

**HEADQUARTERS**

Little League Baseball, Incorporated (Little League International) has been declared exempt from taxation by notification from the Deputy Commissioner of the Internal Revenue Service.

**LOCAL LITTLE LEAGUES**

The following are some general guides of the taxability of local league income and the deductibility of contributions given to them. While Little League Baseball, Incorporated, has been qualified as an exempt organization, therefore, its income is exempt and contributions to it may be deducted, such exemption does NOT cover any of the chartered leagues. Each chartered league must separately qualify for its own tax-exempt status, either directly on their own through the I.R.S., or by applying to be included under Little League Baseball and Softball's federal group exemption number. Either option is available to the league, but it is recommended that the group tax exemption through Little League Baseball, Incorporated, be used as it brings additional benefits of efficiency at no cost to the local Little League.

Exemption may be had under Section 501(c)(3) of the IRS tax code which exempts from taxation "corporations . . . organized and operated exclusively for . . . education purposes . . . no part of the net earnings of which inures to the benefit of any private shareholder or individual . . . no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation, and which does not participate in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office."

While neither the statute nor the regulations precisely define what is meant by a "corporation . . . organized and operated exclusively for . . . education purposes . . .", the regulations, Section 501(c)(3), define "educational" as "instruction or training of the individual for the purpose of improving or developing his capabilities."

The following instructions refer to those leagues that choose to become included under our group number. In order for a local chartered Little League program in good standing to qualify under Little League Baseball's federal group tax exemption, the following procedural requirements as specified by the Internal Revenue Service must be made:

1. A local league must be affiliated by charter with Little League Baseball, Incorporated, and subject to its general supervision.
2. The league must submit an annual financial statement showing income and expenses to Little League Baseball, Incorporated, as referenced to in the League Resource Guide under "Fiscal Year End/Audits."
3. Provide to Little League Baseball Headquarters in Williamsport, PA, their League I.D. Number as well as the league's federal Employer Identification Number (E.I.N.) issued to them by the Internal Revenue Service. If the league does not have an E.I.N., it can apply for one through the I.R.S. using an SS-4 Form available from the I.R.S. or on their website: IRS.gov.

4. Little League federal group tax exemption for a chartered league is not automatic. It must be applied for by submitting a Letter of Intent completed by the league president. Once the Letter of Intent is received and processed by Little League Headquarters, the league is added to our database and a confirmation letter along with a Letter of Determination from the I.R.S. is provided to the local league. These two documents must be kept together and presented upon request to any donors, sponsors, or other entities in regard to charitable contributions.

Leagues included under our group exemption number are responsible for their own tax filings with the I.R.S. Leagues must file Form 990 EZ with Schedule A if gross receipts are in excess of \$50,000 but less than \$200,000. If gross receipts are in excess of \$200,000, a Form 990 with Schedule A must be filed with the Internal Revenue Service. Leagues that normally have annual gross receipts of \$50,000 or less and do not choose to file Form 990 or 990EZ, must file the e-Postcard Form (Form 990-N) to retain tax exempt status. Leagues using the fiscal year end of September 30 must file the appropriate IRS form by February 15 each year otherwise the IRS filing deadline would be the 15<sup>th</sup> day of the 5<sup>th</sup> month after close of books. The law imposes a penalty of \$20.00 a day, up to a maximum of \$10,000.00, when a return is filed late unless there is a reasonable cause for delay. Gross receipts include contributions, gifts, and grants from the public directly, sponsor fees, registration fees, membership dues and assessments, fund raising and other income. Each Little League is required to include their League I.D. Number, Employer Identification Number and current name and address of the league president on each tax return. Failure to file the appropriate 990 Form with the IRS for three consecutive years will result in the IRS automatically revoking the federal tax-exempt status associated with the league's federal E.I.N.

Each Little League is considered a separate entity and, therefore, the IRS assigns a separate Employer Identification Number (E.I.N.) for each league (even though some leagues elect officers under multiple management to cover more than one league). Each Little League is required to file a separate tax return. If there are any changes to the assigned Employer Identification Number (E.I.N.) for your league, a written notification must be submitted to Little League Baseball International to update the database to comply with IRS regulations.

## **CHARITABLE CONTRIBUTIONS/SUBSTANTIATION DISCLOSURE REQUIREMENTS**

Please note: The law requires charities to furnish disclosure statements to donors for such quid pro quo donations in excess of \$75.00.

A quid pro quo contribution is a payment made partly as a contribution and partly for goods or services provided to the donor by the charity. An example of a quid pro quo contribution is when the donor gives a charity \$100.00 in consideration for a concert ticket valued at \$40.00. In this example, \$60.00 would be deductible because the donor's payment (quid pro quo contribution) exceeds \$75.00. The disclosure statement must be furnished even though the deductible amount does not exceed \$75.00.

The responsibility for obtaining this substantiation lies with the donor, who must request it from the charity. Charities and donors should be prepared to provide/obtain the described substantiation for contributions of \$250.00 or more.

Little League Baseball Headquarters recommends that all donations received by local leagues under the Internal Revenue Service 501(c)(3) code be given a receipt in the amount of the contribution.

In the instance of donation other than by cash or check, i.e., a popcorn machine for the concession stand, the donor should include an estimate. The league in providing an acknowledgment and/or receipts should state donor's estimate and the amount.

If you have any questions or comments concerning your league tax exempt status, please contact us.

**LETTER OF INTENT**

League Employer Identification Number: \_\_\_\_\_  
(Assigned by Internal Revenue Service)

(Please type or print)

League President: \_\_\_\_\_

League Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Our league would like to be included under the group exemption application to be filed by Little League Baseball, Incorporated, on behalf of chartered local leagues.

It is the intent of our league to comply with the guidelines established by Internal Revenue Service regarding eligibility for inclusion under the group exemption determination. In addition, we will comply in all respects with information requests received from Little League Baseball, Incorporated, to meet the eligibility requirements.

Signed: \_\_\_\_\_  
President

\_\_\_\_\_  
Date

\_\_\_\_\_  
League I.D. (Charter) #

## **IMPORTANT NOTICE LOCAL LEAGUE FEDERAL TAX EXEMPTION STATUS**

The ease and simplicity of becoming recognized as a 501(c) (3) tax exempt charitable organization under Little League Baseball, Incorporated's (Little League) Group Exemption Number (GEN) is one of the many benefits of being associated with the Little League program. However, certain responsibilities come with this benefit. It is important that all Little League programs understand and comply with the associated Internal Revenue Service (IRS) regulations that apply in this instance.

Even though the local league is recognized under Little League's GEN, the local league must file its own federal tax return with the IRS. Leagues recognized under the Little League GEN must file by the 15th day of the 5th month after the organization's accounting period ends (i.e., February 15<sup>th</sup> if using an October 1 – September 30 fiscal year). Please note the IRS can impose a penalty of \$20 per day, up to a maximum of \$10,000 when a return is filed late unless there is a reasonable cause for delay.

The league's annual gross receipts would determine which IRS Form 990 must be filed. The guidelines are as follows:

- Leagues with gross receipts less than \$50,000 must file an e-Postcard (Form 990-N) to retain tax exempt status. [http://www.irs.gov/Charities-&-Non-Profits/Annual-Electronic-Filing-Requirement-for-Small-Exempt-Organizations-Form-990-N-\(e-Postcard\)](http://www.irs.gov/Charities-&-Non-Profits/Annual-Electronic-Filing-Requirement-for-Small-Exempt-Organizations-Form-990-N-(e-Postcard))
- For leagues with gross receipts in excess of \$50,000 but less than \$200,000, IRS Form 990-EZ with Schedule A should be filed with the IRS. <http://www.irs.gov/pub/irs-pdf/f990ez.pdf>
- For Little Leagues with gross receipts in excess of \$200,000, Form 990 with Schedule A should be filed. <http://www.irs.gov/pub/irs-pdf/f990.pdf>

**IRS guidelines state any non-profit organization that does not file the appropriate 990 Form for three consecutive years automatically loses its federal tax exemption**

resulting in the organization's income becoming taxable and contributors being unable to report their contributions as tax deductions. More information about the automatic IRS revocation/reinstatement issue can be found on their website at

<https://www.irs.gov/charities-non-profits/automatic-revocation-of-exemption>. If a local league finds itself in this unfortunate situation, the league will need to work with the IRS to have its federal tax-exempt status reinstated, retroactively if possible. Once that is accomplished, a local league can again elect to be recognized under Little League's GEN by submitting a new Letter of Intent

[http://www.littleleague.org/Assets/forms\\_pubs/TaxExemptBulletin.pdf](http://www.littleleague.org/Assets/forms_pubs/TaxExemptBulletin.pdf) to Little League along with either a league or IRS letter explaining how the revocation issue was resolved.

**The best course of action would be to follow IRS regulations to prevent a revocation from occurring.**

Reinstatement can be costly and time consuming and creates negative tax consequences for both the league and its donors. Please be sure to share this important information with new and returning league volunteers to protect the future of the tax-exempt status for your local league.