



Spring 2013
ISSUE 85

NON PROFIT GPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



NON PROFIT GPS

HELPING TO KEEP YOU ON THE RIGHT ROAD

Published by Heveron & Heveron CPAs

What Are You Thinking, IRS? No Guesswork Necessary

Fortunately, the IRS doesn't keep charities guessing about their plans! Lois Lerner, the director of exempt organizations at IRS, has announced their 2013 work plan as well as the results of their 2012 activities. This report confirms there were 5,800 audits of charities in the baseline year 2004 and nearly 11,000 during the 2012 fiscal year — although the amount is down slightly from 2010 and 2011.



During 2013, IRS has announced they will focus on public charity status, non-filers, community foundations, and 501(c)(12) Mutual organizations, and they will provide guidance about the process for auditing charities.

The IRS is also continuing some initiatives from 2012 and prior years, including international activities of charities, group rulings, using information on the form 990 to verify compliance, and the development of an electronic application for exemption. In 2008, IRS eliminated the requirement for charities to submit a form verifying their public charity status. In 2011, the IRS checked the accuracy of the information reported on form 990 schedule A (which documents public support), and found a high percentage of accuracy. During 2013, they will continue to monitor the accuracy of public charity reporting and make inquiries of organizations that filed a form 990 or 990 EZ in the past but are not currently filing.

For IRS audits of nonprofit organizations, they are providing additional guidance about what to expect; including the reasons organizations can be selected, the types of audits performed, how an audit will be conducted, and the rights organizations have in an audit. The publication directs you to an IRS webpage called Charity and Nonprofit Audits. You can Google it for more information about what to expect.

One of the biggest concerns with IRS' ongoing review of international activities of charities is the failure to file reports of foreign bank accounts. The reporting is simple but the penalties for noncompliance are substantial. If you have any non-US bank or financial accounts, be sure you understand and comply with these requirements. Call us if you have questions.

Published by
Heveron & Heveron CPAs

585-232-2956
1-888-SEC-501C

INSIDE THIS ISSUE:

2013 Inflation Adjustments

Electronic Filing of Your
New York State Charities Bureau
Annual Report

We Love Our Clients

Charitable Contributions:
Do I Have to Pay Tax on Them?

Affordable Care Act

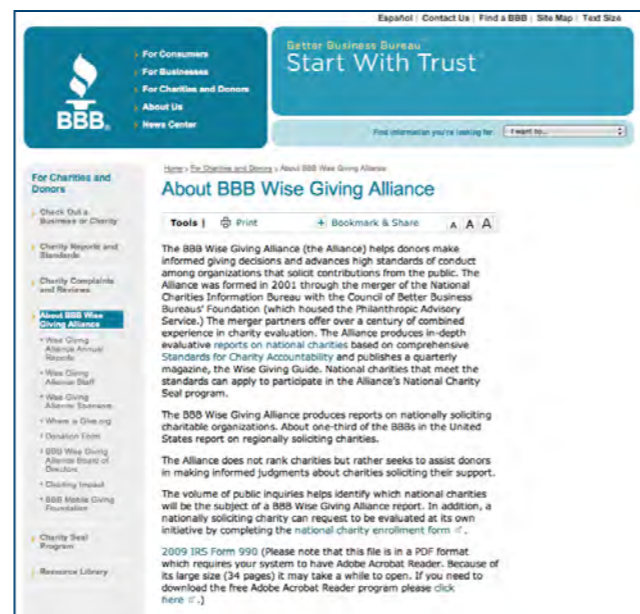
Our Newest CPA

Features:

WebStar Winner:
Better Business Bureau
Wise Giving Alliance



Better Business Bureau Wise Giving Alliance's
web address: <http://www.bbb.org/us/Wise-Giving/>



HEVERON & HEVERON
WEBSTAR



WEBSTAR Winner

The Better Business Bureau Wise Giving Alliance helps donors make informed giving decisions and advances the high standards of conduct among organizations soliciting contributions from the public with resources such as the *Standards for Charity Accountability* described in this newsletter. The Alliance also provides resources on their give.org webpage which provides links to charity reports and other resources like their Wise-Giving Guide.

Better Business Bureau Wise giving Alliance's
web address: <http://www.bbb.org/us/Wise-Giving/>

2013 Inflation Adjustments

Insubstantial Benefits:

The deductible part of a contribution is normally reduced by the value of what is received in return, but insubstantial benefits can be ignored, which means the full amount can be deducted. For 2013, insubstantial benefits received are the lesser of \$102 or 2% of the contribution. Also, if a contribution is at least \$51 and the cost of the benefits received is no more than \$10.20, the total contribution will be deductible.



Low-Cost Articles:

When charities distribute low-cost articles in connection with a fundraising appeal, this activity can be treated as Unrelated Business Income. However, Unrelated Business Income treatment doesn't apply when low-cost articles don't exceed \$10.20 for 2013.

Lobbying Expenditures:

When organizations exempt under sections 501(c)(4)(5) or (6) have lobbying or political expenditures, they must normally notify members of the portion of their dues that is nondeductible or pay a 35% proxy tax on those expenditures. Sections 501(c)(4) and (5) organizations are not required to report nondeductible dues if more than 90% of their dues come from members that don't normally deduct the dues or if 90% of their dues come from members who pay \$108 or less in annual dues.

Electronic Filing of Your New York State Charities Bureau Annual Report



The New York State Charities Bureau now accepts electronic filing of the form CHAR500. Because this initiative was just completed in December, most tax preparation software is not yet set up with the Charities Bureau for electronic filing of this form. We expect that major tax software providers will be able to electronically submit the CHAR500 in the near future.

We Love Our Clients

On February 14, 2013, Heveron & Heveron CPAs officially announced that they love their clients. This was done in a high-profile way, with a banner hanging from their building. It's true. We all find our work with nonprofits gratifying and fulfilling.



Charitable Contributions: Do I Have to Pay Tax on Them?

Charities and beneficiaries of charitable gifts occasionally ask about their reporting responsibilities for amounts they give or receive.

A gift made with a charitable intent is not taxable income. The intent of the donor to make a gift is necessary. It is also necessary that no consideration is received by the donor.

From the organization's perspective a contribution is:

- Unconditional
- Not an agency transaction
- Not an exchange transaction (most governmental contracts are exchange transactions earned as performance occurs).

Acknowledging contributions can be done in several acceptable ways. The IRS provides guidelines including sample language on page 9 of publication 1771.

You can find it at:

<http://www.irs.gov/pub/irs-pdf/p1771.pdf>

Affordable Care Act

Titan Insurance & Employee Benefits Agency, LLC, our health insurance consultants, provided a very informative program on the Affordable Care Act this past February. **Here are some of the key points from their program.**

Employees and employers will be affected dramatically. Some provisions require action in 2013, although the biggest impact starts in 2014.

Large employers are defined as those with more than 50 full-time equivalent employees during the prior year. Large employers are affected much more dramatically because they will be required to provide "affordable coverage," but every employer will experience changes and every employee will be looking to employers for information about their options. To determine whether you are a large employer you must divide hours worked by part-time employees to get full-time equivalents. Seasonal employees are not factored in.

Many employees who work for small employers or large employers that don't provide affordable coverage will opt for coverage under the New York State plan because they will qualify for subsidized health insurance. Subsidies apply to anyone who is within 400% of the federal poverty guidelines. For a family of 4, the 2014 estimated 400% of federal poverty guideline is \$96,868.

Large employers who do offer affordable coverage will still be penalized if employees choose the subsidized insurance but, of course, they will avoid the cost of coverage. Smaller employers who don't have this mandate won't be subject to penalties if their employees choose subsidized coverage. On the surface, it sounds like costs may go down especially for many smaller employers. Don't count on it! This new law is primarily about mandated coverage and there was very little that would control costs, so health care costs may rise dramatically over the next few years.

Some employers with healthy populations are moving to self-insured plans which leaves other companies in a pool with less healthy employees.

The time for action is just around the corner. Employers need to understand options because employees will be asking, and employees who will be seeking subsidized coverage need to start signing up in October of 2013.

Employers will need to provide notices of eligibility to employees in the near future. The originally scheduled date of March 2013 has passed and a new due date will be announced for later this year.

It is estimated more than 50% of US households could qualify for subsidized coverage.

Subsidies for individuals and families who choose to go through the New York State plan will effectively limit the cost of health insurance to 2% of household income for household members with household income under 133% of the federal poverty level, graduating up to 9.5% of household income for households whose income is more than 300% but less than 400% of the federal poverty guidelines. Based on this, an individual with no more than \$15,608 of income is estimated to pay a little over \$300 per year for healthcare coverage.

In 2014, penalties will apply to larger employers, individuals will be required to purchase insurance or pay a penalty (although there are some exceptions), and plans will need to be designed to include Essential Health Benefits, and will not be able to exclude pre-existing conditions.

Starting in 2014, most individuals will be required to maintain health insurance with "minimum essential coverage" for themselves and their dependents or pay a penalty tax for noncompliance. There are exceptions for individuals who are residing outside of the United States and for those whose coverage for themselves exceeds 8% of household income or whose income is less than income tax filing threshold and for certain other individuals. Penalties start at \$95 per parent and \$47.50 per child up to a family maximum which is the higher of \$285, or 1% of family income. In 2016 that increases to \$695 per parent and a family maximum which is the higher of \$2085 or 2.5% of family income. There won't be penalties, criminal prosecution, liens or levies to encourage payment, so many of these penalties will go unpaid.

Status of the New York State Health Benefit Exchange

Governor Andrew Cuomo has established the New York Health Benefit Exchange; however, they are still studying policies and establishing relationships with health plan providers, so there is some work to do before it will be ready for consumers.

Our Newest CPA!

Kimberly Emilo successfully completed the final part of her CPA exam and has met all requirements to earn her CPA degree. We all congratulate Kim on this accomplishment. Heveron & Heveron now has eight CPAs on staff.

