

IRS 501 (c) (3) GROUP EXEMPTION COMMITTEE REPORT
Spring 2012

For next year's update, so far I have been contacted by the Eastern North Carolina Iris Society and the Lompoc Valley Iris Society. These and any other potential affiliate applicants have until August 2012 to get their requests to me in time for this year's AIS group exemption submittal to the IRS.

I have also been contacted by Ron Killingsworth of the Society for Louisiana Irises relating to his efforts to get the general membership of SLI to approve a change from cooperating society to section of the AIS.

My response to Ron is provided below.

-----Original Message-----

From: bobplankmail <bobplankmail@aol.com>

To: retmiagt <retmiagt@dishmail.net>

Cc: MORRISJE1 <MORRISJE1@aol.com>; keisling <keisling@swbell.net>; aistreas <aistreas@earthlink.net>

Sent: Sun, Mar 18, 2012 2:52 pm

Subject: SLI Inquiry Regarding Change to Section Status

Ron,

This is in response to your inquiry through Jim Morris relating to your efforts to get the general membership of the SLI to approve a change to section of the AIS. You stated that you were aware that all the board members of SLI will have to be members of AIS, but were inquiring whether there are any other requirements, and whether there will be any change in your relationship with the AIS, i.e., will AIS have any authority over SLI and the board.

Short Answer

There are no other requirements, and there will not necessarily be any change in your relationship with the AIS. AIS would not have any other additional authority over SLI and your board, except as might be mutually agreed in writing as a condition of any future Section Charter Agreement, per Article II, Sect. 4 of the AIS Bylaws, as follows:

Section 4. AIS members interested in a particular group of irises may establish a separate organization which may be chartered by the AIS as a Section. Membership in the AIS shall be a prerequisite for all elected officers and directors. Sections may grant non-AIS members all Section membership rights and privileges except the right to serve as officers or directors. I know of no other prerequisites for obtaining and maintaining a charter as a Section, and privileges granted to Sections and their members, shall be determined by the AIS Board of Directors. The AIS shall not be responsible for the debts or liabilities of any of its chartered

sections, and shall have no power to exercise control over the Section except pursuant to any Section Charter Agreement entered into as a condition of the Charter or as provided in the Articles of Incorporation or Bylaws of the Section. (Emphasis added.) (Attachment 1)

Discussion

Accordingly, I have since reviewed the SLI constitution (Attachment 2) and bylaws (Attachment 3) and the AIS bylaws (Attachment 3), and have the following to report:

1. **All SLI Board Members Also Members of AIS.** To be a section of AIS, the AIS bylaws require that all elected board members of sections have to be members of AIS. Upon review of the SLI bylaws and constitution, I see that all officers of SLI are also members of the board (some organizations differentiate sharply between officers and directors, and not all officers are also directors), so in the SLI context, an amendment to your bylaws and constitution to the effect that all *elected* board members will have to be members of AIS would suffice.
2. **SLI President to Attend AIS Spring National Convention.** Moreover, the AIS bylaws require presidents of sections attend the AIS Section and Cooperating Society Advisory Board, which meets during the AIS national spring meeting of the AIS. See AIS Bylaws, Article V, Sect. 7. Inasmuch as SLI is presently a cooperating society, a change to section status would impose no additional duties on the SLI president than are presently required under cooperating society status.
3. **SLI President Could Be Elected to Serve on or Chair AIS Nominating Committee.** Additionally, there remains the possibility that the SLI president could be chosen by the AIS Section and Cooperating Society Advisory Board to be named annually to the AIS Nominating Committee, and could additionally be elected chair of the AIS Section and Cooperating Society Advisory Board. See Article V, Sect. 4 (a). Again, this possibility is no different than that for presidents of cooperating societies.
4. **No Further Requirements Other Than As *Mutually Agreed* in SLI Charter Agreement.** To date, AIS has never exercised its power under a section charter agreement to impose any further requirements on any of its existing sections. However, should SLI members have any lingering concerns whatsoever in regard to possible further exercise by AIS over control over SLI, such concerns could be allayed by means of a SLI Charter Agreement as proposed by SLI as a condition of accepting AIS recognition as a chartered section of the AIS.

IRS Section 501 (c) (3) Tax Exemption Recognition

Nothing in the above has addressed the completely separate issue of SLI's obtaining IRS Section 501 (c) (3) tax exemption recognition as a consequence of becoming a section of the AIS, and I find no evidence that SLI presently has Section 501 (c) (3) tax exemption recognition as a cooperating society.

IRS Section 501 (c) (3) recognition is a very special and highly coveted classification of federal (and, as a consequence, state) tax exemption available only to scientific and educational non-profits whose objectives provide services exclusively to the general public, as contrasted with providing mutual benefits to own members and/or influencing legislation. For the SLI to qualify for such 501 (c) (3) recognition, its constitution and bylaws would have to be changed considerably to align with objectives similar to that of the AIS, as stated in the governing documents of the AIS, followed by a lengthy and complicated application to the IRS for its official recognition.

As a chartered section of the AIS, the services of the AIS Tax Exemption Advisor (me) is free of charge, both to the AIS and the SLI. Further information on this subject is provided as Attachment 4, herewith.

Conclusion

Should SLI desire to pursue 501 (c) (3) status as well as section status, based on all of the foregoing, I suggest we do it together in two steps. First, apply to the AIS and receive section status approval; second, request my assistance with the 501 (c) (3) process.

I find both the SLI Constitution and Bylaws to be silent as to your presently being a cooperating society of the AIS, so see no compelling necessity as a prerequisite for becoming a section to make such changes to your governing documents prior to requesting and accepting same from the AIS; all that is needed would be for the SLI board to have the power to request same. Whether you presently have this power would be for the SLI board to determine. If so, and the AIS agrees, then we could work together to make the necessary changes to your governing documents, and I could and would handle the remaining matters directly with the IRS under the AIS's 501 (c) (3) group exemption procedure.

Attached:

1. AIS Bylaws
2. SLI Constitution
3. SLI Bylaws
4. Instructions to AIS Subordinate Organizations Requesting IRS Group Exemption