

Non-profit and Group Exemption FAQs

This information is for educational purposes and is not intended as legal or tax advice. If legal, tax or other expert advice is required, please retain the services of a qualified professional.

- **Is FGCMD, Inc. a non-profit organization?**

Yes. Federated Garden Clubs of Maryland, Inc. was recognized as a non-profit 501(c)(3) organization by the Internal Revenue Service in 1985.

- **What is a 501(c)(3) organization?**

Organizations formed and operated exclusively for religious, charitable, public safety, education and certain other purposes can obtain an exemption from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code (IRC), and can accept eligible donations that donors may deduct for federal income, estate and gift tax purposes.

501(c)(3) Operating Requirements: Certain activities are prohibited or restricted, including but not limited to the following. A 501(c)(3) organization must:

1. Absolutely refrain from participating in the political campaigns of candidates for local, state or federal office.
2. Absolutely ensure that its assets and earnings do not unjustly enrich board members, officers, key management employees or other insiders.
3. Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
4. Not operate for the primary purpose of conducting trade or business that is not related to its exempt purpose(s).
5. Not engage in activities that are illegal or violate fundamental public policy.
6. Restrict its legislative activities (i.e. Organizations **may not** attempt to influence legislation as a substantial part of their activities, and **may not** directly or indirectly participate or intervene in any political campaign. Organizations **may** participate in non-partisan voter education activity, conduct educational meetings, prepare and distribute educational materials or otherwise consider public policy issues, and may appear before a government body to offer testimony about a decision that may affect the organization's existence.)

- **What is a Group Exemption, and how can it affect FGCMD, Inc. Districts and clubs?**

In addition to 501(c)(3) status, FGCMD, Inc. was granted a Group Exemption that allows member Districts and garden clubs as 'subordinates' in its group. Joining the Group Exemption relieves Districts or garden clubs of filing their own individual applications for exempt status, and extends the 'parent' 501(c)(3) benefits of federal income tax exemption and ability to accept eligible donations that donors may deduct for federal tax purposes to them.

Requirements for Inclusion: To be added to the Group Exemption, a member District or garden club must have its own Employer Identification Number (EIN). IRS also requires:

1. Information verifying that the subordinates:
 - a. Are affiliated with the central organization (FGCMD, Inc.)

- b. Are subject to FGCMD, Inc.'s general supervision and control
 - c. Are all eligible to qualify for exemption under the same paragraph of section 501(c) as is FGCMD, Inc., though not necessarily the paragraph under which FGCMD, Inc. is exempt.
 - d. Are not private foundations
 - e. Are all on the same accounting period as FGCMD, Inc. if they are to be included in group returns (*Note: FGCMD does not file a group return, so no subordinates are included in its annual Form 990*).
2. A detailed description of the purposes and activities of the subordinates, including the sources of receipts and the nature of expenses
 3. A sample copy of a uniform governing instrument (such as a charter or articles of association) adopted by the subordinates
 4. An affirmation to the effect that, to the best of FGCMD, Inc.'s knowledge, the purposes and activities of the subordinates are as stated in (2) and (3) above.
 5. A statement (signed by an authorized officer of the subordinate) that each subordinate to be included has given written authorization to that effect to FGCMD, Inc.
 6. A list of subordinates to be included in the group exemption letter

Inclusion in FGCMD, Inc.'s Group Exemption is voluntary. For a list of Districts and garden clubs who have elected to be included, [click here](#).

- **How do FGCMD, Inc. and its subordinates remain tax-exempt?**

Ongoing Requirements of FGCMD, Inc.:

1. FGCMD, Inc. must continue to exist.
2. FGCMD, Inc. must continue to qualify under section 501(c).
3. FGCMD, Inc. must submit annually to the IRS, at least 90 days before the close of its accounting period:
 - a. Information about all changes in the purposes, character or method of operation of the subordinates included in the Group Exemption Letter
 - b. A separate list (names, addresses and EINs of the affected subordinates) for each of the following three categories:
 - i. Subordinates that have changed their names or addresses during the year.
 - ii. Subordinates no longer to be included because they no longer exist or have disaffiliated or withdrawn their authorization to FGCMD, Inc.
 - iii. Subordinates to be added because they are newly organized or affiliated, or because they have recently authorized FGCMD, Inc. to include them.
4. FGCMD, Inc. must continue its annual filing of an information return with the IRS.

Ongoing Requirements of Subordinates:

The continued effectiveness of the Group Exemption as to a particular subordinate is based on the four conditions above, as well as on (a) conformity by the subordinate to the requirements for inclusion, (b) the authorization for inclusion, and (c) the annual filing of any required information return for the subordinate.

References: IRS Form 1023 package rev. June 2006, IRS publication 557 rev. March 2005, IRS publ. 4573

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