



Carolina Region/USA V Tax Issues for Junior Clubs

The information below is provided to Junior Clubs to provide general information concerning common questions to the Region about tax issues. It is intended to make Junior clubs aware of some issues that is associated with operating a Junior club and should spur clubs to investigate their situations more in depth. The information below is in no-way all-inclusive or comprehensive and should not take the place of advice from a tax professional. Please consult your tax advisor for answers to your specific tax situations.

A. Non-Profit Status:

Incorporating as a non-profit organization is NOT required in order to register a team/club with the Carolina Region. Many clubs do choose to incorporate as a non-profit to aid in their fundraising efforts. However, the vast majority do not become non-profit organizations. It is up to each club to make that decision. If interested in becoming a non-profit organization, contact the North Carolina Secretary of State for information on the steps needed to take to incorporate. They have a booklet "Incorporating Your Non-Profit in North Carolina" that explains the steps needed. Go to www.sosnc.com/corporations and click on Guidelines to Incorporating: Nonprofit Corporation or call 919.807.2225.

B. Paying Coaches:

Clubs that incorporate as a non-profit (above) will receive a Tax-Payer ID Number (TIN). If a club does not incorporate but pays their coaches as independent contractors, they should still apply to receive a TIN for the club. This will help them in submitting the proper paperwork to the IRS at the end of the year. A club can apply for a TIN even if they are not incorporated as a non-profit. Use Form SS-4 to apply for a TIN (available at the Clubs section of the Region website and at the IRS website-www.irs.gov). All coaches that receive over \$600 in compensation should receive a 1099 from the club each year. There are potential penalties from the IRS for not submitting 1099's so consult with your tax advisor to make sure you are handling your coaches' pay correctly.

C. Annual Returns:

If a club is incorporated as a non-profit (tax-exempt) then it is probably required to file a yearly return or notice to the IRS. If an organization does not file as required for three consecutive years, the law provides that it automatically loses its tax-exempt status. Loss of exempt status means an organization must file income tax returns and pay income tax. Also, its contributors will not be able to deduct their donations. The deadline for returns is tied to the organizations fiscal year and the type of return depends on its gross receipts. Please refer to <http://www.irs.gov/charities/article/0,,id=217087,00.html> and your tax professional for more information.