

IRS Considerations in regards to WBCCI and the SNU

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One of the complaints mentioned in regards to the SNU bylaws is the possibility of jeopardizing WBCCI IRS status. This is an overview of some of the relevant IRS issues

There is the original application that needs all the supporting documents (a 1024 or 1026) and then there is the annual Form 990. Both of these and related documents are supposed to be available to the public on the request but the WBCCI tends to be ignorant of the IRS disclosure requirements and shows reluctance to being open about its public affairs.

"Keeping the Group Exemption Letter in Force" and "Information Required Annually" are described on page 9 of IRS Publication 557. Item 1 in the annual list is "1. Information about all changes in the purposes, character, or method of operation of the subordinates included in the group exemption letter." Then there is referral back to another list: "4. An affirmation to the effect that, to the best of the officer's knowledge, the purposes and activities of the subordinates are as stated in (2) and (3), above." Item 2 is "A detailed description of the purposes and activities of the subordinates, including the sources of receipts and the nature of expenditures." Item 3 is the "uniform governing instrument"

Rev. Proc. 80-27, 1980-1 C.B. 677 gets into things from the IRS side. Sec 7 - "continued conformity by the subordinate to the requirements for group exemption set out in SEC. 4.02 and 4.03;" where 4.02 lists affiliation, subject to general supervision or control, exempt under same paragraph, etc. 4.03 is subordinate authorization for inclusion in central application.

Between these two documents, you have the agent instructions and an interpretation for the public.

an aside: The question that puzzled me a bit to cause asking about perceptions of enure and accrue comes from IRS Manual 7.25.7.2.3 where the IRS uses "Inure" in regards to "net earnings" - a qualification lost on the WBCCI.

There are some things to note:

- => The SNU has not changed its "purposes, character, or method of operation" in changing its bylaws. What it did was to bring its bylaws into congruence with its longstanding expression of its purposes, character, and methods of operation.
- => The SNU referred to the WBCCI Constitution and Bylaws by inclusion to define its purposes and activities.
- => The only significant complaint and request from the WBCCI regarding the SNU bylaws has been that it doesn't replicate sections of the WBCCI documents it includes by referral.
- => The WBCCI has been hit with a significant fine and a set of special requirements in regards to its group exemption management. It has no (or is unwilling to disclose any) record of this event except as can be found in forensic examination of its Constitution, Bylaws, and Policy.

When the WBCCI files its annual return, it provides for the subunit, by authorization of that subunit, an "affirmation to the effect that, to the best of the officer's knowledge, the purposes and activities of the subordinates are as stated" in "A detailed description of the purposes and activities of the subordinates" - That detailed description includes the original application for tax exempt status and the suggested subordinate unit governance documents.

Manifestly, the affirmation is false as many units do not come close to filling the roster specified in their bylaws that define their activities.

What I do not know is what the WBCCI actually specified for its tax exempt status. I'd guess that the list of 11 standing committees they specify for units is a grandiose interpretation. Another guess is that the IRS went after the WBCCI because its interpretation and implementation got a bit far afield from the original application. An audit of the current situation would, I think, have serious repercussions on the WBCCI tax exempt status due to the discrepancies between assertions and practice and its failure to comply with previous special requirements.

This is like having your checkbook and pay stubs say something different than your tax return. For small incomes and minor discrepancies, the odds of audit are rather small but that doesn't mean the IRS doesn't care.

A fix for this is what the SNU offered by example.

<http://sierranevadaairstreams.org/snu/members/bc/index.html>

The WBCCI and many others are often a bit lax in keeping up with requirements in an honest fashion. One result of that was the requirement that all tax exempt entities file a form 990 even if just a postcard asserting minimal financial activity. That is a new, big headache for WBCCI hq trying to keep Units in line.

It is the WBCCI that has the problem here, not the SNU.

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