



# Money Matters Made Easier

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**Notes:**

## INTRODUCTION

*Money Matters Made Easier* (MMME) provides information needed by the treasurer and includes notes and options for handling the job. **PART I** of this publication deals with items *every* treasurer must handle. **PART II** addresses specific needs of some, but not all, League treasurers. Review this section to see what applies to your League, and use it as a resource when your League is considering, for example, hiring employees.

The *LWV-TEF Handbook for Local League Projects* is a fundamental and necessary companion piece to *MMME*. It contains procedures for soliciting and using tax-deductible money. It should be a part of every local League treasurer's procedures and files.

*MMME* applies to both local Leagues and member-at-large (MAL) units unless otherwise noted. The state League treasurer is always available to assist a local League treasurer. In addition, the *LWV-TX League Directory & Handbook* lists other consultants available to local Leagues. The *LWVUS President's Packet* explains when to call the national office regarding any questions you may have. Please feel free to ask for help or additional information when you need it.

### **Duties of the Treasurer**

The treasurer of a local League is the fiscal officer for the League and the board. The treasurer is responsible for the deposit of all monies to bank accounts, payment of all bills, maintenance of a set of financial records, filing of required tax returns, and providing assistance to other members of the Board such as the membership and finance chairs and the budget chair. As a general rule, the treasurer provides a set of financial statements to the board on a regular basis and to the membership on an annual basis.

As an elected officer of the League, the treasurer participates in all board decisions, has responsibility for the League's financial business, and helps the board determine how to get the best use from the League's money. The treasurer, probably more than any other board member, understands how the budget reflects the League's goals, priorities, and programs and is alert to changes in goals and priorities as decided by the board that may impact on the availability and distribution of League funds.

Although the president should be listed as a signatory on bank signature cards, the president should not serve as treasurer.

The treasurer serves as a member of the budget committee (but preferably not the chair). Please refer to the local League bylaws and policies for more information. The treasurer provides the committee with treasurer's reports, estimates of income and expenses for the remainder of the fiscal year, and any other assistance needed by the committee.

The remainder of this manual describes in more detail the responsibilities of the treasurer with regard to various aspects of the League's operations.

## **PART I: WHAT EVERY LEAGUE TREASURER NEEDS TO KNOW**

### **Federal Recognitions and Exemptions**

Each League is a 501(c)(4) entity, and it usually also conducts activities as a 501(c)(3) entity. It is very important to understand and separate the activities of the two.

#### **League Operations: 501(c)(4) Rules**

Local Leagues in Texas are classified as 501(c)(4) organizations, and are automatically exempt from payment of federal income taxes. LWV-TX has filed appropriate paperwork with the IRS on behalf of all local Leagues. Approval from the IRS establishing local Leagues as 501(c)(4) organizations was received June 25, 1964. The Group Exemption Number (GEN) is 1666.

All local Leagues, but not MAL units, must be assigned a **Federal Employer Identification Number** (EIN). If the League has no EIN number, form SS-4 needs to be filed with the IRS so that an EIN number can be assigned. This requirement is extremely important, as the group exemption could be withdrawn if one local League fails to comply. The EIN number is used when the treasurer opens the League bank account (MAL units use the state League's EIN). If you cannot find your League's EIN, contact the state office or the state treasurer.

The income tax exemption *does not* entitle the League to receive tax-deductible contributions from foundations, businesses, or individuals. *501(c)(4) organizations are tax-exempt non-profit organizations, but contributions to them are not tax-deductible. Dues are not tax-deductible.*

Your League *may* be required to file federal income tax forms. If gross income exceeds \$25,000 in a year or "unrelated business income" exceeds \$1,000 you are required to file an information return. See page 12 for more details.

#### **League Education Fund Activities: 501(c)(3) Rules**

Education funds are classified as 501(c)(3) organizations, which are both tax-exempt and tax-deductible. Leagues that maintain their education funds accounts with LWV-Texas Education Fund (LWV-TEF) will use the state's 501(c)(3) EIN #74-6076962 for tax-exempt donor reference purposes. The state League will file an annual Form 990EZ with the IRS for all education funds that it manages for state and local Leagues. Leagues that maintain their own education fund locally must keep their funds in a separate bank account, obtain a separate 501(c)(3) EIN, and make annual federal reports as required.

### **State and Local Sales Tax**

#### **On League Purchases**

LWV-TX has an exemption on payment of state sales tax for itself and for all local Leagues in Texas. This means that no sales tax should be paid on any purchase of any item for League use that is paid for with League monies. The exemption is not automatic. A form needs to be filled out and given to the supplier. A blank form (which may be duplicated) is included in the appendix. No number is required to prove that the League is

exempt from paying sales tax on purchases. Sales tax is not included in the charges on any invoices for purchases of publications from the state League office. Payment should be via League check so that sales tax is not charged.

The sales tax exemption for League supplies and publications also applies to function-related meals as long as the payment for the meals is made with a League check.

The hotel/motel tax is not a sales tax, and there is no exemption for the League.

### **On League Sales**

**If any items or publications are sold** to businesses, to individuals, or to other organizations at any time other than on the League's designated tax-free days (below), the League must charge them state sales tax. If the organization buying from the League is exempt from paying sales tax, the organization must provide the League with an exemption certificate. These certificates must be kept on file in case of an audit by the State of Texas Comptroller's office. Schools and other governmental entities are automatically exempt from paying sales tax, and need not provide a certificate. However, keep an accurate record of their purchases so that it is clear that the purchaser was a school, municipality, etc.

**The amount of sales tax to be collected** varies across the state. If the local League has an office, that becomes the official League address. The amount of tax to be collected is determined by that address. Check with the state comptroller or the city in which the address is located to determine the exact amount. If the local League has no office, the residence of the current president is the League's official address. It is not unusual for the amount of sales tax to change periodically.

**Every League may have two one-day tax-free sales** or auctions each calendar year. During a tax-free sale or auction lasting only one day, the organization is not required to collect sales tax on the sales price of taxable items sold for \$5,000 or less. Additionally, a taxable item may be sold tax-free during a one-day tax-free sale or auction regardless of price if the item is manufactured by the organization or is donated to the organization and is not sold to the donor.

Most Leagues that collect sales tax will file annually. Yearly filers are taxpayers who collect less than \$1,000 in state sales and use tax per year. These reports are due on or before January 20.

Additional information on sales tax can be found at:

<http://www.cpa.state.tx.us/taxinfo/salestax.html>

<http://window.state.tx.us/taxinfo/questions.html>

Information about filing and forms can be found at:

<http://www.cpa.state.tx.us/taxinfo/taxforms/01-forms.html>

## **Paying the Bills**

### **Per Member Payments (PMP)** (does not apply to MAL units)

PMP's are due to both LWV-TX and LWVUS. Statements (LWVUS) or coupons (LWV-TX) are sent to the local League president and/or treasurer. Based on the schedule provided with the statements or coupons, payments to LWVUS and LWV-TX may be made quarterly, semi-annually, or annually. Due dates are listed on the LWV-TX annual calendar in the *League Directory & Handbook*. Payments should be made promptly and should be accompanied by the statement or coupon. PMP payments are mandatory.

PMP amounts are based upon the membership count submitted by the local League in January. Although the treasurer does not generally have primary responsibility for completing the membership roster report, the treasurer should confirm that the report is complete and accurate. The new count takes effect at the beginning of the fiscal year: June 1 for LWV-TX and July 1 for LWVUS. PMP amounts due to LWV-TX are in the Council/Convention Workbook and in the *League Directory & Handbook*. PMP amounts due to LWVUS are printed on the quarterly statements sent by LWVUS.

Both LWV-TX and LWVUS permit local Leagues to pay up to 25% of PMP from education fund (tax deductible) funds. Local Leagues that maintain their own education funds send a check made out to LWV-TEF or LWV-TEF respectively. Local Leagues that maintain education funds with the state office send a written request to the state office or the LWV-TX treasurer, stating exactly the amount they wish to have remitted from their education fund to LWV-TX or LWVUS. See *TEF Handbook for Local Leagues* for further details.

### **Education Fund Projects**

Financial procedures for Ed Fund projects are described in detail in *Handbook for Local League TEF Projects*. It is extremely important, to both your League and to the state League, that the local League comply 100% with Education Fund procedures. See also "What some Treasurers need to know," page 13 of this publication.

### **Operating Expenses**

The treasurer is responsible for substantiating information to back up every check that is written. Payments to companies are usually supported by company invoices. Payments and reimbursements to individuals and members should be supported by vouchers, which are in turn supported by receipts. See "Keeping Records," page 8.

## **Receiving the Money**

### **Dues**

The treasurer has the ultimate responsibility for dues, even when parts of the task are delegated to other individuals. In many Leagues, the membership chair works with the treasurer to see that dues are collected. This delegation of responsibility should be encouraged, but the treasurer needs to know that the tasks are being done.

No matter who keeps the records, a master membership file needs to be kept, and kept up-to-date. It can be as simple as a box with file cards listing the member's name, address, phone

number(s), membership renewal dates, and other pertinent information. If the League has access to a computer, it can be a database with back-up of all the necessary information. The master membership file needs to be updated frequently and accurately. The importance of current, accurate membership records cannot be overstated. All changes in membership should be sent to the LWV-TX state office regularly.

Dues payments are recorded by the treasurer and deposited in the bank as promptly as possible.

Dues notices need to be sent to remind members when dues are due. (All notices should include these words: "Dues are used to support organizational and advocacy efforts of the League and are not tax-deductible.") A follow-up phone call is sometimes necessary for those who do not respond. Listing dues notices in the local *Voter* is not as effective as sending personal notices. Some Leagues collect dues once a year at a specific time; other Leagues renew members on their membership anniversary.

LWVUS sends local Leagues a computer-generated list of all members at least once each year. Updates need to be returned to LWVUS and LWV-TX in January *promptly*. If you don't verify the accuracy of this list, the League may pay more PMP than necessary. Sending LWVUS your "drops and adds" regularly as they occur ensure accuracy in their data base. The database is used to send national publications to members, so up-to-date information is critical to keep your members informed of national League activities. If you use the LWVUS online database, updates still need to be sent to the state League.

**The January 1 membership summary needs to be sent separately to LWV-TX**, since the forms and due dates differ, and since *LWVUS does not send its list to LWV-TX*. Be sure to be prompt with this reporting. It occurs over the holiday period and many Leagues find it difficult to meet the deadline. This count should be reported promptly as the information collected is needed by both boards to complete their proposed budgets for the next fiscal year. It is important that local Leagues send membership deletes and additions to the LWV-TX state office promptly so the database can be kept up-to-date.

### **Deductible Contributions**

It is possible to make tax-deductible contributions to support the work of the League by giving to a 501(c)(3) organization affiliated with the League. If a contributor wishes to make a **tax-deductible contribution**, see page 11 for details on how this contribution must be handled.

### **Non-Deductible Contributions**

The treasurer needs to be very careful to record *all* contributions and deposit all checks as quickly as possible. These records need to be accurate. It is a good idea to confer with the finance chair/committee often to be sure that the records are complete and correct. (Making copies of all checks is recommended to ensure accuracy and tracking.)

As 501(c)(4) organizations, Leagues cannot receive tax-deductible donations as charitable contributions under IRS rules. Dues statements and solicitations for donation to the League must explicitly state this, according to IRS rules. The treasurer needs to be very sure that all board members and committees (membership, finance, etc.) understand this. Federal tax laws do not allow corporations, businesses, or individuals to donate money to 501(c)(4)

organizations and then claim the donation as a charitable deduction. Federal law also requires that organizations be very specific about the deductibility, or lack of it, when appeals are made for money. Statements such as "deductible to the extent allowed by federal law" *cannot* be used.

*Sample wording:* "Dues and contributions to the League are used to support the organizational and advocacy efforts of the organization, and they are not deductible as a charitable contribution. Tax-deductible contributions to support the League's Voters Service and Citizen Education activities may be made to the League through LWV-TEF."

## Keeping Records

### Fiscal Year

Each League's fiscal year is (or should be) established in the bylaws. If your League plans to change its fiscal year, check with the IRS, as there are certain procedures that must be followed. (If you change your fiscal year more than once in a ten-year period, there are additional requirements.)

### Vouchers

A voucher system is a necessity, but can be quite simple. A voucher should include name, address, and phone(s) of person requesting payment; the amount requested; a description of why the money needs to be spent; and the budget line item to charge the expenditure. It may include, for the treasurer's use, check number; date paid; date posted; etc. Receipts are necessary and should be attached to the voucher. To track **in-kind** donations from members, use the same system of vouchers and receipts, on which the donor then designates that there is no request for reimbursement. A sample voucher is included in the Appendix.

### Bookkeeping Methods

Any standard bookkeeping method is quite satisfactory. Many software programs (Quicken, QuickBooks, MS Money, etc.) are available to help you keep your League's records. A very helpful companion book for Leagues using Quickbooks is *Running Quickbooks for Nonprofits*, by Kathy Ivens (CPA911 Publishing).

### In-Kind Support

To track in-kind donations from members, use the same system of vouchers and receipts. The donor designates on the voucher that there is no request for reimbursement. A sample voucher is included in the Appendix.

Many Leagues want their budgets and financials to reflect the amount of in-kind support received from board members not seeking reimbursement for their reimbursable expenses and from non-members who donate services, such as printing costs. The proper way to document in-kind and unreimbursed expenses is to make the expense match the income. Thus travel expense, as an example, will appear as an expense item, and in the income area, the amount will appear as donated in-kind support. The net effect on your League's bottom line will be zero, but income and expense will be more accurately reflected.

In-kind support from corporations and businesses can be handled in the same fashion.

## **Reporting to the Board**

While the treasurer has important duties, the League board as a whole has fiscal responsibility for management of the organization and must have the information needed to assure fiscal health and compliance with relevant laws and regulations. Therefore, a financial report should be given to the board each month. This should include the balance on hand at the beginning of the month; money received (grouped into budget categories) during the month; money spent (grouped into budget categories) during the month; and the balance on hand at the end of the month. Any balances in savings accounts or money market type of accounts should also be reported. Software packages described above include standard reports (Profit & Loss, Balance Sheet) to show the appropriate items. In some Leagues this is done orally with a printed report only for the president and secretary. In other Leagues a printed report is sent to all board members prior to or distributed at the meeting.

A budget analysis should be made at least every three months. This compares income actually received to budgeted income and money actually spent with budgeted expenditures. Again, some Leagues do this orally, with a printed copy only for the president and secretary, while others send the report to all board members prior to the meeting or distribute it at the meeting. A written report is encouraged as it leaves a "paper trail," should the League be audited or sued.

At the end of the fiscal year a final financial report, covering the entire year needs to be prepared. The treasurer normally reports year-to-date income and expenditures at the Annual Meeting to allow members the opportunity to question and ask comments about the League finances.

League policy should list when the treasurer must make a detailed report, such as a budget analysis.

## **Annual Reviews (sometimes known as Audits)**

The treasurer's books need to be subjected to either a review or an audit after the close of each fiscal year. The board appoints the reviewer/auditor, but the treasurer may need to make the arrangements. Each League should include in its policy who may do a review/audit. A non-professional review may be done by a former League treasurer, a League member who has experience in auditing, or a board-appointed committee, as local policy requires. A professional review or audit can be done only by a Certified Public Accountant. A review is smaller in scope (and less expensive) than a professional audit, and is almost always sufficient for a local League's needs.

If your League chooses a non-professional audit, refer to the model program included in the appendix. Most contributors will accept this alternative. If your League prefers a professional audit or review, try to find a friendly CPA who will do it as a contribution or for less than the usual rate. Some Leagues have been able to get one of the major accounting firms to do an audit pro-bono. These firms use non-profits as training ground for their new employees.

## **Record Retention Schedule**

LWV-TX adopted a schedule for record retention in January 2001. The schedule is reproduced in the Appendix. Your League should adopt an appropriate schedule to suit your League's record retention needs.

## **Treasurer's Monthly Check List**

It is a good idea to develop a month-by-month checklist that documents all the treasurer's tasks and deadlines. A sample checklist is included in the appendix. The sample checklist takes care of tasks that **every** treasurer needs to worry about. It does not include tasks and deadlines for those treasurers who need to worry about activities described in the second part of this publication. The checklist assumes a fiscal year of June 1 through May 31.

## **Budgeting**

The Treasurer may be an ex-officio member of the Budget Committee (consult local League bylaws as this may vary) and is expected to provide the Committee with information based on current operating income and expenses and anticipated changes so that an annual budget can be prepared. Generally, this is done in February or early March so that the committee's recommended budget can be considered at the March Board Meeting and mailed to the membership on a timely basis before the Annual Meeting.

For the Budget Committee meeting, the Treasurer should have:

1. Copies of the current year's budget.
2. Financial statements on a year-to-date basis through February 28 of the current year.
3. Financial statements with budgets for the previous two years.
4. Expected PMP payments for both LWV-TX and LWVUS.
5. A list of items that the Board may wish to be considered in the budget for the coming year.

## **Insurance and Bonding**

Bonding for the treasurer and others who sign checks for the League is a protection against theft, loss, or mishandling of League funds. Bonding policies are usually within the financial means of local Leagues. If expense prevents bonding, the local League board should enforce strict board supervision and audit procedures to limit the chance of a problem. The League president should not serve as treasurer.

Your League should procure property insurance if it owns real estate or personal property (office equipment, etc.). Leagues ideally would have liability insurance to protect the organization in case of an accident at a meeting or some other League function. The cost, however, is very high. The League should discuss the issue with an insurance agent. The LWV-TX has investigated an "umbrella" policy which would cover every Texas League, but this option is not a possibility in our state.

Directors' and Officers' Insurance, protecting board members against libel and similar lawsuits, is also recommended, but again, the cost is high and the state League has determined that it cannot provide umbrella coverage for local Leagues. The LWV-TEF carries D&O insurance for its directors.

## **PART II: WHAT SOME LEAGUE TREASURERS NEED TO KNOW**

### **If Your League Solicits or Receives Tax-Deductible Contributions**

As stated on page 2, local Leagues are prohibited from accepting tax-deductible contributions because they do not meet the relevant IRS requirements. Since these contributions are usually easier to obtain, the League of Women Voters of Texas allows a local League to deposit money in the League of Women Voters of Texas Education Fund, a 501(c)(3) organization legally separate from LWV-TX. Such monies are held in reserve for the local League. Be sure to read very carefully the *Handbook for Local League TEF Projects* before soliciting or accepting any such contributions. These procedures are necessary to preserve our ability to solicit and accept such contributions.

The handbook explains in detail the procedures to be used when soliciting and accepting the contribution and suggests ways in which the money may be used to benefit the local League and the local community. To solicit and accept tax-deductible (charitable) contributions, be sure that:

- \_ the check is made out to League of Women Voters of Texas Education Fund,
- \_ the check is **not** endorsed by the local League,
- \_ the check is **not** deposited in the local League bank account,
- \_ the check is mailed immediately to the state office with the proper form (see *Handbook for Local League TEF Projects*)

It is very important that all Leagues follow these procedures very closely. Trouble in one local League could endanger all League education funds. **Do not endorse or deposit these checks!**

Your League's balance in the LWV-TEF is reported quarterly. The LWV-TX treasurer sends a list of your League's transactions to you periodically or on request.

### **If Your League Receives a Grant**

"Grant" is a term often used for a donation for a particular project made by an entity such as a foundation. A grant is usually the result of a proposal made by the local League to obtain funding for an educational activity such as a conference or a publication. The treasurer should be a part of the committee that prepares this proposal. The proposal should include a special project budget and should include **all** costs. Most grants include salaries for those who do the work. Board members should not be paid salaries or stipends as it is against the philosophy of a volunteer board for board members to receive payment for services for which they let contracts. Actual expenses, of course, may be reimbursed. There is no philosophical problem with paying League members who are **not** on the board. Costs involved in applying for the grant cannot be charged to the grant. Those costs should be charged to the finance or development line items in the budget.

If the grant is received, the treasurer should be extremely careful about keeping financial records and should insist on receipts for all expenditures. Most grantors will require careful record-keeping. The treasurer will be expected to provide a final financial report to the grantor.

Virtually all grants are made with tax-deductible money. All the information in the section on tax-deductible contributions will apply. Foundations usually give money only to 501(c)(3) organizations. Frequently local Leagues have opportunities to apply for a pass-through grant from the national League of Women Voters Education Fund. In this case, LWVEF is the 501(c)(3) organization and they require certain procedures to be met before they can pass their grant through to local Leagues.

Additional information concerning grants will be found in the LWV-TX *Policies and Procedures*.

### **If Your League Rents Office Space**

Rental of office space usually means contracting that a sum of money will be paid each month. In fact, a written agreement specifying all terms agreed to is recommended. Since most Leagues do not take in a uniform amount of money each month, it may be a good idea for the board to discuss the amount of money needed as a reserve in the League budget. Cash flow can become a problem if reserves are not adequate. A minimum of two months operating costs is recommended. (Operating costs include rent, phone, utilities, salaries, taxes, etc.)

### **If Your League Pays Employees**

**Regular Employees** are those who work for the League throughout the year. They can be part-time. If the employee's wages equal or exceed \$100 in a calendar year social security (FICA) tax, Medicare tax and income tax need to be withheld from the paycheck each pay period. The League is responsible for sending payroll taxes to the IRS on a monthly basis. If an employee's wages equal or exceed \$50 in a calendar quarter, the League must also pay federal unemployment tax to the IRS, and state unemployment tax to the Texas Workforce Commission.

To fulfill the federal portion of these responsibilities, consult the IRS *Employer's Tax Guide, Circular E* (available online at <http://www.irs.ustreas.gov/formspubs/index.html>). Federal reports that need to be filed with the IRS include:

- Form 941** - Employer's Quarterly Tax Return, due January 31, April 30, July 31, & October 31
- Form 940** - Employer's Annual Federal Unemployment Tax Return, due January 31
- W-2** - Wage & Tax Statement, Employee Copies, due to employees by January 31
- W-3 + W-2** - Transmittal of Income & Tax Statement, Federal Copies, due February 28

Federal forms for each employee to be kept in local League files include:

- W-4** - Employee's Withholding Allowance Certificate
- I-9** - Employment Eligibility Form

State quarterly reports (Form C-3) and state unemployment taxes need to be filed with the Texas Workforce Commission. Reports are due January 31, April 30, July 31, & October 31.

Payroll taxes are calculated by when your employees are paid, not when they worked. For example, if you pay your employee on April 3 for work that was done in March, the attendant payroll taxes fall into April, not March, and the amounts will be reported on second quarter reports.

The League should consider obtaining Workers Compensation Insurance. This insurance is optional. Contact your insurance agent for details.

A letter of agreement from the League to the employee outlining the terms of employment is highly recommended.

**Contract Employees** are those persons who do not work on a regular basis. See IRS Publication 15-A, at [www.irs.gov](http://www.irs.gov) for a thorough explanation of contract employees and regular employees. If a contract employee is paid \$600 or more, including stipends and individual contract services, the wages need to be reported to the IRS. This reporting requires two forms:

**Form 1099MISC** - Wage Statement for each individual, due January 31

**Form 1096** - Transmittal of statements, due February 28

Contract employees need to be made aware that they are independent contractors and will be responsible for inclusion of the wages on their own federal income tax. Contract employees will be responsible for full payment of taxes, both income and self-employed social security taxes. A written contract with the person is highly recommended.

### **If Your League Spends Money to Lobby**

**Ballot Issue Lobbying.** A ballot issue is an item on a ballot, subject to voter approval. Ballot issue lobbying is directed at voters, whereas legislative lobbying is directed at legislators. Leagues that have positions relevant to local ballot issues (such as bond issues, referenda, and charter amendments) may wish to lobby voters to support or oppose ballot issues. The state League often asks Leagues to lobby on state ballot issues such as proposed constitutional amendments. When a League lobbies on any ballot issue, the League must determine whether or not it needs to form a separate organization, called a political committee to do so. (Political committees were formerly called political action committees or PACs.) PACs are not needed if a League lobbies **only** its own members. But PACs are often needed if a League lobbies non-members or the public. (1990 regulations require that a League form a PAC if it will spend \$100 or more to lobby non-members or the public.) There are two kinds of PACs: general purpose and specific purpose. Both require notification of appropriate officials **before** the League lobbies in any election and prompt reporting of funds spent on lobbying. Costly fines **are** imposed if reports are late, or lacking. General purpose PACs stay in existence from formation until disbandment. With a general purpose PAC, a League may lobby on appropriate state and local ballot issues in *any* election but it must file a sworn report with the Texas Ethics Commission at required intervals (at least twice a year), **whether or not** it lobbies in an election or has any activity.

Specific purpose PACs are formed for a specific issue in a specific election and are disbanded when the election is over. To form a specific purpose PAC, a League must contact the governmental body in charge of the election. For example, to form a specific purpose PAC to take action on:

- \_ a proposed constitutional amendment on which the state League has taken a pro or con position, contact the Texas Ethics Commission.
- \_ a school district bond issue, contact the school district secretary.
- \_ a city charter amendment, contact the city secretary.
- \_ a county bond issue, contact the county clerk.

Each new local League board must determine whether their League has a PAC, who the PAC treasurer is, and how to ensure that all reports are filed and other requirements met. When a League PAC treasurer changes, the League must notify the governmental body under whose jurisdiction the PAC was created. Complying with PAC regulations requires a League to be vigilant, but it is **not** hard. It is easy to obtain information. Leagues just must know when to do so.

**Lobbying Legislators and Local Officials** Spending money to influence elected officials is regulated by state law in certain circumstances. Few Leagues spend enough money in the regulated categories, such as entertainment, to fall under these regulations. If, however, a League expects to spend \$200 or more in a calendar quarter, that League must contact the Secretary of State's office to determine whether any filings and reporting requirements apply. *Toll free number is 800/252-8683.*

### **If Your League Receives More Than \$1,000 from Unrelated Business Activities**

Unrelated business activities are defined as those moneymaking activities that have no relation to the tax-exempt purposes of the League. Such activities include sale of advertising, sale of merchandise that has no mention of the League, garage sales, interest income, etc. Such activities do **not** include sale of publications or League buttons which include the name of the League of Women Voters. If the gross receipts from these activities are \$1,000 or more, the League needs to file a Form 990T with the IRS. Forms are available from the IRS (by mail or on the web) and must be filed within four and one-half months of the end of the fiscal year. (For example, if the League's fiscal year ends May 31, the form needs to be filed by October 15.)

### **If Your League Has a Gross Income of \$25,000 or More**

If the League's **gross** income in the fiscal year is \$25,000 or more, the League needs to file a Form 990EZ with the IRS. These reports are informational only; no tax is due. Forms are available from the IRS and are due four and one-half months after the end of the fiscal year. (For example, if the League's fiscal year ends May 31, the form needs to be filed by October 15.)

## **APPENDIX**

### **Local League Financial Audit Program**

If a non-professional will perform the League audit, these procedures should be followed.

#### **Bank Statements**

1. Verify amounts in checking and savings accounts at beginning and end of the year.
2. Check the Cash Receipts Journal against the deposits on bank statements, and investigate discrepancies. Are all interest credits from accounts recorded?
3. Verify bank reconciliations throughout the year. Account for all checks by number, voided, recorded, or still outstanding. (Voided checks should be retained with the signature block removed.) Total all checks for the year and compare with the amount reported.

#### **Budget**

4. Compare actual income and expenses with budgeted amounts.

#### **Dues**

5. Check dues collected during the fiscal year against current membership total, taking into account members transferred or within the grace period for dues payment.

#### **Ed Fund**

6. Check transactions between local League and LWV-Texas Education Fund. Check amounts available to your League. (Are these funds being used? If not, why not?)

#### **Math**

7. Recalculate a sample month and verify totals overall and for individual categories of income and expenditures. Check beginning balance, receipts, expenditures, and ending balance. Make any necessary adjustments for in/out items, etc.

#### **Recommendations**

8. Suggest improvements in the way the finances have been managed.

#### **Taxes**

9. Recalculate sales tax and compare with amount paid.

#### **Vouchers**

10. Check journals against vouchers and investigate discrepancies. Are all expenses backed up by an invoice or voucher? Are items being debited to the proper account?

*---With thanks to LWV-Pennsylvania*

## Sample Treasurer's Monthly Check List

This sample assumes a fiscal year of June 1 through May 31. It includes all duties for activities described in Part I of this publication. If the local League has a different fiscal year or performs some of the activities described in Part II, the checklist must be modified.

- June:** Set up new records for year  
Change bank signature cards  
Pay bills and deposit checks promptly  
Send PMP to LWV-TX, if paying quarterly, semi-annually or annually
- July:** Pay bills and deposit checks promptly  
Update records and reconcile bank statements  
Prepare June financial report for the board  
Send PMP to LWVUS if paying quarterly, semi-annually, or annually
- August:** Pay bills and deposit checks promptly  
Update records and reconcile bank statements  
Prepare July financial report for the board
- September:** Pay bills and deposit checks promptly  
Update records and reconcile bank statements  
Prepare August financial report for the board  
Prepare 3-month budget analysis for the board  
Send PMP to LWV-TX if paying quarterly or semi-annually
- October:** Pay bills and deposit checks promptly  
Update records and reconcile bank statements  
Prepare September financial report for the board  
Send PMP to LWVUS if paying quarterly  
Send PMP to LWV-TX if paying quarterly
- November:** Pay bills and deposit checks promptly  
Update records and reconcile bank statements  
Prepare October financial report for the board
- December:** Pay bills and deposit checks promptly  
Update records and reconcile bank statements  
Prepare November financial report for the board  
Prepare 6-month budget analysis for the board

- January:**
- Pay bills and deposit checks promptly
  - Update records and reconcile bank statements
  - Send sales tax to Texas comptroller's office
  - Prepare December financial report for the board
  - Calculate membership count and send to LWV-TX (by mail) and LWVUS (electronically). *Note:* LWVUS does **not** send records to LWV-TX. You must submit reports to both.
  - Serve on the budget committee
  - Send PMP to LWVUS if paying quarterly or semi-annually
  - Send PMP to LWV-TX if paying quarterly or semi-annually
- February:**
- Pay bills and deposit checks promptly
  - Update records and reconcile bank statements
  - Prepare January financial report for the board
- March:**
- Pay bills and deposit checks promptly
  - Update records and reconcile bank statements
  - Prepare February financial report for the board
  - Prepare 9-month budget analysis for the board
  - Send PMP to LWV-TX if paying quarterly
- April:**
- Pay bills and deposit checks promptly
  - Update records and reconcile bank statements
  - Prepare March financial report for the board
  - Prepare financial report for the Annual Meeting
  - Send PMP to LWV-TX if paying quarterly
  - Send PMP to LWVUS if paying quarterly (delegates to national Convention will not be allowed to vote if your League's dues are not paid in full)
- May:**
- Pay bills and deposit checks promptly
  - Update records and reconcile bank statements
  - Prepare April financial report for the board
- June (after the end of the fiscal year):**
- Update records and reconcile bank statements
  - Prepare May financial report for the board
  - Prepare fiscal year financial report for the members
  - Prepare 12-month budget analysis for the board
  - Ensure that all PMP for LWV-TX and LWVUS has been paid
  - Arrange for the audit or professional review
  - Prepare permanent records for the year
  - Box other records that need to be kept
  - Transfer files and help new treasurer get started

**Vital Numbers:**

Reference Recap Sheet for LWV- \_\_\_\_\_ Fiscal Year: \_\_\_\_\_

Bank – Checking \_\_\_\_\_ Account # \_\_\_\_\_

– Savings \_\_\_\_\_ Account # \_\_\_\_\_

Insurance Agent \_\_\_\_\_ Policy # \_\_\_\_\_

LWVUS File number: TX- \_\_\_\_\_

Group Exemption Number (GEN): 1666

Federal ID Number (EIN) - for your League \_\_\_\_\_

- for your Education Fund\* \_\_\_\_\_

State: Vendor ID Number: \_\_\_\_\_

Sales Tax ID Number \_\_\_\_\_

Membership Counts:

January 1, 20\_\_\_\_ \_\_\_\_\_

January 1, 20\_\_\_\_ \_\_\_\_\_

January 1, 20\_\_\_\_ \_\_\_\_\_

Fiscal Year begins: (mm/dd) \_\_\_\_\_ ends: (mm/dd) \_\_\_\_\_

PMP: FY 20\_\_\_\_ National \$ \_\_\_\_\_ State \$ \_\_\_\_\_

FY 20\_\_\_\_ National \$ \_\_\_\_\_ State \$ \_\_\_\_\_

FY 20\_\_\_\_ National \$ \_\_\_\_\_ State \$ \_\_\_\_\_

Local Dues: FY 20\_\_\_\_ Individual \$ \_\_\_\_\_ Household \$ \_\_\_\_\_

FY 20\_\_\_\_ Individual \$ \_\_\_\_\_ Household \$ \_\_\_\_\_

FY 20\_\_\_\_ Individual \$ \_\_\_\_\_ Household \$ \_\_\_\_\_

\* If your League maintains its Education Funds within the LWV-TEF in Austin, the EIN you should use is 74-6076962.



## TEXAS SALES AND USE TAX EXEMPTION CERTIFICATION

Name of purchaser, firm or agency:

Address (Street & number, P.O. Box or Route number)

Phone (Area code and number)

City, State, ZIP code

I, the purchaser named above, claim an exemption from payment of sales and use taxes (for the purchase of taxable items described below or on the attached order or invoice) from:

Seller: \_\_\_\_\_

Street address: \_\_\_\_\_

City, State, ZIP Code: \_\_\_\_\_

Description of items to be purchased or on the attached order or invoice:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Purchases claims this exemption for the following reason:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I understand that I will be liable for payment of sales or use taxes which may become due for failure to comply with the provisions of the Tax Code: Limited Sales, Excise, and Use Tax Act; Municipal Sales and Use Tax Act; Sales and Use Taxes for Sprcial Purpose Taxing Authorities; County Sales and Use Tax Act; County Health Services Sales and Use Tax; The Texas Health and Safety Code; Special Provisions Relating to Hospital Districts, and Emergency Services Districts in counties with a population of 125,000 or less.

*I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase will be used in a manner other than that expressed in this certificate and, depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.*

<b>sign here</b>	Purchaser	Title	Date
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NOTE: This certificate cannot be issued for the purchase, lease, or rental of a motor vehicle.

*THIS CERTIFICATE DOES NOT REQUIRE A NUMBER TO BE VALID.*

State and Use Tax "Exemption Numbers" or "Tax Exempt" Numbers do not exist.

This certificate should be furnished to the supplier. Do **not** send the completed certificate to the Comptroller of Public Accounts.

## LWVTX & LWVTEF State Office Retention Schedule, Adopted 2001

<< Local Leagues may find this useful for developing their own retention policies>>

	<u>In State Office</u>	<u>In Permanent State Archives</u>
<b><u>Financial Records</u></b>		
A/P, A/R, cancelled checks, invoices, payroll tax returns, bank stmts, etc statements, etc.	7 years (must be kept for 6 full years after tax returns are filed, because of IRS audit rules)	
Audit reports	7 years	After 7 years
Annual financial statements	7 years	After 7 years
General ledgers, journals	7 years	After 7 years
Tax returns	7 years	After 7 years
<b><u>Administrative Records</u></b>		
Bylaws, Charter	Current copies and one previous	Expired copies
Contracts, notes, leases	7 years after expiration	
Deeds, mortgages, bills of sale	7 years	After 7 years
Property records, including costs, depreciation, reserves, blueprints	Until property is disposed of	After disposal
Correspondence, legal and important	7 years	After 7 years
Correspondence, routine	2 years	
Employment applications	3 years	
Personnel files	3 years after termination	
Insurance policies, expired	3 years	
Insurance claims & lawsuits	7 years	After 7 years
Minutes of board meetings, council, conventions, board lists	5 years	After 5 years
LWV Texas VOTERS	6 years	After 6 years
<b><u>Local League Information</u></b>		
Bylaws and Policies	Current copies	Expired copies
Goals/Awards-final summaries only	2 years	After 2 years
Minutes, Publications	2 years	After 2 years
Disbanded Leagues	2 years	After 2 years
<b><u>Legislative</u></b>		
Legislative interviews	4 years	After 4 years
Testimony	10 years	After 10 years
Issue papers	10 years	After 10 years
Legislative newsletters	10 years	After 10 years
<b><u>Development</u></b>		
Annual Reports	10 years	After 10 years
Lists of Contributors	3 years	After 3 years
<b><u>Program</u></b>		
Program planning	5 years	After 5 years
State studies: Facts & Issues, consensus reports, significant background materials	10 years	After 10 years
National Program: Impact on Issues, other publications	2 years (most current edition)	
<b><u>LWVTEF</u></b>		
Voters Guides	8 years (at least 10 copies)	After 8 years (1 copy)
Completed local projects	7 years	