

## Some Thoughts About the Grange and Non-profit Status

By Walter Boomsma

*With the disclaimer that I'm not a tax expert, I'm pleased to offer some general information regarding non-profit and 501(c)3 status in response to some questions. Many thanks go to Steve Verrill and Jim Owens, Amanda Leigh Brozana, Eileen Liddy, and Vicki Huff for contributing information and assisting with research.*

Let's start by stating that **State, Pomona, and Subordinate Granges do not qualify for 501(c)3 status**, primarily due to our lobbying activities. We tend to think that organizations doing charitable work who do not make a profit are "non-profits," but there are other factors involved in determining the official status that the IRS will recognize.

As an interesting aside, there are actually a number of different 501(c) designations. We believe we do qualify as a 501(c)5 organization under the National Grange umbrella. This exempts us from Federal Income Tax as a "union" or association of an agricultural nature.

Because we do often engage in charitable work, National Grange and some state Granges have established foundations—organizations that are separate and distinct from the Grange itself. **These foundations do not engage in lobbying or other political activities and therefore may qualify for the 501(c)3 status.** The Maine Grange Foundation was set up primarily to allow for grants and tax deductible donations enabling the preservation of Grange halls. Both the Maine State Grange and National Grange Foundations allow for certain "pass through" donations in exchange for a small percentage of the money donated.

In other words, if someone wanted to donate money to a subordinate Grange located in Maine, it might be possible for the donation to be made to the Maine Grange Foundation. Because the Foundation is a 501(c)3 non-profit organization, the donor would be eligible for a tax deduction and the Foundation would pass the money along to the subordinate Grange.

Similarly, if a subordinate Grange became aware of a grant that would help them with preserving their hall, it might discover that eligibility for the grant requires 501(c)3 non-profit status. In this case, it might be possible for the subordinate Grange to apply using the Maine Grange Foundation as the recipient.

A logical question becomes, "**Would it make sense for a subordinate Grange to follow the example of national and state by setting up a separate foundation or organization?**" While this might work from a legal point of view, it would not work from a practical point of view. In order to qualify, there is considerable paperwork that includes filing fees and accounting costs. In addition, annual fees including required audits simply mean the idea is not going to be cost effective for a single subordinate Grange.

While on the subject of taxes, note also that subordinate Granges are not exempt from paying Maine State Sales Tax.

If your subordinate Grange is interested in applying for a grant requiring 501(c)3, contact either State Master Vicki Huff or State Treasurer James Owens to investigate the possibility of applying through the Maine Grange Foundation. Plan ahead and be patient! This is a complex area that typically will require time and patience. Note that not every type of grant may qualify for the pass through.

For those who are curious about our 501(c)5 status as a “union,” you can download an IRS publication that will tell you everything you want to know in about 68 pages: <http://www.irs.gov/pub/irs-tege/eotopicj03.pdf>. Told you it's a complex area!