

Frequently Asked Questions Tax Exempt Status of 4-H

Prepared by: Jeff W. Howard, Ph.D.
Associate State 4-H Program Leader
Texas Cooperative Extension

1. Is 4-H tax exempt?
The 4-H and Youth Development program is exempt from FEDERAL income tax. Tax exemption does not reference state sales tax. 4-H groups must pay state sales tax whenever anything is purchased that would normally be taxed under Texas sales tax regulations. Specifically, 4-H clubs are exempt from Federal Income Tax under section 101 (6) of the IRS Code of 1939, which corresponds to section 501 (c) of the 1986 code, which we still operate under today.
2. What is a 501 (c) 3 ?
Most people in society acquaint a 501 (c) 3 with a not-for profit, fund raising organization. This element is definitely addressed within section 501 (c) 3 of the IRS tax code. However, there are MULTIPLE elements of section 501 (c) 3. Section 501 (c) 3 of the IRS tax code is over 76 pages long - it covers MANY, MANY elements of the tax code. One item covered within section 501 (c) 3, is non-profit organizations which are exempt from federal income tax. 4-H falls under this section of the tax code. We ARE NOT however, a , not-for profit fund raising organization - we are RECIPIENTS of these dollars. 4-H falls under the classification of “other than private foundations in the 501 (c) 3 tax code descriptions. So, if someone references 4-H as being a 501 (c) 3 it should be under the element of being tax exempt - not as a non-profit fund raising group.
3. Why doesn't Texas 4-H get 501 (c) 3 status for all of the counties?
All counties and clubs that are chartered to use the 4-H name and emblem meet 4-H's eligibility for federal tax exemption. A group that wants to organize themselves to be a non-profit fund raising organization must complete proper IRS application forms to incorporate themselves as such. Texas 4-H has a Foundation, which we created over 40 years ago. The Texas 4-H Foundation is housed in College Station and is available to work with counties regarding major fund raising donations and donors.
4. Are contributions to 4-H organizations deductible by donors?
Yes. The ruling issued by the Department of Agriculture by the Internal Revenue Service, February 9, 1973 states that a donor may be able to deduct contributions to 4-H organizations as provided in section 170 of the tax code. A sample receipt letters for donors is posted on the Texas 4-H Management Site under Resource Development (<http://tx4-h.tamu.edu/mgtguide>) Donors would need to consult with a professional tax preparer to make certain their donation can be deductible.

There is a national data base issued by the IRS which summarizes all of the non-profits that are tax exempt. To make certain that a local 4-H club or group is on this list, they should complete a Group Exemption Number (GEN) Inclusion form and submit to the IRS. The IRS will then send a letter affirming that the group is on this list which could potentially lead to donors being more willing to donate. This is especially important for large discount stores that reference this list before they will agree to give a donation. The GEN Inclusion form is posted on the Texas 4-H Management Site under Resource Development (<http://tx4-h.tamu.edu/mgtguide>)

5. If we're exempt from federal income tax, why is there a requirement to file an income tax form when we make over \$25,000.

There is not a requirement to file an income tax form. However, any non-profit group, having federal income tax exemption status, that generates in excess of \$25,000 through their bank account in a given year is required to file a Form 990 which is an information form, not a federal tax form. Many county groups will exceed this amount as they take in stockshow entries, camp fees etc. Although the group didn't "make (earn)" \$25,000 the bank account had that much revenue run through it. The Internal Revenue Service has assigned a Federal income tax group exemption number to 4-H organizations and affiliated groups to use when filing Form 990. This number is 2704. This is not an Employer Identification number or a Sales Tax Exemption number.

6. Even with all of the tax-exempt information noted, I've heard that it is possible to get state sales tax exemption for 4-H groups. So which is it? Are we, or aren't we sales tax exempt?

Any information surrounding state sales tax exemption has to do with the opportunity for non-profit groups to file for up to two opportunities per year to be sales tax exempt. They can also file to not pay state sales tax resulting from fund raising sales. Although all 4-H organizations may qualify to be sales tax exempt, no organization is considered sales tax exempt unless that individual group has applied for such an exemption with the Texas Comptroller of Public Accounts. There are no "blanket" sales tax exemptions for any 4-H organizations in Texas. It is also important to note that any 4-H organization that is selling goods or services may also be required to collect sales tax on those items and remit those taxes to the Comptroller. The Comptroller's office has the following resources and information:

Texas Tax Exempt Organizations (<http://www.window.state.tx.us/taxinfo/exempt/index.html>)

that identifies possible groups that may qualify for exemption status

Guidelines to Texas Tax Exemptions, September 2003 for Educational Organizations

http://www.window.state.tx.us/taxinfo/taxpubs/tx96_1045.html) that help determine qualifications of tax exempt educational organizations;

Application for Exemption - Educational Organizations Form AP-207

(<http://www.window.state.tx.us/taxinfo/taxforms/ap-207.pdf>) that 4-H organizations can use to apply for exemption from the Comptroller.

7. Some major retail stores, have a program where they'll match any money raised by non-profit fund raising groups. When we went to them to request this, we were denied because they said 4-H was not on their list. What's the deal with that?

Many major retail groups and funding groups will compare applicants with a summary of all the non-profit fund raising groups in the U.S. listed as Foundations. They're right. 4-H isn't on it. We are not a "not for profit fund raising group". We're recipients of the money. We do however, have the Texas 4-H Foundation which can work with clubs and counties concerning securing donor dollars.