I. Tax Exempt Status – United States

Shriners International (formerly known as Ancient Arabic Order of the Nobles of the Mystic Shrine until 2010) has a group ruling of tax exempt status which specifically includes all of its United States shrine temples and their shrine clubs as subordinate units thereof. The four-digit group exemption number is 0229. As to shrine units, the Internal Revenue Service appears satisfied that they are integral parts of the shrine temple and are not considered in any way separate, legal entities requiring a separate exemption status under Section 501(c)(10) of the Code.

Originally, shrine temples were exempt under an umbrella ruling (see Exhibit A, pages 8 & 9) of the Imperial Council, A.A.O.N.M.S., under Section 501(c)(8) of the Code. Subsequently, by reason of the Tax Reform Act of 1969, a new section was added to the Code, 501(c)(10), which covers exempt fraternal organizations that do not provide a means for payment of life, sick, accident or other benefits to its members or their dependents. The Imperial Council, A.A.O.N.M.S., group-exempt ruling of November 26, 1940, was thus modified on April 29, 1971 (see Exhibit B, pages 10-13), to come within this new Section 501(c)(10) of the Code. Every recorder and treasurer should be aware that the modified group ruling of April 29, 1971, included our Imperial Council Session corporations and all our Shrine Associations.

On the subject of tax reporting generally, be sure that when you receive information from Shriners International on temple tax-related matters that a copy of the information is promptly furnished to your temple counsel and independent auditor.

Each shrine temple and each shrine association is required to file an annual information tax return (Form 990) if its annual gross receipts are normally greater than $50,000. If a shrine association’s gross receipts are equal to or less than $50,000 they may file a 990-N, e-postcard; however, temples that have gross receipts equal to or less than $50,000 are required to file Form 990 per General Order No. 1. (See IRS instructions and General Orders issued annually for further details and instructions.)

Each shrine temple is required to file an annual consolidated (group) return on Form 990 for its shrine clubs. This requirement arose from the issuance of an Internal Revenue Service letter ruling dated October 12, 1973, (see Exhibit D, pages 24 & 25) which modified the Imperial Council’s group ruling letter issued April 29, 1971, to the extent that it now included all United States shrine clubs from the time of January 1, 1970, provided complete information on our shrine clubs was promptly furnished to the Internal Revenue Service. This included the shrine club’s mailing address and employer identification number.

II. Unrelated Business Income

Temple Officers must review with their independent auditor and accountants any temple activities which may involve unrelated business income to the temple. If the temple has gross unrelated business income of $1,000 or more, a Federal Income Tax Return (Form 990-T) will need to be filed. Once-a-year type activities such as circuses or shrine-sponsored sporting events are not considered unrelated business income to a temple. The reason for this is that the unrelated business income tax does not apply to income from activities which are not carried on by an organization on a regular basis. We also have a dialogue in the Congressional Record between several Senators (December 9, 1969) which confirms this view (see Exhibit E, page 26). If your temple has a monthly publication in which you accept advertising income (Account 4900), then Form 990-T should be filed by the temple.

III. Shrine Temple Title Holding Corporations and Shrine Club Title Holding Corporations

A title-holding corporation of a temple or shrine club is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over at least annually the entire amount thereof, less expenses (including depreciation), to the temple.

The Internal Revenue Service Regulations state that a title-holding corporation cannot accumulate income and retain its exemption. An organization exempt under Section 501(c)(2) may temporarily invest in stocks and bonds and passively collect the income from these investments. It may not, however, actively trade in these securities. **NOTE:** The group tax exemption ruling issued to Shriners International does not include these related or affiliated corporations organized by the temple. The temple must secure their own tax exempt status with the IRS for these holding corporations.
GENERAL ORDER NO. 1 REQUIREMENTS

THE REVENUE ACT OF 1987

The Revenue Act of 1987 is the law of the land in the U. S. A. One of its provisions became effective for fundraising solicitations of any sort occurring after January 31, 1988. Another provision was effective as to IRS information returns (Form 990) filed after December 31, 1987. This will call your attention to the Act. It is your obligation to comply with it and to obtain guidance thereon from your temple attorney and independent accountant.

1. LABELING OF NONDEDUCTIBLE FUND-RAISING SOLICITATIONS

(a) On and after February 1, 1988 every fraternal organization, having annual gross receipts in excess of $100,000 per year, must label each fundraising solicitation that contributions to the fraternal organization are not deductible as charitable contributions for federal income tax purposes. A fundraising solicitation by a fraternal organization will not be subject to the nondeductible labeling rule if the entire net proceeds of a particular solicitation are to be used exclusively for charitable purposes. If the entire net proceeds are not to be used for exclusively charitable purposes, then the label must be applied to each format for each solicitation.

(b) The disclosure of nondeductibility of contributions applies to any solicitation of contributions that is made in written or printed form, by television or radio, or by telephone. It does not apply to oral solicitations for contributions. The nondeductibility disclosure label applies to a fundraising solicitation whether the organization labels the requested support as contributions, donations, gifts, membership dues or fees, voluntary assessments, support or any other term and whether or not the solicitation is for cash, property or even for volunteer services. The disclosure requirement applies even if the solicitation for a contribution is directed to the organization's existing members.

(c) The disclosure label or billing requires the following statement: "Contributions, (or donations) (or gifts) (or membership dues) to (name of organization) are not tax deductible as charitable contributions".

(d) The nondeductibility label must be set forth in a conspicuous and easily recognized format. Thus, for example, it would have to be on the face of any tickets, or in any newspaper ad, and in a form which cannot be obscured by placement, color, shading or other means. A nondeductibility statement cannot be "buried" in any part of the solicitation material where it would not ordinarily be read by the person being solicited.

(e) The labeling rule applies to every fundraising event so that fundraising dinners, fundraising rallies, fundraising football games, fundraising membership drives, etc. must all contain nondeductibility language, unless the entire net proceeds are going to be used for exclusively charitable purposes.

(f) This new disclosure requirement is enforced by a penalty provision which authorizes the Internal Revenue Service to assert a $1,000.00 a day penalty for each day on which a failure to disclose nondeductibility occurs. The maximum amount which can be imposed on an organization is $10,000. No penalty will apply with respect to any failure to label if the organization shows that the failure was due to reasonable cause. Ignorance of the law, according to Congress, is not reasonable cause for failure to label.

Updated MAY 2016 3-2
(g) The $10,000 limitation does not apply if the organization intentionally disregarded the disclosure label. If there is an intentional disregard of the new law, then the failure to comply, for the solicitation day involved, is a more severe penalty based on up to 50 percent of the aggregate cost of all fundraising solicitations that occurred on that day and did not contain the required disclosure statement.

(h) The penalty is imposed only on the organization. There is no personal liability on the fraternal organization’s managers or administrators.

2. DISCLOSURE OF EXEMPTION APPLICATION AND FORM 990

(a) Form 990 (Return of Organization Exempt from Income tax). An organization that normally has greater than $50,000 in gross receipts and that is required to file an exempt organization information form must either file Form 990, Return of Organization Exempt from Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. Small organizations - those whose annual gross receipts are normally less than the threshold - are not required to file an annual return, but may be required to file an annual electronic notice e-Postcard. These monetary thresholds change from time to time so advice must be sought by the organization’s tax counselor prior to filing an annual return. A copy of the form filed is to be sent to the Executive Vice President-Shriners International. The failure to file a timely or complete return with the IRS makes the organization liable for penalties.

However, all temple returns must be filed on IRS Form 990 regardless of whether they have less than or equal to $50,000 in gross receipts or not (see COMPLIANCE WITH INTERNAL REVENUE CODE herein.)

(b) Effective for returns filed for calendar year 2011, or for fiscal years ending January 31, 2012 or later, all fraternal organizations required to file Form 990 (i.e. receipts over $50,000) must make available for inspection, at their principal place of business, during regular business hours, a copy of each annual information return filed by the organization for a period of three years from the date it is required to be filed (including extensions). This means that if a fraternal organization files its Form 990 on a calendar year basis (and assuming no extension is granted by IRS) then, as of May 15, 2012, it must have a copy of the entire 2011 return available for inspection by any individual who asks to see it.

(c) If the fraternal organization regularly maintains one or more district or regional offices which have three or more employees, a copy of the annual information return must be made available at each such district or regional office as well as the principal office.

(d) The fraternal organization must make available a copy of any papers it submitted in connection with its original exemption application. This applies to any organization filing a new application (IRS Form 1024) after July 15, 1987 and to all organizations which in fact have copies of their original exemption application. If an organization filed its application before July 15, 1987, it is required to make available a copy of its application only if it had a copy of the application on July 15, 1987. Subordinate organizations that did not file their own application for exemption must acquire a copy of the documents that were submitted to the IRS from the parent organization and make them available to anyone requesting such.

(e) A fraternal organization which is under duty to comply with the requirements of the legislation on public inspection of its annual return, or of its exemption application which fails to comply with the rules, is liable for a $20 a day penalty for each day in which the failure
continues. The maximum penalty payable by the organization for failure to disclose its return or exemption application is $10,000 per year.

(f) If the Internal Revenue Service makes a written demand on the fraternal organization that it has failed to make available to the public its Form 990 or exemption application, the individual manager or managers responsible for the failure (IRS selects responsible person) is personally liable for the $20 a day penalty for each day in which failure to disclose continues. The maximum penalty is $10,000 on all persons for failure to comply with respect to any one return.

(g) No penalty is imposed with respect to a failure if it is shown that the failure is due to reasonable cause. Ignorance of the law is not reasonable cause.

(h) In addition, the Internal Revenue Service is authorized to assess a penalty of $5,000 on any person who willfully fails to disclose the information return or the exemption application.

(i) A person who willfully refuses to disclose the return or exemption application (or discloses false information) may also be prosecuted for his or her failure under Section 7207 as a misdemeanor (dealing with the prosecution of individuals for furnishing fraudulent information to the Internal Revenue Service).

3. GUIDANCE

§10701 of the Omnibus Budget Reconciliation Act of 1987 added new sections, §6113 and §6710 to the Internal Revenue Code, Section §6113 requires certain tax exempt organizations (such as our temples, units and clubs) that are ineligible to receive tax deductible charitable contributions to disclose in "an express statement (in a conspicuous and easily recognizable format)," the non-deductibility of contributions during fundraising solicitations. Section §6710 provides penalties for failure to comply with §6113.

(a) FORMAT OF DISCLOSURE STATEMENT-SAFE HARBOR. For purposes of §6113, a fundraising solicitation will be considered to include "an express statement (in a conspicuous and easily recognizable format) that contributions of gifts to such organizations are not deductible as charitable contributions for federal income tax purposes" if it satisfied the following requirements:

(1) PRINT MEDIUM. In the case of solicitation by mail, leaflet, or advertisement in a newspaper, magazine or other print medium, the following four requirements are met:

(i) The solicitation includes whichever of the following statements the organization deems appropriate: “Contributions or gifts to (name of organization) are not deductible as charitable contributions for federal income tax purposes,” “Contributions or gifts to (name of organization) are not tax deductible,” or “Contributions or gifts to (name of organization) are not tax deductible as charitable contributions,”

(ii) The statement is in a least the same size type as the primary message stated in the body of the letter, leaflet or ad;

(iii) The statement is included on the message side of any card or tear off section that they contributor returns with the contribution; and

(iv) The statement is either the first sentence in a paragraph or itself constitutes a paragraph.
(2) **TELEPHONE.** In the case of solicitation by telephone the following three requirements are met:

(i) The solicitation includes whichever of the following statements the organization deems appropriate: “Contributions or gifts to (name of organization) are not deductible as charitable contributions for federal income tax purposes,” “Contributions or gifts to (name of organization) are not tax deductible,” or “Contributions or gifts to (name of organization) are not tax deductible as charitable contributions,”

(ii) The statement is made in close proximity to the request for contributions, during the same telephone call, by the telephone solicitor, and;

(iii) Any written confirmation or billing sent to a person pledging to contribute during the telephone solicitation complies with the requirements under section (1) (Print Medium). Thus, for instance, any billing made to a contributor for advertising in a circus publication or for circus tickets must contain a statement on the invoice that:

> “Contributions to (name of organization) are not tax deductible as charitable contributions.”

(3) **TELEVISION.** In the case of a solicitation by television the following two requirements are met:

(i) The solicitation includes whichever of the following statements the organization deems appropriate: “Contributions or gifts to (name of organization) are not deductible as charitable contributions for federal income tax purposes,” “Contributions or gifts to (name of organization) are not tax deductible,” or “Contributions or gifts to (name of organization) are not tax deductible as charitable contributions”; and

(ii) If the statement is spoken, it is in close proximity to the request for contributions; if the statement appears on the television screen, it is in large easily readable type appearing on the screen for at least five seconds.

(4) **RADIO.** In the case of a solicitation by radio the following two requirements are met:

(i) The solicitation includes whichever of the following statements the organization deems appropriate: “Contributions or gifts to (name of organization) are not deductible as charitable contributions for federal income tax purposes,” “Contributions or gifts to (name of organization) are not tax deductible,” or “Contributions or gifts to (name of organization) are not tax deductible as charitable contributions”; and

(ii) If the statement is made in close proximity to the request for contributions during the same radio solicitation announcement.
COMPLIANCE WITH INTERNAL REVENUE CODE PER GENERAL ORDER NO. 1

Inasmuch as U. S. Temples are required annually to file 990 informational forms, one for the temple and its units, one which consolidates the financial activities of all its shrine clubs, and, if applicable, one for the temple holding corporation and shrine club holding corporations; inasmuch as some U. S. Temples and shrine clubs may be required to file a form 990-T if they have unrelated business income; and inasmuch as penalties may be assessed by the government against the person or persons in the temple or shrine club who may be responsible for failure to file a return.

Now, therefore, by virtue of the authority in me vested by §206.5(a)(4) of the bylaws of Shriners International IT IS HEREBY ORDERED:

1. FORM 990: By reason of the Treasury Department letter ruling dated October 12, 1973, which modified a group letter ruling to Shriners International (f/k/a Imperial Council, A.A.O.N.M.S.) dated April 29, 1971 (copies of which have been previously furnished to U.S. shrine temples), informational tax returns (990 forms) are required from each U.S. shrine temple.

   (a) The first 990 form required to be filed by each U. S. shrine temple covers the financial transactions of the temple and all of its units.

   (b) The second 990 form required to be filed by each U. S. shrine temple consolidates the financial transactions of the temple's shrine clubs (inasmuch as, for informational tax return purposes, each temple also constitutes a “central organization” for purposes of §6033 of the Internal Revenue Code). Each U. S. temple is to file this second 990 form as described in Treasury Regulation §1.6033-2(d), consolidating in columnar form the financial transactions of the temple's shrine clubs. **NOTE:** Only shrine clubs with gross receipts greater than $50,000 are required to have their financial information included on the group return. All clubs must be listed on an attachment to the group return.

2. FORM 990-T

   (a) By reason of the said Treasury Department group letter ruling dated April 29, 1971 to Shriners International (f/k/a Imperial Council, A.A.O.N.M.S.), if any U. S. Shrine temple or any of its units has the requisite amount of "unrelated business income" under §511 of the Internal Revenue Code, the temple must file a form 990-T.

   (b) Treasury Regulation §1.6012-2(e) requires that each shrine club, if it has the requisite amount of "unrelated business income" under §511 of the Internal Revenue Code, must file its own form 990-T. There is no provision under the U.S. tax laws which would permit a shrine temple to file a "group" Form 990-T for the "unrelated business income" of its shrine club(s).

3. ACCOUNTING RECORDS: All temples, units, shrine clubs, temple holding corporations, shrine club holding corporations, and appendant and affiliated corporations, shall maintain adequate and timely accounting records of all financial transactions.

4. TIMELY FILING: All temples, temple holding corporations, shrine club holding corporations and all appendant and affiliated corporations, which are required by law to file tax or informational returns, are to do so in a timely manner and with the advice and assistance of the temple attorney and the independent auditor who prepares the temple's tax and informational returns.
5. **DEDUCTIBLE CONTRIBUTIONS**: Each U.S. shrine temple shall keep and maintain a separate set of financial records and a separate bank account in the name of the temple for the receipt and disbursement of all contributions to the temple which qualify as deductible contributions under §170(c)(4), §2055(a)(3) or §2522(a)(3) of the Internal Revenue Code.

6. **SHRINE CLUB CHANGES**: Each U.S. shrine temple, as a "central organization," is required annually to report any changes of shrine clubs in its group to the Executive Vice President, Shriners International, P.O. Box 31356, Tampa, Florida 33631-3356.

7. **COPIES TO EXECUTIVE VICE PRESIDENT**: Copies of all returns and tax Form 8868, Application for Extension of Time to File, if applicable, referred to in paragraphs 1 and 2, and returns of all temple related organizations, shall be sent to the Executive Vice President, Shriners International, at the same time that they are filed with the Internal Revenue Service.

8. **TEMPLE ACTION**: The potentate and recorder of each U.S. temple shall immediately:

   a. Furnish the independent temple auditor and the temple attorney with a copy of General Order No. 1.

   b. Inform each of its shrine clubs that Treasury Regulation §1.6012-2(e) requires each shrine club, if it has the requisite amount of “unrelated business income” under section §511 of the Internal Revenue Code, to file its own Form 990-T.

9. **PUBLIC INSPECTION**: Temples must provide copies of the three most recent annual informational returns Form 990 for the Temple and Group, and the exemption application (only if it had a copy of the application on July 15, 1987) upon request, or within 30 days of any written request, without charge, other than a reasonable fee for reproduction and mailing costs.

    Pages provided include schedules, attachments and supporting documents, **except for the name and address of any contributor to the Shrine**. Public inspection of Form 990-T is required for all 990-T forms filed after August 17, 2006. Pages provided include schedules, attachments and supporting documents that relate to the imposition of tax on the unrelated business income. The penalty for failure to provide copies of informational returns is $20 per day, with a maximum penalty of $10,000 per return.

10. **RESPONSIBILITIES**: The potentate, treasurer and recorder of each U.S. Temple are charged with the duty and responsibility of personally determining that there is compliance with General Order No. 1.