



# Financial Information

## **Federated Garden Clubs of MD Income Tax Status 501(c)(3)**

- 501(c)3 is an Internal Revenue code for non-profit organizations. It's Federal, not state (MD)
- Exempts the Federation and its subordinate organizations from paying federal income tax on income from our events and activities.
- Exempt organizations still must file a Federal tax return (990).
- The FGCMMD is recognized as being exempt from Federal Income Tax under section 501(c)(3).
- Member garden clubs are entitled to join the 501(c)(3) non-profit group exemption.
- This group exemption allows donors' contributions/donations to the organizations/clubs to be tax-deductible.

## **IRS Tax Return and 990 Filing**

- Each District and Club and now the Councils are responsible for filing its annual informational tax return regardless of its group exemption election and its annual IRS 990 to keep its tax exempt 501(c)(3) status.
- Failure to file the 990 for 3 consecutive years results in the automatic revocation by the IRS of the District or Club's 501(c)(3) status.

## **Employer Identification Number (EIN)**

- An EIN is a Federal Tax Identification Number used to identify an entity. The number has no expiration date.
- Federal law requires each District, Club and more recently the Councils to have an EIN that must be reported to the FGCMMD Central Office, which in turn reports it to the Internal Revenue Service when its annual request for updated information regarding our subordinates is filed.

## **Federation and Its Subordinate Organizations Filing Federal Income Tax**

- FGCMMD, the parent organization previously included the four Councils income in its 990 Return.
- Effective in 2017, the Councils have become a subordinate of the parent and each will file its own 990.
- Subordinate Clubs and Districts each file its 990.

## **501(c)(3) Exemption vs. Sales Tax**

- Sales tax is levied by the state (MD). There is no federal sales tax at present.
- 501(c)(3) exempt organizations are NOT exempt from paying/collecting MD sales tax.
- Maryland law requires each District and Club to collect sales tax on all its fundraising events.

## **Maryland Sales Tax Requirements**

- Maryland Sales and Use Tax Number: Maryland law requires each District, Club and now Council to obtain a license to collect sales tax. An EIN is required when applying for the license. The license has no expiration date.
- Maryland Sales and Use Tax Registration Number: Maryland law requires each District, club and Council to file a Maryland Sales and Use Tax Return and to remit collected sales tax. The registration number is the District, Club, Council's tax account number that appears on the Maryland Sales and Use Tax Return. This number has no expiration date.

**Maryland Sales and Use TAX Exemption Certificates  
and Maryland RESALE Certificates**

•Information is available, but the Federation does not advocate the use of these two licenses.

**Reminder to file Annual IRS 990 Tax Return**

- Districts and Clubs with gross receipts of \$50,000 or less are required to file form 990-N - (the 'e-postcard') electronically by computer. There is no paper form.
- The Treasurer and Office Administrator email the Reminder Notice to all Districts, Clubs and Council mid January.
- Districts and Clubs may file any time after the close of their fiscal year, but the 990 form must be filed before the fifteenth day of the fifth month following the close of the fiscal year. As an example, if the fiscal date on record with the IRS ends on December 31, the filing deadline would be May 15.

**EIN- Employer Identification Number**

Also known as:

- Federal Tax Identification Number
- Federal Employer Identification Number
- FEIN

This is a number that the Government assigns to an entity to identify the business.

**EIN NUMBER**

We Recommend

If your club has a Bank Account:

- YOU NEED AN EIN
- DO NOT USE A MEMBER'S PERSONAL SOCIAL SECURITY NUMBER

How to apply:

[www.taxid-gov.us/](http://www.taxid-gov.us/)

Please have more than one person's signature on the account.

**Do You Need a 501(c) 3??**

- 501 (c)3 is a Federal Tax recognition of an organization's Non-Profit Status
- Please consult with a professional—an attorney—for advice to determine whether your club needs it or if you plan to acquire this Non-Profit Status.