Association’s Group Submits Legislation to Clarify Services to Members/Non-Members; Defines Other Issues

Tax Treatments for Associations

What is fair treatment for contractors when an association is a non-profit organization — such as iaWCC/GDCI?

That is, in providing services to member contractors and non-members should both be eligible for the same benefits when one group financially supports the work of the association while the other pays in nothing but receives benefits.

It’s admittedly a tough problem — and one that is of major importance to associations and to the Internal Revenue Service.

To end the bickering, the American Society of Association Executives has unveiled a piece of legislation that has been months in the making.

In August, a bill was introduced by Rep. Barber Conable (R-NY) and its intent is to put a stop to some of the new aggressive twists that IRS is aiming at associations.

The problem of “inurement” — whereby an association which is tax exempt, says IRS, must not charge price differentials to non-members for educational materials — is just one of the issues that receives attention in the ASAE bill.

According to ASAE President James P. Low ASAE intends to “mount a major grassroots campaign among our members and all associations to build support for this bill.”

iaWCC/GDCI Executive Vice President Joe M. Baker, Jr., is a member of the Board of Directors for ASAE.

“What this ‘inurement’ feature means to contractors,” Baker explained, “is the fact that, under the proposed bill, net earnings of an association will be considered to have inured to the benefit of any private individual merely because members of the association are provided goods and services produced in the conduct of the association’s exempt activities at prices more favorable than those at which the association offers the goods and services to non-members.”  

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Baker said the bill, entitled “Tax Reform Act for Nonprofit Organizations,” offers further amendments to the 1954 IRS Code applicable to 501c organizations and establishes firm definitions and rules for terms and interpretations. IRS lately has been applying somewhat different definitions to activities.

Among the other provisions are included grassroots lobbying to allow the association to communicate with members and eligible members on legislation of interest to them;

To allow the association to conduct news conferences and statements as proper so long as they do not encourage taxpayers to contact legislators.

To clear up the controversy about taxes in such areas as c6 annuity benefits, controlled foundations, advertising income, insurance activities, trade show and convention income and activities, PAC (political action committees);

To provide for quick determination of tax status and technical questions by requiring IRS to rule in 90 days.

The bill was drawn by the law firms of Webster (George Webster is iaWCC/GDCI’s Washington legal counsel) & Chamberlin.