

# MICE 501.(c)6 Discussion Points

All,

I hope this finds you well. Below, please find basic information on the three 501(c) federal tax exemptions that are best for MICE. Please review and if you have any questions, please let me know.

Required documents to be included in the application:

1. EIN
2. Bylaws
3. Organizing documents
4. A description of activities- including any fundraising events for a 501(c)3 and a narrative description of any anticipated receipts and contemplated expenditures. When describing include, the standards, criteria, procedures, or other means that your organization adopted or planned for carrying those activities.
5. Financial data: You must include financial statements showing your receipts and expenditures and a balance sheet for the current year and the three preceding years (or for the number of years your organization was in existence if less than 4). For each accounting period you must describe the sources of your receipts and the nature of your expenditures. If you have not begun have not begun operations, or have operated for less than 1 year, a proposed budget for 2 full accounting periods and a current statement of assets and liabilities will be acceptable.
6. Any fee required

## **501 (c)6- Business Leagues Etc.**

-Must fill out form 1024

-The organization must indicate in the application form and attached statements that no part of its net earnings will inure to the benefit of any private shareholder or individual and that it is not organized for profit or organized to engage in an activity ordinarily carried on for profit (even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining).

-The organization must be primarily engaged in activities or functions that are the basis for its exemption. The organization must be primarily supported by membership dues and other income from activities substantially related to its exempt purpose.

Types of 501(c)6 organizations that qualify:

-A business league, in general, is an association of persons having some common business interest, the purpose of which is to promote that common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Trade associations and professional associations are considered business leagues.

-Board of trade- A board of trade often consists of persons engaged in similar lines of business. Example- a nonprofit organization formed to regulate the sale of a specified agricultural commodity to assure equal treatment of producers, warehouse workers, and buyers is a board of trade.

- General purpose requirement- The organization must indicate in the material submitted with the application that it will be devoted to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. It must be shown that the conditions of a particular trade or the interests of the community will be advanced. Merely indicating the name of the organization or the object of the local statute under which it is created is not enough to demonstrate the required general purpose.

Line of business requirement- A common business interest of all members of the organization must be established by the application documents.

Improvement of business conditions requirement- Generally, this must be show to be the purpose of the organization. This is not established by evidence of particular services that provide a convenience or economy to individual members in their businesses, such as advertising that carries the name of the members, interest free loans, etc.

Legislative activity- An organization that is exempt under section 501(c)(6) can work for the enactment of laws to advance the common business interests of the organization's members.

Deduction not allowed for dues used for political or legislative activities- A taxpayer cannot deduct the part of dues or other payments to a business league, trade association, labor union, or similar organization that is reported to the taxpayer by the organization as having been used for any of the following activities:

1. Influencing Legislation;
2. Participating or intervening in a political campaign for, or against any candidate for public office;
3. Trying to influence the general public, or part of the general public, with respect to elections, legislative matters, or referendums; and
4. Communicating directly with certain executive branch officials to try to influence their official actions or positions.

Local legislation exemption- Members can deduct dues (or assessments) to an organization that are for expenses of:

1. Appearing before, submitting statements to, or sending communications to members of a local council or similar governing body with respect to legislation or proposed legislation of direct interest to the member, or
2. Communicating information between the member and the organization with respect to local legislation or proposed legislation of direct interest to the organization or the member.

Legislation or proposed legislation is of direct interest to a taxpayer if it will, or can reasonably be expected to, affect the taxpayer's trade or business.

De minimis exception- In-house expenditures of \$2,000 or less for the year for activities (1)-(4) listed earlier will not prevent a deduction for dues if the dues meet all other tests to be deductible as a business expense.

Grass Roots Lobbying- A tax-exempt trade association, labor union, or similar organization is considered to be engaging in grass roots lobbying if it contacts prospective members or calls upon its own members to contact their employees and customers for the purpose of urging such persons to communicate with their elected state or Congressional representatives to support the promotion, defeat, or repeal of legislation that is of direct interest to the organization. Any dues or assessments directly related to such activities are not deductible by the taxpayer, since the individuals being contacted, who are not members of the organization, are a segment of the general public.

Tax treatment of donations- Contributions to organizations described in this section are not deductible as charitable contributions on the donor's federal income tax return. They may be deductible as trade or business expenses if ordinary and necessary in the conduct of the taxpayer's business.

**Jeffrey P. Clancy** | Of Counsel | Stinson Leonard Street LLP

3800 8th Street North, Suite 102 | St. Cloud, MN 56303

T: [320.654.4115](tel:320.654.4115) | F: [320.654.4101](tel:320.654.4101)

[jeff.clancy@stinsonleonard.com](mailto:jeff.clancy@stinsonleonard.com) | [www.stinsonleonard.com](http://www.stinsonleonard.com)

Legal Administrative Assistant: Elizabeth Meier | [320.654.4583](tel:320.654.4583) | [elizabeth.meier@stinsonleonard.com](mailto:elizabeth.meier@stinsonleonard.com)

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