

## FEDERAL TAX IDENTIFICATION NUMBER (TIN) / EMPLOYER IDENTIFICATION NUMBER (EIN)

The federal TIN or the federal EIN (both terms are used by the IRS interchangeably) is a unique 9-digit identification number assigned to your organization by completing IRS Form SS-4. Each TIN/EIN assigned is on file with the IRS and should be used on all tax returns, correspondence, and a copy of the letter confirming the TIN/EIN assignment should be retained permanently in the records of the organization.

The American Legion Auxiliary Constitution, Bylaws and Standing Rules as adopted, revised, and updated, provides guidance as to the expectation that Departments and Units will operate as independent separate entities as affiliates of the ALA National Organization. If an ALA Unit discovers that they are currently operating with their American Legion Post as one entity, the ALA Unit needs to establish separate operations to conduct business.

An additional step is required for formal recognition in seeking exemption from federal taxation and the ability to receive tax-deductible donations by choosing to seek a unique determination from the IRS by submitting IRS Form 1024 or requesting inclusion under the ALA National Group Exemption ruling.

## TAX EXEMPT AND DEDUCTIBILITY STATUS ARE NOT AUTOMATIC

An organization can be established as a nonprofit and have the required TIN/EIN but still NOT be tax-exempt or able to receive tax-deductible donations. It is at the discretion of the IRS to grant exemption from paying federal income taxes and the ability to receive tax-deductible donations – this is an entirely separate federal filing and determination process. For ALA entities, the ALA National Organization Group Exemption ruling provides federal tax-exemption and deductibility of donations unless the IRS has specifically revoked an ALA entity's status.

Newly chartered ALA entities that have obtained a TIN/EIN to conduct business and operate, can seek federal tax-exempt recognition as a 501(c)(19) and the ability to receive tax-deductible donations by requesting inclusion under the ALA National Group Ruling. ALA Units seeking group ruling inclusion will need to complete an Inclusion Letter and provide verification of their TIN/EIN in the form of a copy of the IRS letter confirming the assignment of their TIN/EIN. Contact Secretary Tiffany for the inclusion letter and directions.

## Tax Deductible Donations and Gifts

Per the IRS Determination Letter for the ALA National Group Ruling, donations and contributions to organizations included in the group ruling are tax deductible per Internal Revenue Code Section 170(c)(3).

Note: Inclusion under the ALA National Group Ruling is strongly recommended.

## TAX-EXEMPT STATUS REVOCATION

Organizations that fail to file the required IRS Form 990 Series for three consecutive years automatically have their federal tax-exempt status and their ability to receive tax-deductible donations revoked. These requirements were implemented in the 2007 tax year.

These are the Consequences of losing your federal tax-exemption may include but are not limited to the following:

1. Your ALA entity is no longer exempt from federal income tax, does not have the ability to receive tax-deductible donations, and will be subject to corporate income tax on annual revenue.
  - **Note:** Your ALA Unit should proactively communicate with your donors explaining that the organization's tax-exempt status has been revoked. You should communicate the reason for the revocation, consequences of the revocation, and that all steps are being taken to have the organization's tax-exempt status reinstated.
2. State and local tax-exemptions, dependent on the organizations' federal tax-exempt status, may also be revoked. Please consult with the state and local regulatory agencies and/or a tax professional.
3. ALA Units that have had their tax-exempt status revoked are unlikely to be considered for grants.

**Note:** ALA Units that have lost federal (and/or state) tax-exempt status may remain chartered entities with the American Legion Auxiliary. The ALA National Organization does not require chartered entities to be tax-exempt.

## RECOMMENDED REINSTATEMENT PROCESS FOR CHARTERED ALA ENTITIES

To obtain any information on the status of the respective Unit, the ALA entity can go on the IRS website at (<https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf>).

1. If an ALA Unit has had its exempt status revoked by the IRS, it is the ALA Unit responsibility to resolve the matter. Units must deal directly with the IRS. Since each Unit is separately organized and has its own TIN/EIN, the ALA Department and National Organization is prohibited from acting on behalf of the ALA entity but can provide guidance as needed.

Filing for reinstatement of recognition as a 501(c)(19) federally tax-exempt organization (including the ability to receive tax-deductible donations) requires the use of IRS Form 1024, which must be submitted electronically through IRS at Pay.gov. Completion of this form will include payment by ACH or credit/debit card of the reinstatement fee, which is currently set at \$600 (as of 1/24/2022, subject to change by the IRS). You can submit a appeal letter to the IRS to waive the fee.

When going to IRS Pay.gov, search '1024' in the search bar to fill out the correct form.

ALA entities who have met the IRS requirements of reinstatement and receive their own unique tax-exempt status and deductibility of contributions determination from the IRS can be reincluded to the ALA National Group Ruling, will need to Contact Secretary Tiffany to help with the inclusion form.

Your Unit is reinstated as of the date indicated on the IRS letter.

ALA Units that have been revoked have the option of remaining a taxable entity.

If the ALA Unit chooses to remain a taxable entity, they are responsible for filing the appropriate tax forms with the IRS relative to their organizational structure (e.g., 1120 Corporate Tax Return). While you can remain a chartered ALA entity, your 501(c)(19) classification is in jeopardy with the IRS should you remain a taxable entity.

Is the organization able to receive tax-deductible contributions? No if you receive donations, it is considered income and must be report when filing taxes.

Can you give a tax-exempt donation to a donor? No, you are no longer exempt.

Your Unit is not covered under Departments Exempt status your Unit should not use any charitable organizations EIN number that includes the Post your Unit is attached.

Once again you cannot sell to donors you are exempt.