

ORIGINAL

THE Mansfield

Center for the Performing Arts

ADVISORY BOARD

-- REGULAR MEETING --

Friday, January 16, 2015

Great Falls Civic Center Gibson Room 212

Call to Order: 12:03 pm

ROLL CALL

Advisory Board Members Present: Larry Gomoll, Keern Haslem, Allen Lanning

Advisory Board Members Absent: Carl Donovan, Michael Gilboe, Kelly Manzer and Kim Thiel Schaaf

City Staff Present: Jenn Reichelt, Deputy City Manager; Owen Grubenhoff, Events Specialist; Dona Hughes, Mansfield Supervisor

Guests: Bill Bronson, City Commissioner; Tracy Hauck, Executive Director for the Paris Gibson Square

INTRODUCTIONS

Bill Bronson, City Commissioner; Tracy Hauck, Executive Director for the Paris Gibson Square; New Board Member, Allen Lanning

OLD BUSINESS

Minutes

Minutes for the December 19, 2014 meeting were tabled due to lack of quorum.

NEW BUSINESS

Explore Creating a 501(c) 3

City Commissioner Bill Bronson gave a presentation on Tax Exempt Status. (See attached document, "Presentation on Tax Exempt Status")

After Commissioner Bronson's presentation, discussion centered on the process for obtaining a non-profit:

- 1st step is for the Mansfield Center for the Performing Arts Board to vote as to whether or not to go the route of the non-profit.
- If yes, 2nd step is to put together a presentation for the Commission
- Considerations:
 - Would the non-profit would be a separate organization from the City (would expect so)
 - What are the by-laws
 - Who are the Board Members
 - There are 2 types of non-profits:
 1. Board is the membership
 2. Membership extends beyond the Board, i.e. Preservation Cascade

- Examples of other 990's affiliated with a City Department are People's Park and Recreation Foundation and the Library Foundation.
- How would volunteer hours be tracked
- How would grants be managed? Could City staff use staff time to write grants that benefited the City?
- Public entity vs. Private entity
- What is the focus – the building; arts and culture; or more generic/broader scope


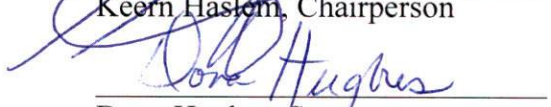
Commissioner Bronson offered to donate his time to the formation of a 990, especially if the recommendation is to follow the format of the Library Foundation. He will come up with a list of things he needs to know. City Deputy Director Reichelt will meet with Park and Recreation Deputy Director, Rearden, in regards to the Park Foundation and with Library Director, Mora in regards to the Library Foundation.

PETITIONS AND COMMUNICATIONS (Public Comment)

Chairperson Haslem gave a brief update on the I90 Film Coalition. He called for other public comment. No one responded.

ADJOURNMENT

There being no further business to come before The Mansfield Center for the Performing Arts Advisory Board and there being no quorum, the Board informally adjourned the December 19, 2014.


 Keern Haslem, Chairperson

 Dona Hughes, Secretary

Minutes Approved: February 20, 2014

PRESENTATION ON TAX EXEMPT STATUS

City Commissioner

Bill Bronson

Mansfield Center for the Performing Arts

Advisory Board

January 16, 2015

Introduction/Summary

- (1) Federal Policy/Special Problems with Governmental Organizations
- (2) What is Tax-Exempt status
- (3) Important terms
- (4) What's involved in an application
- (5) Myths and Concerns
- (6) Questions

Federal Policy:

- (1) Congress: we want to encourage the private sector to be able to raise money for charitable, scientific, and educational purposes
- (2) If organizations that perform these functions are taxed, these efforts are discouraged
- (3) Likewise, people who give money to these organizations should have some incentive to do that—so, find a way that they can deduct these contributions from their gross income
- (4) The government needs to provide for this in such a way that people do not take advantage of it

Problems with Governmental Agencies and Entities and Fundraising

- (1) State and local governments do not have to pay federal income or corporation taxes, so they are already tax-exempt.
- (2) However, most if not all private granting organizations cannot or will not fund governmental organizations or otherwise provide assistance
- (3) This has spurred creation of “sister” or related private foundations and organizations to apply for and receive grants, that could be used as donations to governmental organizations
- (4) Examples in the City of Great Falls:
 - Park and Rec Foundation
 - Library Foundation

Tax Exempt Status

- (1) Congress authorizes the IRS to exempt certain organizations from federal taxation
- (2) In turn, a person who makes a contribution to a tax-exempt organization can then declare their contribution as a deduction on their income tax
- (3) STATE POLICY: they will follow the IRS lead:

Montana: No corporate license tax
Contributions deductible on Montana returns

Terms:

“Nonprofit” – state law concept—refers to corporations set up as non-profit, to provide some public service or benefit. This may entitle the corporation to state tax benefits, but not federal

“Tax-exempt status”: generally refers to the federal IRS exemption

“501c3” – the classification for charitable, educational, religious or scientific organizations or associations

Tax Exempt Status:

- (1) Must be an organization devoted to charitable, scientific, or education purposes—NOT PERSONAL INTERESTS
- (2) Must not devote a “substantial” part of its activities to influencing legislation or influencing/try to elect or defeat officials running for office(there are other categories for that type of organization)

The Application Process: Form 1023

31-page form provided by the Internal Revenue Service

Parts:

- Compensation paid to leadership (officers and directors)
- Relationships between leadership and the business (family members, etc.)
- Conflict of interest policies
- Nature of activities
- affiliation with governmental units
- finances
- political activities

Application Fees:

\$400 (equal to or under \$10,000)
\$850 (over \$10,000)

Also need an EIN (tax identification number—apply for separately/SS-4))

SOURCES OF INFORMATION ON TAX-EXEMPT
STATUS—Examples:

-Irs.gov: “Frequently Asked Questions”

-Publication, “Applying for 501c3 Status”

IF YOU ARE APPROVED:

Your organization will receive what is called a determination letter, identifying status

Keep this—this is what you can use to prove your status

IF YOU ARE NOT APPROVED.....

The IRS will explain why and give you the opportunity to correct any deficiencies

YOU MAY CONDUCT YOURSELF AS A TAX-EXEMPT
ORGANIZATION WHILE YOUR APPLICATION IS PENDING!

However, the donation given is not considered tax-deductible
UNLESS the letter of determination is received

MYTHS AND CONCERNS

"It takes forever to get approval"

FALSE: IRS policy is to review and act on applications as quickly as possible. Delays can come about if you submit an incomplete application, or if the application raises red flags

Examples: lack of conflict of interest policies
Too close of ties between members and outside vendors
Indications as a cover for political activity

"The application process is too complicated"

FALSE: the process is fairly simple, and can be done without legal and/or accounting assistance, although it is recommended in some instances

The IRS provides a very good guide to preparing an application

"You'll be subject to IRS oversight"

TRUE in a sense, AND YOU SHOULD BE SUBJECT TO OVERSIGHT! However, the oversight is "light"—the agency does not come calling all the time for information

Your annual tax return (990) is the guide for the agency as to your activities

"We can't lobby the government in an instance where we may need help"

TRUE ONLY IN A SENSE: "SUBSTANTIAL PART OF ACTIVITIES"

"I've heard there still might be some tax—is that true?"

YES, BUT ONLY ON UNRELATED BUSINESS INCOME:

If the organization carries on a trade or business that is not "substantially related" to the charitable mission, the income on that activity will be subject to tax, but only that income.

Threshold: \$1,000

Seek advice of lawyer or accountant

"We have to file a return"

Yes, the 990, and depending on how much money is raised, it may be a long form

These are not all that complex.

Questions????