

Let's Talk Taxes

Benjamin Franklin said, "In this world nothing is certain but death and taxes" so it was natural that we would eventually get around to discussing taxes. We'll try to make it as simple and painless as possible. As this is just a summary, we do recommend either further research or the assistance of a tax or legal professional.

Income Tax

To obtain 501(c)(3) tax exempt status, an organization must file a Certificate of Incorporation as a not-for-profit corporation with the Oklahoma Secretary of State, file an Application for Recognition of Exemption with the IRS, and request an employer identification number.

All nonprofits are exempt from federal corporate income taxes but may be required to pay taxes on income from activities that are unrelated to their mission. This is called "unrelated business income." An example is a nonprofit that owns a commercial office building would probably pay taxes on rental income. For additional information, see Form 990-T Instructions or Publication 598, Tax on Unrelated Business Income of Exempt Organizations at www.irs.gov, the Web site for the Internal Revenue Service. For reporting this income to the state, use form 512E (www.tax.ok.gov/itforms.html).

Annual Information Return

Tax-exempt organizations must file an annual information return. Tax-exempt 501(c)(3) organizations must file their annual information return on Form 990 or Form 990-EZ along with Schedule A and possibly B. Form 990-EZ is designed for use by small organizations with (1) gross receipts during the year of less than \$100,000 and (2) total assets of less than \$250,000 at the end of the year. If your organization fails to meet either of these conditions, you cannot file Form 990-EZ but must file Form 990. For more information, see www.irs.gov/charities/charitable/article/0,,id=123308,00.html

In addition, nonprofit organizations must file the State of Oklahoma Return of Organization Exempt from Income Tax or Form 512E, the state's equivalent to the Form

990. For the form and instructions go to www.tax.ok.gov/itforms.html or call the Taxpayer Assistance Division. See page three for telephone numbers.

Sales tax

In general, 501(c)(3) organizations are not exempt from and must pay sales tax.

Nonprofits must pay sales tax on all goods purchased unless those goods are for resale. An example would be items purchased for a gift shop.

Nonprofits must collect sales tax on goods sold. Examples include gift shop items and ticket admission sales.

Sales tax does not need to be collected for classes as that is considered a service, but if supplies are offered for sale rather than provided as part of the class fee, sales tax would need to be charged for those supplies.

In order to collect sales tax, an organization needs to be registered to receive a sales tax permit. That form will be in Packet A, Oklahoma Business Registration Packet at www.oktax.state.ok.us/btforms.html of the Oklahoma Tax Commission. Filing can be done online to receive a discount, and a confirmation number will be given as proof that the report and payment have been received. Go to www.oktax.

state.ok.us and select "Online Filing Options" and then "QuickTax."

An exception to the sales tax rule – museums that are accredited by the American Museum Association are exempt from paying sales tax on all purchases. The Oklahoma Tax Commission's Application for Sales Tax Exemption form can be found at www.oktax.state.ok.us/btforms.html or call the Taxpayer Assistance Division. See page three for telephone numbers.

Payroll taxes

Every employer, including a tax-exempt organization, who pays wages to employees is responsible for withholding, depositing, paying, and reporting federal and state income tax, social security taxes (FICA), and federal unemployment tax (FUTA) for such wage payments. This rule applies unless that employer is specifically exempted by statute from such requirements or if the taxes are clearly inapplicable. For more information, see www.irs.gov/charities/article/0,,id=96103,00.html and Packet A, Oklahoma Business Registration Packet at www.oktax.state.ok.us/btforms.html

Well, that's it! Now, if you have additional questions, please check the resources given or seek professional guidance.

Resources

Oklahoma Tax Commission -
www.oktax.state.ok.us
Taxpayer Assistance Division -
Oklahoma City - 405.521.3160 or
Toll free - 800.522.8165, ext. 1-3160
Tulsa - 918.581.2399
Other Office Locations -
Ardmore - 580.226.4636
Lawton - 580.248.8440
McAlester - 918.426-0777

Internal Revenue Service - toll free for
charities and nonprofit organizations -
877.829.5500 or www.irs.gov

*Tax Information for Charities and Other
Non-Profits* - [www.irs.ustreas.gov/charities/
index.html](http://www.irs.ustreas.gov/charities/index.html)

*Frequently Asked Questions about Tax-
Exempt Organizations* - [www.irs.gov/
charities/content/0,,id=96986,00.html](http://www.irs.gov/charities/content/0,,id=96986,00.html)

*Employment Taxes for Exempt
Organizations* - [www.irs.gov/charities/
article/0,,id=128716,00.html](http://www.irs.gov/charities/article/0,,id=128716,00.html)

Free Management Library's On-Line
Nonprofit Organization Development
Program Module #8:
*Managing Your Nonprofit's Finances and
Taxes* by Carter McNamara
[www.mapnp.org/library/np_progs/fnc_
mod/fnance.htm](http://www.mapnp.org/library/np_progs/fnc_mod/fnance.htm)

*Tax Planning and Compliance for Tax-
Exempt Organizations* by Jody Blazek
available at 877.762.2974 or
[www.wiley.com/WileyCDA/WileyTitle/
productCd-0471679909.html](http://www.wiley.com/WileyCDA/WileyTitle/productCd-0471679909.html)

*Financial Responsibilities of Nonprofit
Boards* by Andrew S. Lang from
BoardSource at 800.883.6262 or [www.
boardsource.org/ViewBookStoreItem.
asp?ID=113&Qty=1](http://www.boardsource.org/ViewBookStoreItem.asp?ID=113&Qty=1)

*IRS Form 990: Tax Preparation Guide for
Nonprofits* by Jody Blazek available at
877.762.2974 or
[www.josseybass.com/WileyCDA/
WileyTitle/productCd-0471448532.html](http://www.josseybass.com/WileyCDA/WileyTitle/productCd-0471448532.html)

IRS - e-file for Charities and Non-Profits -
[www.irs.ustreas.gov/efile/article/
0,,id=108211,00.html](http://www.irs.ustreas.gov/efile/article/0,,id=108211,00.html)

Free online service for filing Form
990, Form 990-EZ and Form 8868
(Application for Extension of Time to File)
<http://efile.form990.org/>

Southwest Regional Leadership Forum,
sponsored by BoardSource and
Sarkeys Foundation, entitled "The Door
of Opportunity Won't Open Unless
You Do Some Pushing" will be held
at the National Center for Employee
Development in Norman, OK on
November 8-9, 2005. For additional
information see www.sarkeys.org or call
405.364.3703.



P.O. Box 52001-2001
OKLAHOMA CITY, OK 73152-2001
405.521.2931
TDD 405.521.2931

A.R.T.S. editor: Marla Clark
A.R.T.S. designer: Scott Cowan
Published by the Oklahoma Arts Council
as authorized by Betty Price, Executive Director
Quik Print has printed 700 copies of this
publication at a cost of \$130.05
Copies have been deposited with the
Publications Clearinghouse
of the Oklahoma Department of Libraries.

NONPROFIT ORG.
U.S. POSTAGE

PAID
OKLA. CITY, OKLA.
PERMIT NO. 1462

Boeing Company considers applications in the areas of health and human services, arts and culture, civic, environment, and education. In the arts and culture area, they invest in programs that promote participation in arts and cultural activities and experiences.

Deadline: None (Requests submitted after October 31 will not be considered until the following January.)

Information: [www.boeing.com/
companyoffices/aboutus/community/
guidelines.htm](http://www.boeing.com/companyoffices/aboutus/community/guidelines.htm)

Boeing Co. Community Relations:
Tulsa - 918.832.3352
Midwest City - 405.739.1401

The Puffin Foundation Ltd. makes grants that encourage emerging artists in the fields of art, music, theater, dance, photography, and literature whose works due to their genre and/or social philosophy might have difficulty being aired.

Deadline: Proposals will be accepted from October 2005 until December 30, 2005 postmarked midnight.

Information: [www.puffinfoundation.
org/grants/prospectiveapplicant.html](http://www.puffinfoundation.org/grants/prospectiveapplicant.html) or
for application packet, send a #10 self-
addressed stamped envelope to:

Puffin Foundation Ltd.
20 East Oakdene Avenue
Teaneck, NJ 07666-4111