-profit entity).

Duty of Obedience: Ensure that the nonprofit obeys applicable laws and regulations; follows its own bylaws; and that the nonprofit adheres to its stated corporate purposes/mission.

However, a board of directors does not exist solely to fulfill legal duties and serve as a fiduciary of the organization's assets. Board members also play very significant roles providing guidance to nonprofits by contributing to the organization's culture, strategic focus, effectiveness, and financial sustainability, as well as serving as ambassadors and advocates. Beyond fulfilling legal duties, board members can be important resources for the organization in multiple ways.



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Section 501(c)(3) of the Internal Revenue Code (IRC) provides nonprofit organizations an exemption from paying federal income tax. ... Obtaining approval from the IRS to receive an exemption from paying federal income taxes.

When a charitable nonprofit is no longer recognized as tax-exempt, it will be required to pay income taxes on revenue, including donations, and donors will no longer be able to deduct contributions to the organization. Additionally, private foundations may not be willing or able to make a grant to the organization.

How Your Nonprofit Could Lose Its Tax Exemption

Private Benefit: One important way a nonprofit differs from a for-profit organization is that it does not benefit any person or organization. A nonprofit organization must serve the public good. Nonprofits can indeed make profits, but they can't pay them to individuals. They must channel them back into the organization's activities. However, they can pay reasonable salaries to staff.

Inurement: Inurement goes even further than private benefit by prohibiting a nonprofit's income or assets going to insiders such as board members, officers, directors, or important employees. The organization's property, for instance, cannot be sold to an insider below market value. This requirement is "absolute," which means that any such payment or sale could result in the IRS stripping an organization's exempt status, and the insiders involved could be subject to penalty excise taxes.

Lobbying: An organization lobbies when it tries to influence legislation. Some lobbying is permitted under certain circumstances. But to ensure an organization keeps its status, it's safer not to lobby at all nor encourage anyone involved with your nonprofit to support, propose, or oppose any legislation. If a nonprofit engages in too much lobbying, the organization can be stripped of its exempt status and face a fine

Political Campaign Activity: Nonprofit 501(c)(3) organizations cannot endorse or oppose any candidate for public office at the local, state, or federal levels. This includes contributions to a political campaign and even public statements for or against a candidate. Any violation can cause the IRS to strip a 501(c)(3) of its tax-exempt status

Too Much Unrelated Business Income (UBI): The area of unrelated business income is complicated. Still, on a basic level, it means that a 501(c)(3) nonprofit organization may not receive income from a regularly-carried-on trade or business that is not related to its mission

Not Filing an Annual 990 Tax Information Form: All nonprofits must file a 990 form annually. The type of 990 filed depends on the organization's size.

Failure to Pursue Original Purpose: Organizations that apply for tax exemption, state that their purpose lies within one of the following categories: "Charitable, religious, educational, scientific, literary, testing for public safety, foster amateur sports competition, prevents cruelty to children or animals." 9 If that purpose changes, an organization must notify the IRS.

For more information contact: membership-dir@usadance.org



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Effective Date: December 31, 2020

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Contact Person: USA Dance Secretary

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