

Back to Basics

Revenue Generating Activities and Tax Compliance



CliftonLarsonAllen

CLAconnect.com

Nonprofit Organizations Back to Basics Workshop
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LEARNING OBJECTIVES

AT THE END OF THIS SESSION, YOU WILL BE ABLE TO:

- Differentiate between the most common nontaxable and taxable types of income.
- Understand when unrelated income can jeopardize an organization's tax exempt status.
- Structure some revenue generating activities so that they are not taxable.
- Know how to determine the amount of taxable fringe benefits to report on Form 990-T.



Revenue – We all need it



WHAT DO WE NEED TO KNOW?

Traditionally, foundations and charitable organizations got their income from one of two sources:

1. Contributions from individuals, businesses, other nonprofit organizations or government entities, and
2. Fees earned for carrying out their charitable purpose.

Over the years, nonprofits have been able to expand their revenue streams but in order for that income to be exempt from tax, the focus of the organization must remain with the charitable purpose.

Charitable Contributions – Substantiation Requirements (IRC 170(f))

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\$250 Charitable contribution

- Contemporaneous written acknowledgement
 - Description and good faith estimate of the value of goods and services provided, or
 - Statement that “No goods or services were provided in return for the contribution” OR “The value of goods and services provided in connection with this \$..... .
- Penalty: Denial of donor’s charitable deduction for the donor/\$10 per contribution up to \$5,000 for the organization.

Charitable Contributions – Exceptions

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- Tokens
 - 2% or less of Payment
 - Low-cost articles
- Intangible Religious Benefits
- Membership Benefits



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"3A: Back to Basics: Revenue Generating Activities and Tax Compliance"