

SHOULD SMARC CHANGE ITS IRS STATUS TO 501C3?

WE ARE NOW A 501C7

WHAT IS A 501C7 ORGANIZATION?

- Organization is defined by the IRS as a “SOCIAL” not-for profit group as SMARC is now
- 501C7 has Articles of Incorporation and a constitution/bylaws that define its purpose
- Officers/board members have fiduciary responsibility to conduct group’s activities per IRS
- Cannot restrict members by race, color, ethnicity or sex
- Can restrict members to certain qualifications such as being a licensed FCC amateur
- Pays sales tax on purchases as a 501C7 do not provide services to the public, only members
- Offers no tax advantage for its sponsors/members

SMARC TODAY

First sentence of the SMARC Constitution Preamble:

“We the undersigned, wishing to further the Amateur Radio hobby, and share the pleasures and benefits of the association with persons commonly interested in amateur radio and pursuant to the provisions of Section 501 (c) (7) for the Internal Revenue Code of 1986, organized exclusively as a social club.”

Note: The only change from the original constitution when this update occurred in 2020 was the IRS Code date and State of Tennessee Law section number.

SO, THEN WHAT IS A 501C3 ORGANIZATION?

- 501C3 is defined by the IRS, a “CHARITY” corporation that does not make a profit
- Articles of Incorporation must define purpose and goals w/bylaws saying how
- Can restrict members who can join the corporation, ie., FCC licensed amateurs
- Officers/board have a fiduciary responsibility to conduct its business per IRS rules
- Funding may come from member dues, the general public and granting organizations
- Financial sponsors/members may be able to take a tax advantage
- Sales tax not required for purchases

WHY MAKE THIS CHANGE FROM A SOCIAL CLUB TO A CHARITY?

- SMARC to be recognized as a not-for-profit doing work for the general community good
- SMARC now able to work with other community charitable corporations and foundations
- SMARC Articles of Incorporation would set the stage for organization to outlive us all
- SMARC Constitution could be re-worded as bylaws, saying how we will operate
- SMARC fund raising would be considered tax-free donations, possible tax advantage to givers
- SMARC able to go after grants with a potential tax advantage to the givers
- SMARC would not pay sales tax on many of its large purchases

ARE WE REALLY A CHARITY AS DEFINED BY THE IRS? MY RESEARCH SAYS YES!

- SMARC provides freely and available emergency repeaters for FCC license persons.
- SMARC provides free classes to the general public who are interested in amateur radio
- SMARC holds FCC certified testing for the public wishing to become FCC licensed operators
- SMARC offers mentoring to new licensees in learn amateur radio and any member
- SMARC meetings and Zoom sessions are free to attend and open to the public
- SMARC members freely provide manpower and financial support for its activities
- SMARC is financially sound and is nearly 75 years old

HERE IS WHAT THE FCC SAYS IN PART 97 >> ALL ABOUT COMMUNITY CONTRIBUTION <<

§ 97.1 Basis and purpose.

The rules and regulations in this part are designed to provide an amateur radio service having a fundamental purpose as expressed in the following principles:

- (a) Recognition and enhancement of the value of the amateur service to the public as a voluntary noncommercial communication service, particularly with respect to providing emergency communications.
- (b) Continuation and extension of the amateur's proven ability to contribute to the advancement of the radio art.
- (c) Encouragement and improvement of the amateur service through rules which provide for advancing skills in both the communication and technical phases of the art.
- (d) Expansion of the existing reservoir within the amateur radio service of trained operators, technicians, and electronics experts.
- (e) Continuation and extension of the amateur's unique ability to enhance international goodwill.



A FEW IRS REQUIREMENTS WITH MOST WE ARE ALREADY DOING

- Open meetings with an open web site with freely available information (already do this)
- Organization minutes are in the member's-only section and **would have to be made public**
- Monthly meeting financial summary report offered as totals are published with minutes
- Treasurer already submits an IRS form 990 the end of each year, **same for 501C3 & 501C7**
- **Constitution could be used as basis for our bylaws to new Articles of Incorporation**
- SMARC would **operate under the IRS rules for a 501C3 vs. a 501C7**

HOW WOULD WE MAKE THE CHANGE?

- Submit a request to the TN Secretary of State asking for any special forms per setting up a 501C3 with a plan to relinquish the 501C7
- Submit a request to establish **Smoky Mountain Amateur Radio Club, Incorporated** as a charitable organization (501C3) and request a new EIN/TIN
- Ensure all **board members/leadership understand the 501C3 rules** and their responsibilities (no different than with the present 501C7)
- Once set up, change the name at the bank and submit new EIN/TIN information, transfer funds to new account, relinquish present 501C7 and operate as a 501C3

OK – SO WHAT IS DIFFERENT FOR THE OFFICERS?

- Almost nothing! Leadership has the same responsibilities as with the 501C7
- **President & VP**: Ensure organization decisions are made that meet the overall goals as submitted in the Articles of Incorporation. (Bylaws are recommended, not required.)
- **Secretary**: Ensure there are adequate notes recorded and published for the public and the members to know what decisions were made, when and by whom (same as today)
- **Treasurer**: Ensure spending is authorized and categorized per the decisions of leadership/member's direction (same as today)

SUMMARY/COMMENTS

- Reviewed Tennessee law regarding a 501C3 but still have some questions
- Downloaded copies of other Articles of Incorporation
- Discussed this option with David Andrews, Tellico Lake Amateur Radio Club who handled setting up their 501C3 less than 2 years ago and has been involved before in CT
- David is willing to help SMARC if the decision is made to move in this direction

OK. Now the questions!



WHAT'S NEXT?

October Meeting!

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- Membership to pass a motion with a Second, discussion positive outcome of a vote by members present.
 - Suggested motion wording:

MOTION: “SMARC shall take necessary steps to form a 501C3 corporation, dissolve the present 501C7 corporation and, once formed, move all monies into the new corporation.”

Smoky Mountain Amateur Radio Club, Inc.
Articles of Incorporation

The undersigned, a majority of whom are citizens of the United States, desiring to form a Non-Profit Corporation under the Non-Profit Corporation Law of the State of Tennessee, do hereby certify:

First: The name of the Corporation will be Smoky Mountain Amateur Radio Club, Inc.

Second: The place in this state where the principal office of the Corporation is to be located is Blount County.

Third: Said corporation is organized exclusively for charitable and educational purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Fourth: The names and addresses of the persons who are the initial officers of the corporation are as follows:

President	Bob Wilson, 1715 Northfield Dr, Maryville, TN 37804
Vice President	Paul Galentine, 103 Hatcher Ln, Maryville, TN 37803
Treasurer	Carroll Peabody, 2054 Independence Dr, Maryville, TN 37803
Secretary	John Drake, 1504 Hidden Hills Dr, Clinton, TN 37716

Sixth: This boilerplate defines how moneys will be handled by the corporation, meeting 501(c)(3) requirements.

Seventh: This boilerplate defines what happen to the corporation if it is ever dissolved as per 501(c)(3) requirements.