

Resolution #GCC21-19

Recovery of Tax-Exempt Status for Revoked Chapters

WHEREAS

Undergraduate chapters are charged with maintaining fiscal health, including budgeting, dues billing, collection of receivables, proper reporting of revenue and expenses, filing taxes, and maintaining the chapter's tax-exempt status; and

WHEREAS

Many chapters struggle with collecting dues from their members on time and in full, leading to a debilitating accounts receivable situation and need for a reliable collections agency; and

WHEREAS

Consistently, and accurately, reporting revenues and expenses to the entire undergraduate chapter is time-intensive and complex without the appropriate financial reporting tool; and

WHEREAS

Greekbill provides crucial reporting functionality on a member-by-member and budget vs. actual basis that Venmo, CashApp, Apple Pay and other peer-to-peer payment networks cannot; and

WHEREAS

The IRS does not regard chapters as a series of one-year entities, but as a single on-going operation and the IRS expects financial and compliance consistency across different officer sets with the ability to produce consistent and accurate records spanning multiple years; and

WHEREAS

Many chapters are unable to produce accurate financial records from previous years when trying to catch up on missed 990 filings due to each Vice President of Finance having their own inconsistent and inadequately maintained systems; and

WHEREAS

Failing to file taxes in three consecutive years leads to the automatic revocation of a chapter's tax-exempt status; and

WHEREAS

Today, more than 60% of chapters have had their tax-exempt status revoked as a result of failing to consistently submit a completed 990 to the Internal Revenue Service in spite of frequent communications from the Grand Chapter about the importance of maintaining tax-exempt status (i.e., with each CIF statement) and in spite of the education on the importance of maintaining tax-exempt status at every Carlson Leadership Academy; and

WHEREAS

Chapters who have lost their tax-exempt status must file as a for-profit company and be subject to 35% corporate income tax rates on member dues payments; and

WHEREAS

These taxes are due and payable each year the chapter does NOT have tax-exempt status with the IRS adding significant penalties and interest if the taxes due are not paid on time; and

WHEREAS

Chapters who wish to regain their tax-exempt status after revocation must file a lengthy application with the IRS that includes properly completed and accurate tax returns for all years missed (which will be at least years of returns) as well as paying pay non-trivial fees to do so and explain why the tax reports were not filed as required each year; and

WHEREAS

Proposed IRS policies regarding subsidiaries of an umbrella organization could put the national fraternity's tax-exempt status at risk if chapters do not get their tax-exempt statuses back in good standing, which has implications for programs, costs of operations and ability to fundraise, and the loss of tax-exempt status for chapters that **have** kept their filings up to date; and

WHEREAS

The National Board of Directors, in partnership with the headquarters staff, identified and selected a new preferred financial partner Greekbill that can adequately support chapter budgeting, billing and dues collection, 990 completion and filing, tracking signed membership agreements, and other financial matters critical to a chapter's fiscal health; and

WHEREAS

The adoption of Greekbill by chapters who have had their tax-exempt status revoked by the IRS will encourage fiscally responsible financial processes, improve dues collection, improve chapter budgeting practices, ensure taxes are filed and help maintain the chapter's tax-exempt status; and

WHEREAS

Over seventy-five (75) Sigma Phi Epsilon chapters have already adopted Greekbill; therefore be it

RESOLVED

The ADMINISTRATIVE POLICIES AND PROCEDURES SECTION 2 – CHAPTERS, CHARTERS, and AVCs, OFFICERS - POWERS AND DUTIES be amended as follows (~~strickthrough~~ indicates removal of text; *italics* indicates new text):

(iii) The Vice President of Finance shall be responsible for the chapter's financial affairs. He is chairman of the finance committee. The finance committee shall collect all dues and other charges due from the members to the undergraduate chapter, and the Vice President of Finance shall make necessary and appropriate disbursements as required. The finance committee shall prepare, with the assistance of the Executive Committee and their volunteers, an annual budget of the undergraduate chapter, and after it is approved by the Executive Committee, he shall transmit a copy to the undergraduate chapter and the Alumni and Volunteer Corporation and make available a copy for the District Governor and Headquarters. The Vice President of Finance shall be responsible for filing an annual tax return with the Internal Revenue Service and submitting said return to Headquarters. He shall also be responsible for the prompt collection and transmittal to Headquarters of all monies due the Fraternity pursuant to Article VI of the Bylaws. Within one month after the conclusion of their terms of office, the Vice President of Finance and his committee shall, upon request, make available to the Alumni and Volunteer Corporation, all records pertaining to the financial operations of the undergraduate chapter for review by such person as is designated by the Alumni and Volunteer Corporation. Should the chapter president or the chapter's volunteers be concerned that financial improprieties are occurring, they may ask for an audit independent of the Vice President of Finance of the chapter's finances at any time. Should it be necessary the Vice President of Finance shall have 30 calendar days to prepare for this audit.

In the event that the chapter's tax-exempt status is revoked by the IRS, the vice president of finance, in conjunction with the AVC and a mentor for the Vice President of Finance, must immediately move to resolve the issue and be reinstated to good standing by adopting the Fraternity's preferred financial platform vendor for all dues collection and tax filing services for a period of no lesser than three years. In the event there is no mentor for the Vice President of Finance, one must be appointed by the AVC or the District Governor in absence of an AVC.

A chapter can opt out of the preferred platform's services by proving reinstatement progress within 3 months of tax-exempt revocation with support of a local certified professional accountant or tax professional.

Committee: Ways & Mean Committee
Committee Recommends: Pass
Grand Chapter Action: Pass

Cooper Whiteleather, Chairman, Ways & Mean Committee
57th Grand Chapter Conclave – Denver, CO – July 28 – 31, 2021