



## **NOTICE TO PARTNERSHIP COUNCILS OF GROUP IRS EXEMPTION**

The Partnership for Philanthropic Planning (“The Partnership”) has received a group exemption letter from the Internal Revenue Service (the “Service”), which provides that the Partnership and its members covered by the letter are tax exempt organizations under the section 501(c)(3) of the Internal Revenue Code. For reference, a copy of the group exemption letter is enclosed.

### **EFFECT OF GROUP EXEMPTION**

The group exemption letter provides certain benefits to local councils, while requiring those councils to take specific action. Local councils must file IRS Form 990 if they normally receive more than \$25,000 per year, and Form 990-T if they have unrelated business taxable income. If your organization receives a Form 990 package in the mail and your gross receipts are below \$25,000, check the appropriate box on the return, sign it and file it. This will cause the IRS to update its records and delete your organization from the list of organizations that will receive Form 990 packages in the future. Each local council is liable on remuneration of \$100 or more paid to employees for social security taxes under the Federal Insurance Contributions Act, but not for tax under the Federal Unemployment Tax Act. Each year, the Partnership National Office will request information from your organization in order to report to the IRS.

### **INCLUDING YOUR ORGANIZATION IN THE GROUP EXEMPTION**

You may request for your organization to be covered by the group exemption letter as a local council of the Partnership. This will eliminate the requirement for your council to process its own application for federal tax exemption (IRS Form 1023). However, since the Partnership will not prepare a group tax return, your council will still need to meet its own tax reporting requirements, as described above. To be included in the group tax exemption, your organization must (1) meet the requirements for being a local council; and (2) make a formal request to the Partnership to be included.

## REQUIREMENTS FOR INCLUSION

1. To be a member local council covered by the group exemption letter, the organization must meet certain requirements that it be affiliated with and supervised or controlled by the Partnership, and the organization must meet the requirements of Section 501(c)(3) of the Internal Revenue Code (the “Code”). These requirements are generally as follows:

(a) Affiliation. The Organization must be a member of the Partnership, as defined in the Partnership Articles and Bylaws, and therefore a local council of the Partnership. The membership of the Organization establishes its affiliation with the Partnership. The local council must recognize that it will remain affiliated with the Partnership if it meets the membership requirements set by the Partnership, and if it does not give the Partnership cause to terminate its membership.

(b) Supervision and Control. The Organization must recognize that the local councils are subject to the Partnership’s general supervision and control through the membership relationship between the central organization and the local councils as subordinates. Article I, Section 1.4 of the Partnership’s Bylaws provides that any voting membership may be suspended or terminated by the Partnership for cause. That section of the Bylaws goes on to define sufficient cause for suspension or termination of voting membership as violation of the Partnership’s Bylaws, nonpayment of dues, violation of any lawful rule or practice duly adopted by the Partnership, or any other conduct prejudicial to the interests of the Partnership. Consequently, the Partnership controls or supervises local councils by conditioning membership on the local council not giving the Partnership sufficient cause for suspension or termination of voting membership.

(c) Eligibility under Sections 501(c)(3) and 509(a) of the Code. The organizing documents, the purposes and activities of the Organization, and the requirements of membership in the Partnership should make the Organization eligible under Section 501(c)(3) of the Code to be exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986(the “Code”).

The Organization cannot be a private foundation under Section 509(a) of the Code. To that end, the Organization should qualify under Sections 509(a)(1) and 170(b)(1)(A)(vi) as an organization which normally receives a substantial part of its support (exclusive of income received in the exercise or performance of charitable or educational purposes from a governmental unit referred to in subsection 170(c)(1) of the Code) from direct or indirect contributions from the general public.

2. Organizing Document. Your organization must have an organizing document which meets the local requirements of the state in which it is organized, and it should generally provide that the Organization is organized and operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

If the organization is a corporation, the articles of incorporation should include, in addition to any requirements of the state of incorporation, language such as the following, which describes the exempt purposes of the organization:

The charitable and educational purposes of the organization are to facilitate, coordinate and encourage education and training of the planned giving community and its allied professionals.

Note that if the articles of incorporation do not include such language, they should be amended according to the requirements of the state of incorporation.

If your organization is not a corporation, then your organizing document, such as a declaration of trust, should include language similar to the above. If it does not have similar language, then the organizing document may be amended by a resolution of your governing body to include such language.

Note that even Minutes of the first meeting of your organization may serve as an organizing instrument. If your organization has no organizing document, then your governing body (the group that makes decisions) should pass a resolution adopting such language and the resolution should be included in written minutes of the meeting.

## **PROCEDURE AND DOCUMENTS**

3. Employer Identification Number. Your organization must have an employer identification number even if it has no employees. If the organization does not already have an employer identification number, follow the instructions on the enclosed Form SS-4, Application for Employer Identification Number. This form allows an organization to request an employer identification number over the telephone by first filling out the form (because they will ask for the information from the form over the telephone), and then calling the telephone number listed on the form, which relates to the geographic location of the organization. After getting the number over the telephone, you must also mail the completed Form SS-4 as the form indicates to the appropriate office.

4. Pass Resolutions. Your organization must agree to be a member of the Partnership and must request that the Partnership include your organization in the group exemption letter. The Board of Directors (or governing body) of your organization should adopt the resolutions contained in the enclosed Specimen Resolutions.

5. Complete the enclosed Request for Inclusion in the Partnership Group Exemption letter by filling in all the information indicated by the blank spaces and meeting the requirements referred to in that letter and this letter.

6. Return the completed Request for Inclusion in the Partnership Group Exemption letter and the completed Written Authorization to Include Organization in Group Exemption to the following address:

The Partnership for Philanthropic Planning  
233 McCrea Street, Suite 400  
Indianapolis, IN 46225  
Attention: Belinda Gillett, Membership Operations Manager

If you have any questions, call Belinda Gillett at 317/269-6274, ext.25.

Enclosures: Form SS-4 Application for Employer Identification Number  
Request for Inclusion in the Partnership Group Exemption  
Schedule of Resolutions  
Written Authorization to Include Organization in Group Exemption