

TAX EXEMPTIONS FOR SOARING CLUBS

by CHARLES K. HAUKE

The Vultures have had several inquiries from other clubs with respect to a recent announcement in the Michigan Soaring Association bulletin regarding exemption as an educational organization granted by the Internal Revenue Service.

Purposes of our Club as stated in the corporate by-laws read, in part "To form a non-profit educational and scientific organization to teach and create interest in aviation and motorless flight, particularly among young people." An analysis of receipts and expenditures shows that substantially all the money received is spent for training gliders, towing facilities, maintenance, insurance and airport rental. None is spent on social activities.

As most soaring clubs are organized along similar lines, consideration should be given to an application for exemption under Sec. 501 (c) (3) of the Internal Revenue Code from which the following is taken:

"Corporations organized and operated exclusively for scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation and which does not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office."

If the above excerpt from the Code fits your organization, here is what to do:

1. Wait at least one year after organization—keeping detailed records of receipts and disbursements. Form a non-profit corporation.
2. Obtain application form #1023 from your District Director of Internal Revenue.
3. Answer questions on the form. (Distribution of assets in event of dissolution should be to a similar organization).
4. Attach all information requested on the form which includes:

- a. Statement of receipts and disbursements for the last complete year of operation.
- b. Statement of assets and liabilities as of the end of that year.
- c. Copies of your by-laws and articles of incorporation.
- d. Specimen copies of instructional material, newsletters and other printed matter, particularly the ones that support your contention.

The author appraises soaring conditions as he prepares for take-off. Note the familiar insignia on the side of his ship.



5. In a transmittal letter to accompany your application refer to the Vultures, T.S.A., and other soaring clubs which have been granted exemption.

6. Send everything to the Commissioner of Internal Revenue, Washington 25, D. C. or to your local Director of Internal Revenue. Your local Director can grant exemption but he will probably send it to the Commissioner.

The application form is easier to obtain than the exemption. The Internal Revenue people won't grant it if the data submitted indicates you are a social organization, or if the information is incomplete.

Following are some of the advantages:

1. No liability is incurred for Federal Income and Social Security taxes.
2. Federal Excise (popularly known as the luxury tax) of 20% on

dues and initiation fees of social or sporting clubs is not applicable to scientific or educational organizations.

3. Contributions are deductible from Federal Income and Estate Tax of the donors.

4. Priority is granted in obtaining government surplus equipment.

5. Exemption is granted in some States from such local taxes as real estate, personal property, sales and gasoline. Your own state laws govern.

After receiving exemption as an educational or scientific organization you are required to file Form 990A, which is an annual informational return available to the public and keeps Uncle Sam up to date on your status. Internal Revenue Service rulings granting exemptions are generally effective as of the date of incorpora-

tion or the date of organization for exempt purposes, provided the requirements for exemption have been fully complied with during the entire period, and refund claims may be in order for some taxes which have been paid.

Having obtained the exemption you might be able to get donations of property, even an airport. Sometimes a taxpayer can actually "make a profit" by donating property to such an organization instead of selling the property and retaining the proceeds. If the property is a capital asset and has been held for more than 6 months, this profit would be possible only where the donor is in a high tax bracket and where the property has increased considerably in value.

If we are to make soaring more popular we must keep the cost down, and one of the important considerations in cost-cutting is tax consciousness.