



# USA, PUERTO RICO and US VIRGIN ISLANDS ROTARY CLUBS AND DISTRICTS AND THE IRS

From Club and District Support - Pan America Department  
Rotary International, 1560 Sherman Avenue, Evanston, Illinois 60201 USA  
Telephone: (847)-866-3000; Fax: (847)-866-3072

*What follows is not tax advice, but general information, which may be useful. Questions regarding any tax matters need to be referred to local counsel, your tax adviser or to the IRS. (<http://www.irs.ustreas.gov> or 1-800-829-1040)*

On 13 May 1958, the Internal Revenue Service declared that Rotary International (RI) and its clubs and districts are entitled to exemption from federal income tax under **Section 501(c)(4)** of the Internal Revenue Code. While Rotary districts and clubs are exempt from paying *federal income tax*, the law does require Rotary clubs and districts to file an annual information return on **IRS Form 990**, on or before the 15th day of the 5th month following the close of the annual accounting period (15 November). Certain organizations, other than private foundations, that do not normally receive more than \$25,000 in gross receipts in each taxable year are not required to file Form 990.

**Starting in 2008, clubs or districts with gross receipts of \$25,000 or less were required to file Form 990-N, which is an electronic e-Postcard report.** This report is required annually. Failure to meet the annual filing requirement for three consecutive years will result in **revocation of the tax-exempt status of the club or district** in question. To learn more about this requirement, and to obtain the necessary e-Postcard report form, visit the US Treasury website at: [www.irs.gov/eo](http://www.irs.gov/eo), or call the toll-free number: (877) 829-5500.

**Numbers:** RI's **Group Exemption Number** (referred to as "GEN" on Form 990), is **0573**, which applies to RI as well as all USA, Puerto Rico and Virgin Islands clubs and districts. At the same time, every club and district in the USA, Puerto Rico and Virgin Islands is required to have its own **Employer Identification Number (EIN)**. This 9-digit number is essentially a tax ID number, and has nothing to do with whether the club or district has any employees. As RI must report annually the EINs of all districts and clubs in the USA, Puerto Rico and Virgin Islands, the RI secretariat maintains a list of those EIN tax numbers for reference. New Rotary Clubs, however, must apply directly to the IRS for an EIN number to be assigned to the new Rotary club. Please contact your Club and District Support (CDS) representative at Rotary International headquarters if you have any questions about the EIN number for your club or district.

**Tax Deductible Status:** Though clubs and districts do not have to pay *federal* income tax, donations to clubs and districts are not tax deductible as a charitable contribution. However, such deductible status is possible for a contribution to any club or district charitable fund that has been *independently* classified by the IRS as qualifying under Section 501(c)(3) of the Internal Revenue Code. Membership dues may be deductible for some Rotarians as a business expense. Please contact the IRS or your tax consultant or attorney for guidance on this issue.

**Other Taxes:** Clubs or districts may be required to file **IRS Form 990-T** if they have "*unrelated business income*." An unrelated trade or business is defined as any trade or business that is regularly carried on, and that is not substantially related to the organization's exempt purpose or function. (IRC Sec. 513)

Federal Social Security and withholding taxes, and local state income taxes may be required from a club or district that has one or more paid employees. Please contact the IRS or your tax consultant or attorney for guidance on this issue.

The laws of individual states vary in regard to state income tax, sales tax, other taxes and special licenses. The 501(c)(4) status applies only to federal income tax and does not necessarily have any bearing on state or local taxes. IRS interpretation of its Code also can vary slightly in different US Treasury districts.