

## MEMORANDUM

Date: January 21, 2015

To: Oregon Chapter

From: Jenifer Willer, Chapter Treasurer (2015 – 2016)

Subject: Fundraising activities and requirements to document unrelated business activity income

This memo is to provide basic guidance to chapter members, committee chairs, board members and chapter administration on documenting revenue that may trigger the payment of taxes. This is just an overview document and any questions should be directed to the chapter Treasurer.

APWA is considered a 501(c)(3) charitable organization for purposes of income tax filing with the IRS. Although APWA is a not-for-profit corporation and is generally exempt from paying taxes, there are certain sources of revenue and activities that the IRS considers taxable, triggering an “unrelated business income tax” (UBIT). Some examples applicable to the Oregon Chapter are sponsorships, fund-raising activities such as golf, and raffles.

Each year, the Chapter is required to report all revenue and activities that trigger the UBIT. The chapter Treasurer needs to be informed about any activity that triggers the UBIT, so that it can be accurately reported to National. **Failure to accurately report this activity could subject the Chapter to fines and jeopardize the organization’s not-for-profit status.**

While there are many different activities that may trigger the UBIT, I have selected a few that the Chapter is most interested in. I do want to note, none of the activities described in this memo are prohibited, just require processes and documentation that we need to make sure we follow. If you are aware of any activities described below, or other activities you suspect may trigger the UBIT, please contact the chapter Treasurer.

### Sponsorships

Generally, our sponsorships fall into two categories – Advertising Revenue and Non-Qualified Sponsorships. These are both reported in our budget and accounting system with account codes that identifies them as advertising or sponsorship revenue that triggers the UBIT. It is important for anyone who “sells” sponsorship or advertising space to identify the revenue with the appropriate account codes to ensure accurate record keeping.

Non-cash donations (sponsorships) also need to be tracked. In order to report non-cash donations, we need to record the value of the item had it been purchased by the Chapter.

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Also, IRS regulations require that all contributions/sponsorships in excess of \$75 be supported by a written acknowledgement from the chapter.

### Fund-Raising Activities

The most common activity that the Oregon Chapter hosts in this category is the golf event as part of the conferences. Fund-raising activities can be held in such a way as to not trigger the UBIT; otherwise revenue from the event must be documented for tax purposes.

The event is not considered to be education-related and thus triggers the UBIT if it meets all of the following:

- The gross receipts (registration fees, sponsorships, etc.) exceed \$5,000.
- The participant can register separately for the event from the education activity.
- The primary purpose of the event is to raise money for the chapter activities.
- The event itself does not include an educational component.

All fund raising activities should be reported to the chapter Treasurer. If an event is held that may trigger the UBIT, please contact the chapter Treasurer for required documentation of the event.

### Gaming

The Board has asked about using raffles to raise money for the chapter. Raffles are considered a form of gaming under both federal and state laws. Gaming is not considered to be education-related and always triggers the UBIT. Door prizes that require payment for entry tickets fall into the gaming requirements as well.

For purposes of income tax, we report raffles (and other gaming) as part of our annual revenue reporting to National. If the chapter wishes to hold raffles for fund-raising purposes, the State of Oregon has additional requirements for us to follow.

Generally, all nonprofit organizations wishing to operate gaming events are required to have licenses issued by the Oregon Department of Justice, unless the raffle events have cumulative gross sales of less than \$10,000 per calendar year. If alcoholic beverages are included in any prize, the Oregon Liquor Control Commission must be notified prior to the event.

All gaming must be reported to the Chapter Treasurer prior to and after the activity.

Please contact me if you have any questions about how to proceed with any of these events or how to document the event at (541)501-0376 or by email at [jenifer.m.willer@ci.eugene.or.us](mailto:jenifer.m.willer@ci.eugene.or.us).