SIGMA KAPPA SORORITY

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Fundraising Information

By Barbara Schwartz Bromberg, Esq.

Code Section 501(c)(7) organizations may engage in fundraising for charitable purposes. Such organizations may participate singly or as part of a larger group IF two criteria are met. These criteria are:

1. Funds realized are used or set aside for charitable purposes.

AND

2. The proceeds from the fundraiser PLUS all other nonmember income, such as dividends and interest, DO NOT EXCEED 35% of the total gross receipts of the organization.

Example: A chapter sponsors an art show once each year and donates all of the proceeds to charity. The proceeds—plus all other non-member income of the chapter—may not exceed 35% of the total gross receipts of the chapter.

In contrast, if such an organization engages in fundraising and intends to retain the proceeds for its own use OR intends to donate the money to another Section 501(c)(7) organization, it normally must pay Unrelated Business Income Tax (Form 990-T) on such proceeds. Such proceeds PLUS all other non-member income (except dividends, interest, and other passive income) **CANNOT EXCEED** 15% of the total gross receipts of the organization.

Example: A chapter sponsors a candy sale as a fundraiser. It intends to keep the proceeds for its own use or intends to give the money to the National Sorority. Such proceeds—plus all other non-member income (except dividends, interest, and the like) cannot exceed 15% of the total gross receipts of the chapter.

Total gross receipts for this purpose are total gross revenues minus initiation fees and pledge fees, if no chapter annual dues are charged, any donations of a capital contribution nature and other unusual amounts of income.

If such an organization plans to engage in what is a very unusual or "non-traditional" activity for profit, such as managing a boutique, caddying at a golf tournament, or running a bar or restaurant, whether or not for charity, the organization is subject to losing its tax exempt status, no matter what level of receipts is involved. Organizations planning to engage in any "non-traditional" activity should contact the national vice president for finance before proceeding.

Those collegiate and alumnae chapters and house corporations which have large amounts of money in savings and investments (i.e., $50,000 and over) or realize a substantial amount of income on investments (i.e., $1,000) may want to establish a Set-Aside Fund which is available to protect such income from taxation. Also, as noted above, such income is counted within the 35% whether or not it is used for charitable purposes. (See *Vice President of Finance Handbook*).

IMPORTANT NOTE: Since February 1, 1988, all solicitations for contributions to an organization which do not qualify as tax deductible charitable contributions, must contain the following statement:

"Contributions or gifts to (name of organization) are not tax deductible as charitable contributions."

This statement must be in at least the same size type as the rest of the letter, leaflet or ad; the statement must be included on the message side of any card of tear off section that the contributor returns with the contribution; and the statement must be the first sentence in the paragraph or itself constitute a paragraph. There are similar requirements for telephone, television and radio solicitations. There are severe penalties for non-compliance with this rule. If you have questions about this requirement, please contact the national vice president for finance.