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§ 7921—Exempt Organizations

sumer products to determine whether they may be used by the public.² An example of a consumer product would be commercially manufactured safety equipment for pleasure boats.³

1. Code Sec. 501(c)(3).
2. Regs. § 1.501(c)(3)-1(d)(4).
3. Rev. Rul. 65-61, IRB 1965-11, 14.

§ 7921. Religious organizations. Exemption under this label permits great latitude for differences in creed and practices. However, the sect's income must be used for achieving its professed aims and not for the profit of an individual. Thus, an organization which practiced miraculous healing was exempt¹ while an organization which published self-improvement booklets for profit was not.² One religious organization operated several commercial enterprises such as a nursery, a laundry and a hotel. However, they were not operated for profit but to demonstrate how the sect's teaching might be put into practice and so

the sect was exempt.³

1. A. A. Allen Revivals, Inc., T.C. Memo. 1963-281.
2. Foundation for Divine Meditation, Inc., T.C. Memo. 1965-177.
3. Golden Rule Church Ass'n, 41 T.C. 719.

§ 7922. Religious or apostolic associations or corporations.

Religious organizations which carry on business activities aren't exempt as organizations organized and operated *exclusively* for religious purposes. But such organizations may be exempt under a different classification, namely as religious or apostolic associations. This exemption applies only if:

- ... the associations have a common or community treasury;
- ... each member includes as a dividend his share of the income whether or not distributed for the organization's taxable year ending with or within his tax year.¹

1. Code Sec. 501(d); Regs. § 1.501(d)-1.

§ 7955. Filing Requirements of Exempt Organizations.

An organization isn't exempt from income tax merely because it claims an exemption. Until the exemption is established, the organization must continue to file regular income tax returns or face possible penalties. Once the exempt status is established, the organization must generally file annual information returns. The type of annual return required depends on the type of exempt organization.

Generally, annual returns must report gross income, receipts, disbursements, etc. Information returns required because the organization is privately supported must also include many other items, such as distributions for exempt purposes out of income and out of principal, accumulated income, contributions and gifts received during the year, and a balance sheet. All exempt organizations must also keep the records required by the Treasury.¹

Though exempt employee trusts must file annual information returns, the trustee needn't include any information in the return which the employer states, in a written notice to him, will be or has been reported in the employer's return.²

Annual returns must be filed by exempt organizations regardless of the amount or source of income or receipts and regardless of whether it's a member of a group, unless it is included in a group return, see § 7957.

The return must be for the organization's established accounting period, or if it has none, for the calendar year.³

The tax exemption may be *revoked* for failure to file the required returns or statements or keep the required records.⁴

Identifying numbers. Exempt organizations need an employer identifying number for any required information returns.⁵ They must also furnish that number to payers of dividends or interest, etc., and use it on payroll tax returns.

For a discussion of whose number to use where an organization is required to file an

information return with respect to payments to or transactions with third parties, see § 2471.

How to obtain numbers and the penalties for failure to use or furnish numbers where required, are explained at §§ 1434 and 1435.

1. Code Sec. 6033; Regs. § 1.6033-1.
2. Regs. § 1.6033-1(a).
3. Regs. § 1.6033-1(b).
4. Rev. Rul. 59-95, CB 1959-1, 627.
5. Regs. § 1.6109-1(b).

§ 7956. Exempt organizations which needn't file annual returns. The following exempt organizations needn't file annual information returns:¹

1) Organizations organized and operated exclusively for *religious* purposes, including exempt organizations which they supervise or control.

2) *Educational* organizations which maintain a faculty and curriculum and which have a regular student body in attendance. If an organization meets these requirements, it needn't file even if it temporarily must discontinue or curtail such activities.

3) *Charitable* organizations, or organizations for the prevention of cruelty to children or animals if they (a) are wholly or partly supported by state or federal funds or (b) receive half their income from voluntary public contributions. For (a) to apply, the government funds must be contributed without requiring specific services of the charity. For (b) to apply, the 50% contributions must be from the *general* public and not from those connected with the organization.