

COMMON REGULATORY FILING REQUIREMENTS FOR IEA LOCALS

The following pertain to all of our locals. There may be unusual situations in which additional requirements exist. If there is any doubt, contact the IEA Director of Business Services.

1. TAXPAYER IDENTIFICATION NUMBER (TIN)

All IEA locals must apply for a TIN on IRS Form SS-4. For new locals beginning in 2008, there is a procedure in place for the IEA to make the application on the local's behalf.

A TIN is necessary in order to file all of the IRS forms discussed below, but perhaps more importantly it is necessary in order to open a bank account. Please be aware that it is not correct (or legal) to open an account in the name of the local by using the employer's TIN or an individual's Social Security number.

2. ANNUAL RETURN FOR TAX-EXEMPT ORGANIZATION

All IEA locals must file **one** of the following forms with the IRS every year. The return is due on or before the 15th day of the fifth month following the end of the local's fiscal year. So if the fiscal year ends on December 31, the return is due no later than May 15 of the following year.

The form to be filed depends on the local's "annual gross receipts." "Gross receipts" is the total of all funds received by the local during a fiscal year, **excluding** the IEA-NEA dues that the local receives and then transmits to the IEA. For locals in existence for three or more years, "annual gross receipts" is the average annual receipts for the three preceding years. Locals in existence for less than three years should contact the Director of Business Services if there is a question as to which form to file.

<u>Annual Gross Receipts</u>	<u>File Form</u>
Less than \$25,000	990N (E-Postcard)
\$25,000-\$100,000	990-EZ
Over \$100,000	990

3. UNRELATED BUSINESS INCOME

IEA locals are considered by the IRS as being exempt from federal income tax because they operate as labor unions for the benefit of their members. If for some reason a local engages in an activity that is outside the normal parameters of a tax-exempt labor union, it may be subject to tax on the receipts from that activity. Generally, this requirement does not apply if the receipts from the "unrelated activity" are less than \$1,000 in a given year.

Examples of an "unrelated activity" could be advertising, building rental, and sale of merchandise. Any questions on this topic should be referred to the Director of Business Services or a local tax professional. If there is a tax liability, it is computed on Form 990-T.

4. MISCELLANEOUS COMPENSATION

For any calendar year, if the local pays any individual more than \$600 in remuneration for services provided, this must be reported to the IRS on Form 1099-MISC. This does not pertain to individuals who are classified as employees (see next section), and does not pertain to payments made as reimbursement for business expenses. Payment by the local of an individual's IEA, NEA and/or local dues counts as remuneration for the purpose of this test.

EXAMPLE 1: The local pays the IEA-NEA-local dues (total of \$580) for members of the Negotiating Committee, and also pays them a \$200 stipend. For the purpose of this test, total remuneration is \$780 and the 1099-MISC must be filed.

EXAMPLE 2: The local pays an individual a \$200 stipend for participating on the Negotiating Committee, and reimburses them \$800 for properly-documented expenses for attending the NEA RA. For the purpose of this test, total remuneration is \$200 and it is not necessary to file the 1099-MISC.

While the 1099-MISC is usually filed for payment to members, if the local pays someone outside the local for services rendered, the requirement applies to them as well.

5. EMPLOYEE COMPENSATION

If the local hires someone to provide services as a regular employee (i.e. taxes withheld, W-2 reporting, etc.), a variety of fairly complicated federal and state filing and reporting requirements apply. Locals that are considering doing this should seek professional assistance. If there is a question as to whether a given arrangement is “miscellaneous compensation” vs. “employee compensation,” contact the Director of Business Services or a local tax professional.

6. POLITICAL ACTION COMMITTEE ACTIVITIES

If your local has a Political Action Committee (PAC) which made political expenditures during the fiscal year, it must file IRS Form 1120-POL, “U.S. Income Tax Return for Certain Political Organizations” and pay income tax. A political expenditure is defined by the IRS as an expenditure for the “function of the influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any federal, state or local public office or office in a political organization.” Form 1120-POL must be filed and taxes paid by the 15th day of the third month after the end of your fiscal year.

PAC’s are not required to file Form 1120-POL if their net investment income is \$100 or less. This is why we encourage locals to keep their PAC funds in a non-interest bearing account.

7. ILLINOIS STATE BOARD OF ELECTION REPORTING

If your local’s political action committee either receives or disburses more than \$3,000 in any 12-month period (not necessarily a calendar year or your fiscal year), it may be subject to the reporting and disclosure requirements of the State Board of Elections. These include the initial registration on Form D-1 and then ongoing periodic reporting of activities on Form D-2.

Once your organization meets the \$3,000 threshold once, it is required to continue to file the D-2 forms even if the threshold is not reached in subsequent years. There can be substantial fines for failure to do so. Please note that the D-1 must be filed within either five or ten business days after you meet the threshold, depending on how close you are to the next election, so it is important to be aware of your PAC’s status with respect to the threshold and to be aware of your reporting requirements before the threshold is actually met.

When determining whether your local PAC is subject to the disclosure requirements, please keep in mind the following:

1. Your regular local IPACE rebate (up to \$10 per member) does NOT count as a receipt in terms of the \$3,000 annual threshold.
2. Expenditures either in favor of, or in opposition to, a candidate for local public office (e.g. school board) OR a question of public policy (e.g. a referendum) DO count toward the \$3,000 annual threshold.
3. Expenditures for more general political purposes such as political education, “meet the candidates” events, etc. do NOT count toward the threshold.

Questions about filing requirements should be directed to the State Board of Elections, your IEA lobbyist or the Director of Business Services.

RESOURCES

Questions about any of the above can be directed to the Director of Business Services.

IRS forms and instructions are available at <http://www.irs.gov/>

A very good set of instructions related to Illinois' campaign disclosure requirements, including examples, is available at <http://www.elections.state.il.us/>

Additional information concerning IPACE is available at <http://www.ieanea.org/ipace.aspx>

Additional information about local financial issues in general is available at <http://www.ieanea.org/fp.aspx>