



Dear New Club Organizer,

Thank you for your commitment to bringing Quota's caring and sharing to a new community! This kit is filled with detailed information to help your new club become a legal entity. The step-by-step checklist enclosed outlines what you need to do to incorporate your club, receive an Employer Identification Number (EIN) from the IRS, open a bank account, and have an organizational meeting of your club's board of directors. The attachments provided in the left-hand pocket of the kit will help you along the way.

Also available in the new club organization materials you will receive from the Quota office and on our Web site, www.quota.org, are standard bylaws recommended for local Quota clubs; you are encouraged to adopt these or similar bylaws at your club's organizational meeting.

Below are the answers to frequently asked questions about setting up a Quota club. Please do not hesitate to contact Quota staff directly if you have questions about any of these topics or about becoming a legal entity.

What is an EIN?

In the United States, every business entity is assigned an Employer Identification Number (EIN) by the Internal Revenue Service (IRS). It is also known as a Federal Tax Identification Number. This number does not change from year to year and is similar to an individual's Social Security Number.

You will need an EIN to open a bank account for your club. Instructions for how to obtain an EIN for your club are found in the *Checklist for Making Your Quota Club a Legal Entity*.

What will my new Quota club's tax status be?

Quota clubs, like the majority of service clubs in the U.S., are designated 501(c)(4) organizations by the IRS. A 501(c)(4) exemption is given to civic leagues or organizations that are organized and operated as non-profits and operated exclusively for the promotion of social welfare. Net earnings are devoted exclusively to charitable, educational, or recreational purposes. While 501(c)(4) organizations are exempt from paying federal income tax, contributions to a 501(c)(4) organization are generally NOT deductible by a donor for federal income tax purposes.

Quota clubs do not have to apply individually to the IRS for this tax status. Rather, they are granted it as a member of Quota International's group. Each year Quota International updates the IRS with information about the clubs in our group, their EIN's and their current president's address. By sending us the completed authorization form included in this *Making Your Quota Club A Legal Entity* folder, your club will be included in our group exemption and will have 501(c)(4) status.

Can we obtain 501(c)(3) charitable status for our club?

Quota International has applied to the IRS for 501(c)(3) status for the members of our group exemption (our clubs) and we are waiting for a ruling. If the IRS does change our group exemption to 501(c)(3), your club's tax status will become 501(c)(3), as you are part of our group. (As long as we have on file for your club the signed authorization form and copy of your articles of incorporation which include language required of 501(c)(3) organizations, like the draft we have provided in this kit.)

Having 501(c)(3) status would mean dues and other donations to your club may be deductible for federal income tax purposes, making your club a more desirable grantee for private foundations and businesses. It also may result in sales tax exemption for your club, lower postal rates, and will give your club broader ability to lobby for legislation if you choose.

As we don't know if it will take two weeks or two years for the IRS to make a ruling on our application for 501(c)(3) group exemption status, some clubs have chosen to set up a 501(c)(3) charitable trust to obtain tax exempt status for their service activities. Clubs may find it easier to raise funds when you can assure donors that their gifts are tax deductible charitable contributions. To learn more about setting up a separate legal entity, a Foundation, in addition to your club, please contact Christy Herz at the Quota International office at (202) 331-9694 or christy@quota.org.

Why should my Quota club incorporate?

One of the most significant benefits to incorporating is that it protects your club's officers and members from liability. As an unincorporated entity your members could be held individually liable if someone were to be injured at a club function or for a contractual obligation (i.e. the club is required to pay a bill it cannot pay and the club is sued for payment). As the world becomes more and more litigious, it is important to be protected.

Another benefit of incorporating is that by including appropriate language in your incorporation documents, your club is prepared to become a 501(c)(3) entity if Quota International receives 501(c)(3) group exemption designation by the IRS. All U.S. Quota clubs will be required to have specific 501(c)(3) language in their governing documents if the IRS gives us this designation, as our 501(c)(4) group exemption will no longer exist. Following the enclosed incorporation process will make you eligible for both 501(c)(4) and 501(c)(3) status, should we receive it.

We are here to help you! If your club has questions, after reviewing this letter and the enclosed materials, please contact Karen Smith in our office at karen@quota.org or (202) 331-9694. Again, thank you for your work to organize a new Quota club!

Sincerely,



Kathleen Treiber
Executive Director

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