



**Communication to Kiwanis Clubs
Tax Reclassification
Change from 501(c)(4) to 501(c)(3) Status
May 4, 2005**



**Change from 501(c)(4) to 501(c)(3) Status
Supplemental Background Information
May 4, 2005**

Kiwanis International, and its districts and clubs ("Kiwanis Organizations") are currently characterized for federal income tax purposes as 501(c)(4) organizations. However, the Kiwanis Organizations conduct many charitable programs that would support a more advantageous 501(c)(3) classification. Therefore, Kiwanis International will apply to the Internal Revenue Service ("IRS") for 501(c)(3) status for itself and its districts and clubs. Substantially all of the districts and clubs will need to take advantage of this opportunity in order for the Kiwanis Organizations to become 501(c)(3) organizations. Districts and Clubs who choose to remain 501(c)(4) entities will no longer be a part of the Kiwanis International group tax exemption. While it is not mandatory, we strongly recommend that all Districts and Clubs convert to 501(c)(3) status as we believe the opportunities this will create for Kiwanis Members, Districts, Clubs and the International Office far outweigh any disadvantages.

This material is intended to provide Kiwanis Organizations with information regarding why 501(c)(3) status is preferable to 501(c)(4) status, the structural differences between 501(c)(3) and 501(c)(4) organizations, and suggested changes to organizational documents and other material that will be required to qualify for 501(c)(3) status.

Why Choose 501(c)(3) Status

Contributions to a 501(c)(3) organization are tax-deductible as charitable contributions, whereas contributions to a 501(c)(4) organization are not tax-deductible. Most, if not all, of the dues paid by members of the organization will be tax deductible as charitable contributions if the Kiwanis Organizations were 501(c)(3) organizations. However, the portion of dues attributable to a member's receipt of goods and services (e.g., meals) will be nondeductible. The dues notice should inform the member of the portion of the dues attributable to the member's receipt of goods and services, if any. The portion of dues attributable to the receipt of the Kiwanis magazine and liability insurance is deductible. In addition to the tax deductibility of member dues, the conversion to 501(c)(3) status could expand the Kiwanis Organizations' revenue base because organizations and individuals who would not contribute to a 501(c)(4) organization may be willing to contribute to a 501(c)(3) organization.

In addition to the revenue enhancements discussed above, the Kiwanis Organizations will realize cost savings in a variety of operational areas. For example, they will be eligible for lower not-for-profit postage rates. They may be able to negotiate more favorable borrowing rates than 501(c)(4) organizations and may be able to obtain substantial vendor discounts. To the extent desirable by each entity, an existing 501(c)(3) foundation may be merged into its related district or club thereby reducing a variety of administration. However, it may be the clubs/districts desire to keep a separate entity (foundation) dedicated to fundraising

There are disadvantages to converting to 501(c)(3) status as well. For example, 501(c)(3) organizations must satisfy more stringent organizational and operational requirements (discussed in more detail below). Kiwanis International must submit certain information to the IRS requesting a change in status, and there are professional fees associated with this. Also, 501(c)(3) organizations must maintain a detailed list of contributors to establish to the IRS that the organizations are public charities as opposed to private foundations and to provide written acknowledgement to those who contribute more than \$250 to the organization at one time. Further, converting to 501(c)(3) status results in additional schedules to be attached to the annual tax return.

Comparison of 501(c)(3) and 501(c)(4) Status

Section 501(c)(3) organizations are organized and operated exclusively for charitable and/or educational purposes. No substantial part of the activities involve lobbying or trying to influence legislation, and 501(c)(3) organizations do not endorse political candidates. Section 501(c)(4) organizations are operated exclusively for the promotion of social welfare, and the net earnings of the organization are devoted exclusively to charitable, educational, or recreational purposes.

A 501(c)(3) organization must include specific language in its articles of organization that (1) limit the organization's purposes to charitable and educational purposes; (2) provide that none of the organization's net earnings or assets can be distributed to officers, directors, or other private individuals (although payment of reasonable compensation for services is permitted); and (3) insures that the organization's assets are permanently dedicated to charitable and educational purposes by providing for their distribution for such purposes in the event of dissolution. Further, the articles of organization must not expressly empower the organization to engage, other than as an insubstantial part of its activities, in activities that do not further charitable and educational purposes. Section 501(c)(4) organizations do not have such specific organizational requirements.

Charitable activities include relief of the poor and distressed, relief of the underprivileged, combating community deterioration, and activities that lessen the burdens of government. Additionally, 501(c)(3) activities must serve a public purpose. Conversely, 501(c)(4) activities do not necessarily have to serve a public purpose, but can focus more narrowly on the common good and general welfare of a community.

Suggested Changes to Organizational Documents and Other Material

In order to be characterized as a 501(c)(3) organization, the Kiwanis Organizations will be required to amend their Articles of Incorporation (or other organizing documents) and Bylaws. Please refer to the attached Articles of Incorporation and Standard Form for Club Bylaws for examples of required amendments. At a later date we will communicate to you the exact changes you will need to make to your club's own governing documents. DO NOTHING NOW.

In addition, the Kiwanis Organizations should reprint other material to be consistent with the amended Articles of Incorporation and Bylaws, as the current supply is depleted. Further, Kiwanis Organizations should update their websites immediately to reflect these changes.



Change from 501(c)(4) to 501(c)(3) Status Executive Summary

Advantages/Considerations

- Tax Benefits
 - *Member Dues*: Most, if not all, of member dues will be deductible as charitable contributions, which may result in:
 - Increase in members
 - Retention of members
 - Lower after-tax cost of dues
 - *Fundraising*: As a 501(c)(3) organization, donations by members and others made to Kiwanis will be tax-deductible. Thus, Kiwanis will have access to a greater funding base and increased sources of revenue, net of solicitation costs
- Cost Savings
 - Vendor discounts for 501(c)(3) organizations
 - May be eligible for exemption from State sales tax (check local state law)
 - Decreased postage rates
 - Potential favorable borrowing rates

Disadvantages

- IRS Approval Needed
 - See attached Project Timeline
- Suggested Changes to Organizational Documents and Other Material
 - See attached Articles of Incorporation
 - See attached Bylaws
 - Other print material as current supply is depleted
 - Website changes
- Costs
 - Internal Administrative Costs - may require temporary administrative staffing for International
 - Notify clubs and follow-up
 - Review and catalogue club responses
 - Professional fees for obtaining 501(c)(3) status for International
 - There may be an expense for Clubs or Districts to re-file their articles of incorporation with the state. Cost advantage to the Member and Club will far outweigh the one-time expense for this.
 - Recordkeeping of contributions
 - Donor letters
 - Public support test - public charity status
 - Additional schedules to be attached to tax returns for organizations that file tax returns (i.e., if annual gross receipts normally in excess of \$25,000)



Change from 501(c)(4) to 501(c)(3) Status Intl. Articles of Incorporation & Club Bylaws

The attached document(s) illustrate example, proposed amendments to the Articles of Incorporation for Kiwanis International. All districts and clubs organized as corporations will be required to amend their Articles of Incorporation in a similar manner. Districts not organized as corporations will need to amend their organizing documents, if any (in addition to their Bylaws - see Kiwanis International Bylaws and Standard Form for Club Bylaws example), to include language similar to that included in Kiwanis International's amended Articles of Incorporation. The attached samples include only those portions of the documents in which changes would need to be made.

There is no need for your District or Club to approve changes to your governing documents at this time. After the Kiwanis International Convention, where the delegates will have to approve tax reclassification, Kiwanis International will communicate to you the exact changes you need to make to your governing documents to be in compliance. The purposes of the attached documents are to give you an idea about what changes may need to be made in the wording of the documents. **PLEASE MAKE NO CHANGES AT THIS TIME.**

**ARTICLES OF INCORPORATION
OF
KIWANIS INTERNATIONAL, INC.**
(As amended by the Constitution and Bylaws Committee March 14, 2003)

The undersigned incorporator, desiring to form a corporation (the “Corporation”) pursuant to the provisions of the Indiana Nonprofit Corporation Act of 1991, as amended (the “Act”), executes the following Articles of Incorporation:

ARTICLE I

Name

Section 1.01. Name. The name of this Corporation is:

Kiwanis International, Inc.

ARTICLE 2

Purpose and Powers

Section 2.01. Type of Corporation. This Corporation is a public benefit corporation.

Section 2.02. Primary Purposes. The purposes for which this Corporation is organized and operated are limited as follows:

~~**Clause (a). Purposes.** The Corporation is formed for the purpose of assisting and engaging in all activities which serve social welfare purposes, which are permitted by the Act, and which are permitted to be carried on by an organization exempt from Federal taxation under the provisions of Section 501(c)(4) of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations issued pursuant thereto, as amended (the “Regulations”), or the corresponding provisions of any subsequent Federal tax laws.~~

~~**Clause (b). Additional Purposes.** In addition to the purposes stated in Clause (a) of this Section 2.02 and subject to the limitations provided in Section 2.03, the Corporation shall have the purposes and objects set forth in its Bylaws.~~

~~This Corporation is organized and operated exclusively to conduct, support, encourage, and assist such charitable, educational, scientific, religious, and other programs and projects as are described in Section 170(c)(2)(B), 501(c)(3), 2055(a)(2), and~~

2522(a)(2) of the Internal Revenue Code of 1986 as amended (the “Code”), or the corresponding provisions of any subsequent Federal tax laws.

Section 2.03. Limitations Upon Powers. No part of the net earnings of the Corporation shall inure to the benefit of any member, Trustee or Officer of the Corporation or to any private individual, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered by a member, Trustee, Officer or employee and to pay principal and interest at a reasonable rate not exceeding current market rates on funds loaned or advanced by a member, Trustee or Officer to the Corporation. T, and to make payments and distributions in furtherance of the purposes set forth in Section 2.02 hereof. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these Articles, the Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by (a) an organization exempt from Federal taxation under Section 501(c)(4)(3) of the Code and the Regulations or the corresponding provisions of any subsequent Federal tax laws; or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code and the Regulations or the corresponding provisions of any subsequent Federal tax laws.

ARTICLE 3

Registered Office and Registered Agent

Section 3.01. Registered Office. The street address of the registered office of the Corporation is:

ARTICLES OF INCORPORATION – SAMPLE ONLY

3636 Woodview Trace
Indianapolis, Indiana 46268

Section 3.02. Registered Agent. The name of the registered agent of the Corporation at the registered office is:

Eyjólfur “Eddie” Sigurðsson

ARTICLE 4

Members

Section 4.01. Membership. The Corporation shall have members as provided in the Bylaws.

ARTICLE 5

Incorporator

Section 5.01. Name and Address of the Incorporator. The name and address of the incorporator are as follows:

Eyjólfur “Eddie” Sigurðsson
3636 Woodview Trace
Indianapolis, Indiana 46268

ARTICLE 6

**Provisions for Regulation of Business and
Conduct of Affairs of the Corporation**

Section 6.01. Management of Corporation. The affairs of the Corporation shall be

managed by the Board of Trustees of the Corporation.

Section 6.02. Bylaws. Subject to the provisions of the Articles of Incorporation and the Act, the Corporation will be governed by Bylaws. The Corporation shall have the power to make, alter, amend or repeal the Bylaws of the Corporation in accordance with the approval requirements set forth in the Bylaws, as applicable.

Section 6.03. Limitation on Powers of Members and Board of Trustees.

Notwithstanding any contrary provisions in these Articles, neither the members nor the Board of Trustees shall have the power or authority to take or authorize any action which shall deprive the Corporation of its status as an exempt organization under the provisions of Section 501(c)(4)(3) of the Code, or such equivalent provision as may hereafter exist from time to time.

Section 6.04. Amendment of Articles of Incorporation. The Corporation reserves the right to amend, alter, change or repeal any provisions contained in the Articles of Incorporation or in any amendment hereto, in any manner now or hereafter prescribed or permitted by the Act or any amendment thereto; provided, nevertheless, that such power of amendment shall not authorize any amendment which would have the effect of disqualifying this Corporation as an exempt organization under the provisions of Section 501(c)(4)(3) of the Code, or such equivalent provision as may hereafter exist from time to time.

ARTICLE 7

Dissolution

Section 7.01. Dissolution. In the event of dissolution of the Corporation, assets remaining after payment of all debts of the Corporation shall be transferred by the Board of

CLUB BYLAWS SAMPLE

This document is a sample and shows only those sections of the Standard Form for Club Bylaws that may require adoption of a change to be in compliance with tax reclassification to 501(c)(3). This is informational only, please make no adjustments to your governing documents at this time.

STANDARD FORM FOR CLUB BYLAWS

As adopted by the Kiwanis International Board, May 1, 1996, and as amended to and including June 29, 2004.

ARTICLE III. MEMBERSHIP AND CLASSIFICATION

Section 1. Membership in this club shall be primarily of the active class as herein defined. There may be only three (3) other classes of membership: senior, privileged, and honorary.

Section 2. A person may hold membership in more than one (1) Kiwanis club.

Section 3. The active members shall represent the diversity ~~a cross section of occupations~~ in the community in which this club is located.

Section 4. Members (other than honorary) have the duty to attend meetings, participate in service projects and other activities, pay club financial obligations, wear the Kiwanis emblem, be appointed to committees, be elected as officers or directors, and attend Kiwanis conferences and conventions.

Section 5. Membership is open to persons eighteen (18) years of age and over who satisfy the qualifications for active, senior, privileged, or honorary membership. (6/02)

Section 6. All members of this club must believe in and subscribe to the Objects of Kiwanis International and be of good character and community standing.

Section 7. Qualifications for Active Membership.

- a. An active member must believe in and subscribe to the Objects of Kiwanis International.
- b. An active member must be a person of good character and community standing who resides or has other community interests within the area of the chartered club.
- c. An active member must pay a membership induction fee and annual membership dues and shall be entitled to all privileges of club membership.

CLUB BYLAWS SAMPLE

ARTICLE XVII. PUBLIC ACTIVITIES

Section 1. This club, by fair discussions at its meetings and in other ways, is encouraged to keep its members and the community informed on all questions of public importance and any proposed legislation affecting the community in which this club is located.

Section 2. This club shall have the right, and it shall be its duty, from time to time to give expression by proper means of its attitude on such public questions and such proposed legislation, provided that no other Kiwanis club is affected by the same.

Section 3. When any other Kiwanis club or clubs within the district are affected by any such public questions or proposed legislation, before expressing an opinion, this club must refer the matter, with a favorable or unfavorable recommendation, to the District Board of Trustees. If a club or clubs outside the district are affected, the club must refer the matter to the International Board of Trustees. Upon approval of the recommendation by the district or International Board, respectively, the club may publicly express its opinion through legal and proper means.

Section 4. This club shall not be used in any way for political purposes, nor shall it, as a club, actively participate in the political candidacy of any person.

Section 5. Notwithstanding Sections 1, 2, 3, and 4 above, no substantial part of the activities of the club shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the club shall not participate in or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE XXV. NOT-FOR-PROFIT ORGANIZATION

Section 1. The club shall operate as a not-for-profit organization incorporated within the laws of the State of (State Name).

Section 2. The club is organized and operated exclusively for the purposes set forth in section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Objects, as stated in Article II of these bylaws, shall be accomplished exclusively through charitable and educational activities as described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

ARTICLE ~~XXV~~ XXVI. APPROVAL OF KIWANIS INTERNATIONAL

Section 1. These bylaws and all amendments or additions shall not be effective unless approved by Kiwanis International.



Comparison of 501(c)(3) and 501(c)(4) Status

	501(c)(3)	501(c)(4)	Comments
Income Tax	Exempt from Federal income tax unless the organization has unrelated business income.	Exempt from Federal income tax unless the organization has unrelated business income.	No difference
Organizational Requirement	A substantial part of activities must be for furtherance of a charitable/educational purpose and articles of incorporation must reflect such requirement.	Organized for promotional of social welfare.	501(c)(3) more stringent
Operational Requirement	Assets must be dedicated to charitable/educational purposes.	Operated for the promotion of social welfare.	501(c)(3) more stringent
Public Service	Must serve public purposes.	Can serve community purposes, can be somewhat broader than (c)(3).	501(c)(3) more stringent
Public Support	Must take care to generate enough public support to avoid classification as a private foundation.	Not an issue under (c)(4).	501(c)(3) has additional reporting requirements
Charitable Contribution Income Tax Deductions	Donations are deductible as charitable contributions by donors on their tax returns.	Donations not deductible as charitable contributions. Must disclose in each fundraising solicitation that any contributions to the organization will not qualify the donors for a charitable contribution deduction.	Deductibility difference
Donations	Potential increase in donations due to funds going directly to charitable cause.	Limited ability to receive donations from unrelated organizations.	501(c)(3) may generate additional monies
Deductible Membership Dues	Annual membership dues are deductible by payor to the extent the member does not receive any goods or services in exchange, with limited exceptions.	Membership dues are not deductible by payor.	Dues may be deductible for 501(c)(3)
Payroll Tax	Subject to FICA and SUTA but not FUTA taxes.	Subject to FICA, SUTA and FUTA taxes.	FUTA difference
Sales Tax (IN)	Exempt as long as for a not-for-profit purpose.	Exempt as long as for a not-for-profit purpose.	No difference
Property Tax (IN)	Exempt if used for charitable purposes	Exempt if used for charitable purposes	No difference
Postage	Eligible for Nonprofit Standard Mail rates. Must file application.	May be eligible for Nonprofit Standard Mail rates.	Service clubs generally ineligible for lower rates
Lobbying Activity	Limits on lobbying expenditures.	No limit on lobbying activity as long as it furthers the exempt purpose, but may be subject to tax	501(c)(3) more stringent
Political Activity	Absolute prohibition against political activity	Political activity permitted, but subject to tax	501(c)(3) more stringent
Borrowing	501(c)(3) organizations can obtain lower rates on qualified bonds.	Not applicable	501(c)(3) may get favorable borrowing rates
Vendor Discounts	501(c)(3) organizations may be able to get discounts on purchases.	Not applicable	501(c)(3) may get discounts



Project Timeline

Activity	Completion Date
Kiwanis Board of Trustees approves Project*	Feb. 5
Kiwanis and KSM meet to discuss preparation of draft of Form 1023, Application for Exempt Status, and group letter request	Feb. 9
Kiwanis distributes educational materials to districts, which will include information about 501(c)(3) permitted activities, changes to organizational documents and activities, and deductibility of dues.	Feb. 16
Kiwanis gets KSM (tax firm) its responses to Form 1023	March 15
Kiwanis district secretary's meeting	March 19
Kiwanis' attorney drafts proposed amendments to organizational documents of Kiwanis International, as well as districts and clubs	March 23
Districts to confirm interest in becoming 501(c)(3) organizations	March 31
Bylaws & Resolutions Committee meeting	April 1
KSM finalizes Form 1023 with group letter to be used to bring in districts and clubs.	April 15
Kiwanis distributes educational materials to clubs, which will include information about 501(c)(3) permitted activities, changes to organizational documents and activities, and deductibility of dues.	Week of May 9
Kiwanis Board of Directors approves amendments to Kiwanis International's organizational documents	April 21 through 24
KSM submits Form 1023 and group letter to IRS with Board-approved changes to organizational documents.	May 15
Kiwanis sends proposed amendments to Kiwanis International's organizational documents to districts and clubs to satisfy notice requirement	No Later Than May 31
House of Delegates approves proposed amendments to Kiwanis International's organizational documents	July 2 - 6
Kiwanis International adopts amendments to organizational documents	July 15
KSM prepares educational materials to districts and clubs explaining what they must do to be a part of the conversion to 501(c)(3) status	July 15
IRS agent reviews application	Aug 31 (estimated)
KSM responds to questions from IRS, with help from Kiwanis	Oct. 28 (estimated)
IRS technical review	Dec. 15 (estimated)
IRS issues determination letter**	Dec. 30 (estimated)

* These same steps will generally apply for the Circle K and Key Club organizations, as well as Kiwanis.

** If the IRS requires additional changes to organizational documents, the Project will be delayed until Summer 2006 since amendments must be approved by the House of Delegates.

Tax Reclassification Q&A

Q: What kind of paperwork will clubs have to file with the IRS to become a 501(c)3?

A: None, to become a 501(c)(3). Kiwanis Intl. will take care of this.

Q: What will the cost be per club? Or will it all be done by Kiwanis International?

A: Kiwanis Intl. will bear the cost. The only cost to the club would be costs associated with having to re-file their articles w/ the state or costs associated with the 990 and notice requirements mentioned above.

Q: Will clubs have to report the donations they receive to the IRS or to Kiwanis International? Will that be on a Form 990 to the IRS? or will Kiwanis International handle all the paperwork?

A: Clubs have to report to the IRS, as they do now, on Form 990, if their gross receipts are "normally" in excess of \$25,000 annually.

Q: Membership dues will only be deductible less the amount of goods or services received, such as magazine and insurance and club dues? Is that correct?

A: A percentage of dues will be tax deductible, we're not sure what the amount is yet. Because of a IRS rule covering minimum costs of goods and services received, magazine and insurance may be deductible.

Q: Will clubs that have foundations (we have 40 club foundations plus our district Foundation) continue to use them as stand alone entities? Or will they have to roll their existing club 501(c)4 into their foundation 501(c)3? Or can they just let their club go and keep their foundation? Will it make any difference which foundation is being used? Will IRS and the various State authorities allow two almost identical foundations?

A: It's up to them, they're not required to do either. The reason most clubs have foundations is their status as 501c4's limited their fundraising ability. They can continue to run them separate if they choose.

Q: Regarding our District/Club Foundation, which is the fundraising arm, of our District/Club; What effect will this transition have on that foundation?

A: It shouldn't have any if you keep the foundation structure as it is.

Q: If we now have administrative and community accounts as part of our 501(c)4, will we continue to have the same accounts if we are a foundation? When we collect member dues do they still go into the administrative account? Will our community account continue to allow us the freedom to disburse money back into the community as we see fit, whether to benefit one person in need or many. Will all of the structure as we teach now in CLE for training club treasurers have to be changed? Will new guides have to be printed?

A: Yes, you would continue to have the same accounts. In theory you could co-mingle the funds, but we feel it's best to keep them separate. Yes, you can still use your community account as you see fit, including benefiting one person...or many, as long as the disbursements are for charitable purposes. No, at this time we don't see any need to adjust CLE training.

Q: If I understand correctly you are going to ask us to put forth an amendment to change our bylaws in August 2005 or do you mean 2006? If 2005, what if the IRS does not rule in our favor? Will we have to hurry up and change them back?

A: The change would occur in 2005. If the IRS does not rule in our favor then we would vote to adopt the previous governing documents. The IRS will not consider changing your status unless you've taken the steps to change your governing documents.

Tax Reclassification Q&A

Q: We heard Optimist International changed their tax classification but I can't find any reference to the Optimist Club filings for 501(c)3 status or the granting thereof. Can you tell us when they received their advance ruling?

A: Go to the Optimist web site for more info on this, we don't know the specific date.

Q: Does every club become a 501(c)3?

A: Yes, if they want to be part of Kiwanis' group exemption, but they are not required to do so.

Q: What is the annual ongoing maintenance cost to Kiwanis and clubs of a 501(c)3

A: The cost would be negligible – some recordkeeping and an additional schedule for the Form 990 if applicable.

Q: What control of the organization does the Kiwanis International Board gain or lose by making this election?

A: No more or less than it currently has.

Q: Can a US or non-US club actions jeopardize the 501(c)3 status.

A: A non-US club cannot have any effect at all. However, a US club can jeopardize its own status if it starts to do things not in line with the obligations of a 501(c)3. If abuse became rampant, it could effect International's exemption.

Q: Can clubs continue to provide service to individuals and still be in compliance?

A: Yes. However, such service must be for charitable purposes

Q: When clubs or members write off a meal or non-charitable types of expenses, does this jeopardize the 501(c)3 status?

A: No, it does not jeopardize the clubs 501(c)3 status.

Q: Does this make Kiwanis in foreign countries autonomous?

A: No more than is currently the case

Q: What are the positive and negative effects to our current Foundation?

A: It shouldn't effect the Foundation unless you change their structure

Q: Will members stop giving to the Kiwanis International Foundation? What would be their ongoing incentive?

A: Why would they stop? The organization still needs a structure and process...a fund raising arm, that's responsible for just that, fundraising. Kiwanis International has no plans to begin formal fundraising.

Tax Reclassification Q&A

Q: How will this effect Club Foundations?

A: The clubs can choose to keep their foundation as there is no requirement that they merge the foundation and the club. Many smaller clubs have foundations because of the limits being a 501(c)(4) had on their fundraising. I imagine in small clubs, the foundation may be redundant.

Q: If the 501(c)(3) rules are breached, will Kiwanis lose its current not-for-profit status and become a taxable entity?

A: Kiwanis may revert back to 501(c)(4) status.

Q: What is the rush? If it's a good idea, waiting until further study on this matter is completed and experiences are achieved should only help to guide our decision.

A: We have talked to accountants, tax lawyers, the Internal Revenue Service and members. All feel very positive about our chances in getting tax reclassification and the opportunities it will provide our organization. If it's a good idea, why wait?

Q: What type of expert opinions have we received? What are the benefits and pitfalls in becoming a 501(c)(3)?

A: For expert opinions see the previous question. The benefits are many – all or a portion of dues and fees would become tax deductible. Clubs without foundations would be able to directly solicit gifts from large, local donors like Wal-Mart, monies raised by clubs would be tax deductible for the public, clubs/districts/international would qualify for lower postage rates and would have the opportunity to realize vendor discounts only afforded to charitable organizations. The only cons that we have found is clubs may have to fill out an additional schedule to Form 990, will have to better track fundraising/donations and may come under more scrutiny from the public as a “charity”.

Q: Will Kiwanis International and clubs be a private or public 501(c)(3)?

A: Public, which means the club is broadly supported. Private foundations are supported by just a few people or one family.