

GARDEN CLUB IDENTIFICATION NUMBERS

The following information is provided to answer general questions that clubs have raised. It is recommended that clubs access the IRS web site for specific detailed and updated information. A great deal of information can be found at <http://www.irs.gov>

Every garden club having a bank account should have a FEDERAL employer identification number (EIN). The bank requires this number to open an account. This number should ALWAYS be used when opening club bank accounts. A club member's social security number should NEVER be used. The EIN is obtained from the Internal Revenue Service (IRS) and is used strictly for REPORTING purposes only. It provides NO other use such as "sales tax exemption" or "federal income tax" exemption.

When opening an account at a bank, the bank may ask for a copy of your "Articles of Incorporation". Your club would only possess this document if your club were INCORPORATED. If your club is not incorporated, then you would not have this document. A copy of your club's minutes reflecting the election of officers (your minutes should list the Office and the Name of the Elected Officer) should suffice as documentation for the bank.

A club can apply for a federal EIN either by fax, mail or by telephone. You can get an EIN immediately by call the Business and Specialty Tax line at (800) 829-4933. The hours of operation are 7:00 am- 7:00 pm, local time Monday through Friday. An assistor takes the information, assigns the EIN, and provides the number to an authorized individual over the telephone.

A club can order forms, instructions and publications 24 hours a day, 7 days a week. Just call 1-800-TAX-FORM (1-800-829-3676). You should receive your order or notification of its status with 10 work days. To apply for a federal EIN by mail or fax you will need Form SS-4 Application for Employer Identification Number. The instructions are separate from the form.

The form and instructions are also available on the web. The address is www.irs.gov for the IRS website. Viewing this form on line will also allow you to familiarize yourself with what information is required to apply over the telephone.

As a side note, MGC, Inc. is a 501(c)3 non-profit corporation qualifying for both State and Federal Income Tax Exemptions as well as State Sales Tax Exemption. These exemptions do NOT extend to individual member clubs. Member clubs are considered separate entities which function autonomously. If a club has a sizable treasury and considerable income from sales, it may file independently for tax-exempt status.

MGC's State and Federal Income Tax Exemptions DO apply to any MGC Club or District that is hosting an event "sponsored" by MGC such as a school, symposium or district meeting. For example, let's say District VI is hosting the next Environmental Schools Course. Since Environmental School is a MGC "sponsored" event, District VI will be able to use MGC's State Sales Tax Exemption in making all purchases related to that particular school. The same is true for any local garden club that is hosting a District meeting. A District meeting is a MGC "sponsored" event so the MGC Sales Tax Exemption would be available for the hosting club to use.

Informational transcript of a letter on the use of tax exemption numbers for clubs

Treasurer
Michigan Garden Clubs

Dear:

I am in receipt of your letter dated September 20, 2006 inquiring about the "use" of the tax exemption for MGC member clubs. Thank you for your inquiry.

Years ago, Michigan Garden Clubs, Inc. (MGC) received permission from the IRS to become a 501(c)(3) Not-for-Profit organization. As such, MGC is tax-exempt from all state and federal taxes. This tax exemption does NOT apply to any member clubs of MGC, including your Garden Club.

There is an exception to this. Your Garden Club may use this tax exempt certificate only if it is hosting an MGC event. For example, if your G.C. is hosting the District IV meeting, then they may use the exemption certificate to purchase items (door prizes, food, decorations, etc.) for that meeting only. It could also be used if your club was hosting a state convention, school or symposium (all MGC events).

It is my guess your club is like most clubs in the state. You are a group of people with a checkbook and have no state or federal tax-exempt status. Should your club purchase items for fund raisers (i.e. bird seed, flower flats, etc.) the club should be paying sales tax on all these purchases. It is just part of the cost of the item. The club should never CHARGE sales tax on its sales of items to its members or the public. You need a permit from the State of Michigan to do this.

I hope this clears things up for you. I have seen this happen on several occasions where a new garden club Treasurer inherits a folder of "stuff" containing this tax-exempt letter with no instructions attached and hence the confusion begins! Let me know if you have any further questions or need additional information.

Sincerely,

Pamela R. Dewey
Former Treasurer
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