

**THIS DOCUMENT IS FOR EDUCATIONAL PURPOSES ONLY. THIS DOCUMENT SHOULD BE CONSIDERED A GUIDE AND SHOULD NOT BE CONSIDERED A SUBSTITUTE FOR ACTUAL, ONE-ON-ONE LEGAL ADVICE. ALTHOUGH THE INFORMATION CONTAINED ON THIS DOCUMENT IS FOR STUDENT ORGANIZATIONS AT THE UNIVERSITY OF HOUSTON, IT SHOULD NOT SUBSTITUTE ANY INFORMATION RECEIVED FROM THE INTERNAL REVENUE SERVICE OR A CERTIFIED PUBLIC ACCOUNTANT (C.P.A.). FOR ACTUAL LEGAL ADVICE, YOUR ORGANIZATION SHOULD CONTACT AN ATTORNEY.**

### **What is a Federal Tax ID Number/EIN?**

The Federal Tax ID Number (also known as the Employer Identification Number or EIN) is a number used to identify a business or other organization.

Student organizations wishing to open a bank account must apply for an Employee Identification Number (EIN). Organizations should not open a checking account using an individual's social security number. The financial burden of that account then rests with that individual and they become responsible for claiming any interest accrued on that account on their own taxes. They also become responsible for the account if there is a problem with it.

### **Why do I need a Federal Tax ID Number?**

If your organization applies for funding through any university granting body, including the Activities Funding Board, or you do a fundraiser with an outside business like a restaurant, you need a tax ID number to receive money or in-kind donations. You will also need this number to open a bank account with a bank. Additionally, obtaining an EIN helps to ensure the IRS will not make any of an organization's members personally responsible for taxes on revenue that the organization has earned.

### **Can we just use the University's EIN?**

No. Recognition by the University **does not** imply tax-exempt status and student organizations are not allowed to use the University's EIN number or non-profit status. Student organizations are independent entities responsible for their own finances and establishing and maintaining their tax status with the IRS.

### **Is the Federal Tax ID Number the same as being a non-profit organization?**

No. Student organizations are not Federally Tax-Exempt Non-profit Organizations. Only the federal government can confer charitable status on an organization. Filing for charitable status (501(c)(3) status) is a lengthy legal procedure that commits the organization to the rigorous annual reporting procedures required by the IRS. Because of the annual reporting requirements and the frequent turnover of student leadership, we do not encourage student organizations to file for charitable status. Organizations that are affiliated with a larger national or international organization may check with them to inquire about the use of the organization's non-profit status.

## How do I get a Federal Tax ID Number?

The easiest way to apply is online through the IRS website. You will be walked through the application and receive your number immediately. You can also apply by mail or over the phone.

### To apply online:

1. Go to the IRS' Apply for an Employer Identification Number (EIN) Online Web site:

<https://sa.www4.irs.gov/modiein/individual/index.jsp>

2. Once you have read the instructions on the page, click the **Begin Application** button.
3. Select the View Additional Types, Including Tax-Exempt and Governmental Organizations option for the "What type of legal structure is applying for an EIN?" question and then click the **Continue** button.
4. Any of the following options may describe your type of organization: 1) Political Organization; 2) Church-Controlled Organization; 3) Community or Volunteer Group; 4) Social or Savings Club; or 5) Sports Teams (community). Once your selection is made, click on the **Continue** button.
5. To confirm your selection click the **Continue** button.
6. Enter your first name, last name, and SSN/ITIN. While the online SS-4 form requires the individual to enter his/her Social Security Number (SSN), it is still the EIN that is used to open a checking account, not any individual's SSN.
7. Select whether you are an officer or member of the organization or whether you are applying for the EIN as a third party on behalf of the organization and then click the **Continue** button.
8. Enter the address information for your organization and click the **Continue** button when you are done.
9. Enter the requested information about your organization and click the **Continue** button when you are done. Repeat this step for the next screen requesting additional organizational information.
10. Select the **Other** option for the question "What does your business or organization do?" and click the **Continue** button.
11. Select the Organization option for the question regarding your business activity and click the **Continue** button.
12. From the list of organizational activities select the activity that best describes what your organization does and click the Continue button.
13. Select whether you would like to receive your EIN confirmation letter online or by mail and click the **Continue** button.
14. Once you receive the information, retain it in your student organization files for current and future leadership. You will also need a copy of this form to open a bank account.

## Who do I contact if I have questions or have trouble filling out the online form?

For assistance you should contact the IRS directly. They can be reached at 1-800-829-4933.

## FREQUENTLY ASKED QUESTIONS

### ***Q: Does my Registered Student Organization need to pay taxes?***

A: Possibly, it depends on how much money your organization takes in. All Student Organizations need to file for an EIN (an Employer Identification Number, or a Federal Tax Identification Number) and typically select ""Social or Savings Club"" as their type of organization.

"Social or Savings Club"" Organizations such as these are typically ""tax exempt"".

If the Student Organization reports less than \$5,000 on their ""gross receipt,"" regardless of the organization's classification, it will automatically be considered tax-exempt and will not need to file annually with the IRS.

A ""gross receipt"" is defined by the IRS as ""the total amounts the organization received from all sources during its annual accounting period.""

Note that this number is calculated before subtracting any costs or expenses. Also note that this number includes student activity fee money, donations later re-donated to a charity, dues collected from members, etc. Thus, most forms of money taken in by the organization count against this \$5,000 limit.

If a Student Organization receives \$5,000 or more during an annual accounting period, it must file annually with the IRS. The proper form for an organization depends on how much more than \$5,000 the organization takes in.

See below for more details:

### **Tax Exempt Organization Filing Requirements**

University of Houston **cannot** recommend if a student organization should apply for tax exempt status; however, we can recommend that they follow the IRS guidelines on applying for tax-exempt status:

Compile your organizations Gross Receipts to determine how much money your organization has worked with for the year. Gross Receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

<b>Organization's Total Income</b>	<b>IRS Form to Complete</b>
<b>&lt; \$5000 annually</b>	No applications required
<b>\$5000 up to \$50,000</b>	IRS Form 990-N
<b>\$50,000 up to \$100,000</b>	IRS Form 990-EZ
<b>\$100,000+</b>	IRS Form 990

For organizations that have gross receipts of \$5,000 up to \$50,000, the Student Organization need to file IRS Form 990 on an annual basis.

This form is available online ([found here](#)) and takes very little time to complete.

You will need:

1. Your EIN
2. The tax year
3. Legal name and mailing address
4. Any other names the organization uses
5. Name and address of a principal officer
6. Web address if the organization has one
7. Confirmation that gross receipts are \$50,000
8. Statement of termination (if ending)

## COMPLETING/ FILING TAX INFORMATION

**Who should be completing any tax related paperwork for student organizations? What is that person responsible for?**

The student organization can pick the person responsible for completing the tax filings. The IRS does not specify which member is responsible, as long as the required (if any) tax return is filed on time.

**Are we able to file under an affiliated national organization or should the university level organization have their own Tax ID information?**

As long as the student organization does not use the University of Houston's EIN or any official document, there is no preference as to how the organization files its tax return. The organization should discuss the matter with its parent organization.

**Q: How does my Registered Student Organization become a Nonprofit Organization?**

A: One of the most common forms of tax exempt organization is a 501(c)(3). Becoming a 501(c)(3) is not an easy process. It takes a lot of work and money to file all the proper paperwork. That said, the benefits include exemption from state sales tax for certain purchases, the ability for donors to write off their charitable contributions, etc.

**Note:** It is best to seek professional assistance in apply for tax-exempt status.

More information surrounding tax exemption and 501(c)(3) status can be found at the below sites:

See IRS's website for information on how to apply: (<https://www.irs.gov/charities-non-profits/frequently-asked-questions-about-applyingfor-tax-exemption>)

[Nonprofit Organizations - Texas Secretary of State](#)

[Texas Comptroller - FAQs About Exemptions](#)

[Nonprofit Organizations FAQs](#)

*Information adapted from resources provided by Montana State University, Yale University, Harvard University, Internal Revenue Services, and the Texas Comptrollers Office.*