

March 25, 2009

TO: CFC FEDERATIONS AND INDEPENDENT ORGANIZATIONS

**CC: LOCAL FEDERAL COORDINATING COMMITTEES AND PRINCIPAL
COMBINED FUND ORGANIZATIONS**

**FROM: MARK W. LAMBERT
DIRECTOR, OFFICE OF CFC OPERATIONS**

**SUBJECT: COMBINED FEDERAL CAMPAIGN SECTION 501(C)(3) TAX-EXEMPTION
VERIFICATION**

Organizations that participate in the Combined Federal Campaign (CFC) at the local, national or international level are required to document they have been granted section 501(c)(3) tax-exempt status by the Internal Revenue Service (IRS). In addition to receiving a copy of the determination letter or affirmation letter and any other information required to prove that an applicant is tax-exempt, the U.S. Office of Personnel Management (OPM) will verify that each organization continues to appear on the IRS Master File as an organization that is exempt under section 501(c)(3).

The only applicants not subject to these requirements are Family Support and Youth Activities, also known as Morale, Welfare, and Recreation organizations, as defined in the CFC regulations at 5 CFR 950.204(c).

Organizations must identify their tax status as one of three categories: a separately organized entity, part of a group exemption, or a bona-fide chapter or affiliate that operates under a parent organization's tax-exempt status. The requirements for each follow. Note that the audited financial statements requirements may not apply to some local applicants based on total revenues reported on the IRS Form 990. Please see the CFC application form for further information.

Separately Organized Entities

Organizations that apply to the CFC based on their individual IRS tax exemption are separately organized entities. These organizations have an IRS determination letter that shows the legal name of the applicant. The organization on the letter is not a chapter/affiliate or any other entity other than the applicant. Separately organized entities are required to have the following information with their CFC application:

- 1) IRS determination letter (Attachment 1) or affirmation letter (Attachment 2) issued to the applicant organization
- 2) IRS Form 990 for the applicant organization named on the IRS determination letter (pro forma IRS Form 990 is permissible for those not required to file the form)
- 3) Audited financial statements for the applicant organization (see local application for information on exemptions)

Separately organized entities that do not appear on the current IRS Master File will be denied participation *even if the IRS has previously issued a determination letter*. Further, prior admission into the CFC may be reversed if OPM is unable to verify the organization's current status. The CFC encourages organizations to verify their status prior to applying for participation. An organization can determine whether it has been recognized as tax-exempt by the IRS by checking the IRS Exempt Organizations Master Listing, a database of organizations recognized as tax-exempt listed by state. The online database is available at www.irs.gov/taxstats/charitablestats/article/0,,id=97186,00.html.

Only if an organization is unable to determine its tax-exempt status should it contact the IRS. If the organization has been removed from the IRS Master File, it must provide an affirmation letter issued by the IRS prior to the completion of the annual CFC eligibility review process that officially ends on the last business day of July. The IRS letter must be dated on or after January 1 of the year in which the organization is applying for CFC participation. The IRS Tax-Exempt Division can be contacted at (877) 829-5500.

Group Exemptions

The IRS sometimes recognizes a group of organizations as tax-exempt if they are affiliated with a central or parent organization that has been issued a group exemption letter by the IRS. The group exemption letter has the same effect as an individual exemption letter except that it applies to more than one organization. For CFC purposes, the central organization is considered the "parent" and the affiliated organizations are "subordinates". Central organizations are required to submit their own IRS determination letters, IRS Forms 990 and audited financial statements. Subordinate organizations covered by a group ruling are required to submit the following with their CFC application:

- 1) IRS determination letter issued to the central organization specifying that it holds a group exemption (Attachment 3), as well as the list of subordinates covered by the group exemption (Attachment 4). The physical address of each subordinate is required. If a subordinate does not have the information, the central organization should be contacted to obtain it.

If the subordinate's EIN is different from the EIN shown on the list of subordinates that is provided, the organization must contact the central organization in order to determine whether the problem can be resolved. A letter from the central organization should be provided confirming the EIN on the subordinate's CFC application is correct and that the discrepancy has been corrected, as well as affirming the subordinate does come under the group exemption. If the problem cannot be corrected by the central organization, then documentation from the IRS must be provided showing the correct EIN. The IRS Business and Specialty Tax Line at 1-800-829-4933 should be contacted in order to obtain verification of the correct EIN.

Note: For central organizations that are churches, the CFC will accept a copy of its most recently published listing (such as a church directory) of section 501(c)(3) organizations that are included in the group exemption held by the central organization (Attachment 5). The subordinate's listing must be circled to indicate the appropriate listing for CFC purposes. A subordinate may alternatively obtain a letter from the central organization affirming the

subordinate's status as an organization exempt under section 501(c)(3) of the Internal Revenue Code that is included in the group exemption held by the central organization.

A religious organization that is not part of a group exemption must provide an IRS determination letter for the applicant organization in order to participate in the CFC. See the "Separately Organized Entities" section for more information.

- 2) If the subordinate is required to file IRS Form 990, this document must be included with the CFC application. If the central organization files IRS Form 990 on behalf of it and its subordinates, the subordinate is required to submit a pro forma IRS Form 990 for CFC purposes only.
- 3) If the subordinate has its own audited financial statements, it must provide a copy with its application. If it does not, it must submit the central organization's audited financial statements, along with a certification from the CEO or CEO-equivalent of the central organization stating the subordinate is included in the central organization's audited financial statements. This letter must be signed and dated on or after October 1 of the year preceding the application year.

Chapters and Affiliates

Some organizations may have a structure that includes local and/or regional chapters or affiliates. In these cases, the chapters and affiliates are part of the financial and governance structure of the organization. However, the chapters or affiliates do not have their own section 501(c)(3) exemption, they do not file IRS Forms 990, and they do not prepare individual audited financial statements. The local and/or regional chapters must submit the following with their CFC application:

- 1) IRS determination letter for the parent organization (Attachment 1), as well as a letter from the CEO or CEO-equivalent that verifies the names and locations of the organization's current chapters and affiliates (Attachment 6); the letter must include the physical address of each entity and be signed and dated on or after October 1 of the year preceding the application year
- 2) A pro forma IRS Form 990 that details information specific to the local chapter
- 3) The parent organization's audited financial statements along with a certification from the CEO or CEO-equivalent of the parent organization stating that the subordinate is included in the parent's audited financial statements; this letter must be signed and dated on or after October 1 of the calendar year preceding the application year

Federation Requirements

Federations are required to independently meet all of the eligibility criteria outlined in the CFC regulations set forth at 5 CFR §950.301 or 5 CFR §950.303. This includes being separately incorporated, recognized as a 501(c)(3) entity by the IRS, and preparation of audited financial statements and IRS Forms 990 specifically for the applicant federation. Federations may not use parent organizations' materials in lieu of their own.

Attachments:

Attachment 1: Sample IRS Determination Letter

Attachment 2: Sample IRS Affirmation Letter

Attachment 3: Sample Group Exemption Letter

Attachment 4: Sample Group Exemption Subordinate List

Attachment 5: Sample Group Exemption – Church Directory

Attachment 6: Sample Bona-Fide Chapter and Affiliate Verification

If you would like to receive a copy of the PDF attachments or have any questions, please send an email to cfc@opm.gov.