

## NONPROFIT GROUP EXEMPTION PROGRAM

Among the valuable benefits available through the United Square Dancers of America, is a program initiated in 2020 where USDA Affiliate organizations or Associate member groups may obtain IRS 501(c)(3) Nonprofit Status. USDA has obtained from the IRS the designation as a Group Exemption Administrator.

To qualify for a group exemption, the central organization (in this case USDA) and its subordinates (USDA Affiliate organizations or Associate member groups) must have a defined relationship. Subordinates must be:

- Member of the central organization;
- Subject to the central organization's general supervision or control; and
- Exempt under IRS section 501(c).

The benefits of Square Dance groups being a 501(c)(3) Nonprofit include:

- Being exempt from federal taxes, sales taxes and property taxes.
- Being eligible for grants on federal, state and local levels.
- Ability to give donors tax deductions when they make charitable gifts to your organization.
- Potential to be eligible to rent dance facilities below-market rates.
- Discount postage rates and special nonprofit mailing privileges.
- Afford Officers and Directors the ability to deduct out-of-pocket expenses when serving as a volunteer for the group.

While there is still the requirement to meet all of the Internal Revenue Service criteria for nonprofit status, the application is submitted to USDA as the Group Administrator rather than to the IRS. This results in a cost savings to the USDA applicants and expedites the process.

Among the essential criteria that each USDA applicant organization must meet:

- Be an **Affiliate Member** or an **Associate Member** in good standing of the United Square Dancers of America;
  - Associate Member status is available to any nonprofit organization / group, of any size, made up of dancers, clubs, associations, councils, or districts representing square, round, contra, clog, line, or heritage dancers inclusive, from within the United States of America, which has subscribed to the USDA application procedure for Associate Membership and been accepted with the limited rights and privileges as prescribed within the USDA Governing Documents (Bylaws and Standing Rules).
  - Associate Members must also be members of a USDA Affiliate member organization.
- Every exempt organization must have an Employer Identification Number (EIN), whether or not it has any employees. This number is also required to obtain a bank account. An EIN is required before an exemption application is submitted. Information on how to apply for an EIN can be found online at *Employer ID Numbers (EIN)*. The EIN is issued immediately once the application information is validated. - <https://www.irs.gov/businesses/small/businesses-self-employed/employer-id-numbers-eins>
- Must have the same fiscal year as USDA (Jan 1 – Dec 31).

- Include within the applicant organizations' Governing Documents:
  - Language stating that the applicant agrees to adhere to the United Square Dancers of America's **Bylaws and Standing Rules**. Located at <http://www.usda.org/docs/BYLAWS>
  - The statement that the applicant agrees to comply with the United Square Dancers of America's **Code of Conduct** as well as the USDA **Code of Ethics**. See USDA Educational Publication IS-066 found on <http://www.usda.org/educ.htm>.
  - Must contain a specific statement regarding dissolution of the organization similar to this:

### **Dissolution:**

- a) *"No part of the organization's assets or net earnings may inure to the benefit of any individual. This does not preclude the payment of reasonable amounts for goods or services provided to the organization."*
- b) *"Upon dissolution, the assets of the organization shall be distributed to another nonprofit organization that is exempt under section 501(c)(3) of the Internal Revenue Code."*
- c) *"The organization shall not, as a substantial part of its activities, carry on propaganda or otherwise attempt to influence legislation, except to the extent permitted by section 501(h) of the Internal Revenue Code, nor shall it participate to any extent in any political campaign for or against any candidate for public office."*

- Though neither the IRS nor USDA require that the organization be incorporated to participate in the USDA Nonprofit Group Exemption Program, USDA does strongly recommend that organizations be incorporated. For more information see USDA Educational Trifolds IS-010, *Club Incorporation* and IS-011, *Incorporation of Square Dance Clubs*, found on <http://www.usda.org/educ.htm>

USDA member organizations interested in applying for IRS 501(c)(3) Nonprofit Status may obtain application documents on the USDA website: [www.usda.org](http://www.usda.org)

Square Dance organizations that are not currently affiliated with the United Square Dancers of America may contact the USDA Regional Vice President representing their area OR download application procedures from the USDA website: [www.usda.org](http://www.usda.org) Even if an Affiliate is an exempt organization that does not mean that its subordinate organizations or member groups are exempt. Also, even though an Affiliate may not be an exempt organization under 501(C)(3), their member groups may apply for nonprofit exempt status through this USDA program.

To cover the administrative costs associated with providing this exceptional benefit, USDA will collect \$100 with each application (this one-time fee is significantly less than the charges assessed by the IRS, which currently are anywhere from \$275 to \$600). There will then be an annual processing fee of \$50 with the filing of each group's IRS 990.

These administrative fees are in addition to the Annual membership dues collected by USDA to maintain the group's eligibility to participate in the Group Exemption Program.

For additional information regarding the United Square Dancers of America's Nonprofit Group Exemption Program contact:

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Square Dance!

For additional information about USDA or any of its programs, please visit our website [www.usda.org](http://www.usda.org) or Email the Education/Publications Committee at:

[publications@usda.org](mailto:publications@usda.org)

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## NONPROFIT GROUP EXEMPTION PROGRAM



This information sheet was developed by the Education Committee of the UNITED SQUARE DANCERS OF AMERICA, INC. and will provide a general overview of the 501(c)(3) Nonprofit Group Exemption Program available to USDA Affiliates and other Member Groups.

Leadership Education material can also be printed directly from USDA website at [www.usda.org](http://www.usda.org)

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