



Frequently Asked Chapter Administrative, Financial & Tax Questions

(updated 7/24/06)

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Exhibit A – Summary report listing chapter information based on information at SCI headquarters.

Exhibit B – Form SS-4 packet for obtaining an Employer Identification Number (EIN), with forms and instructions.

Exhibit C – SCI's IRS Determination Letter acknowledging 501(c)(4) tax-exempt status of the subordinate organizations (chapters) under SCI's 501(c)(4) group exemption.

Exhibit D – IRS Form 990, Form 990-EZ, and Form 990-T and instructions.

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Many chapter officers and board members have limited experience operating and administering non-profit, tax-exempt organizations. The following is a series of questions, topics, and issues that are raised most frequently by chapters. Included are explanations to provide chapter administrators with guidance on operating the chapter and ensuring that the chapter remains in compliance with the federal regulations that govern tax-exempt organizations in the U.S.

1. What does non-profit, tax-exempt status mean?

If an organization, business, or corporation is formed for the sole purpose of providing some benefit or service to the general public, a profession, an industry or trade, a special interest group, etc., the IRS may allow that organization to operate exempt from federal corporate **income** taxes. With federal corporate income tax rates ranging up to approximately 40%, tax-exempt status is a significant financial benefit to the chapter.

This financial and tax benefit does not come without **limitations and restrictions**. The chapter, as a tax-exempt organization, must operate within the scope of the exempt purpose for which the IRS granted tax-exempt status. SCI is exempt from income tax as a social welfare organization under Section 501(c)(4) of the Internal Revenue Code. Most SCI chapters in the U.S. are Section 501(c)(4) organizations and derive their exemptions through a group exemption held by SCI.

The exempt purpose for SCI as well as the chapters operating under SCI's 501(c)(4) group exemption, is defined as: "**To protect the freedom to hunt and promote wildlife conservation worldwide**". This means that SCI and the 501(c)(4) chapters must spend their funds on programs, projects, and activities in furtherance of this exempt purpose.

For example, a chapter can grant their tax-exempt funds to another like organization as long as the chapter's funds will be used for purposes consistent with the chapter's exempt purpose. On the other hand, a chapter cannot spend its tax-exempt funds on activities outside the scope of its exempt purpose, such as conducting commercial hunting operations, buying hunting leases for its members to hunt on, funding legislative lobbying efforts on legislation that is unrelated to the chapter's exempt purpose, etc. Operating outside the scope of its exempt purpose will result in adverse tax consequences and may lead to the **revocation of tax-exempt status**.

2. What is an Employer Identification Number (EIN) and How Does a Chapter Obtain One?

Each chapter is a separate business entity, and must obtain a separate tax identification number from the IRS to conduct chapter business. The IRS refers to this tax number as the Employer Identification Number (EIN). Similar to an individual's social security number, the chapter's EIN does not change, it remains the chapter's corporate identifier for as long as the chapter exists. **Exhibit A** in the rear of this section represents a summary report based on chapter information derived from records in SCI headquarters' and is organized by region. In addition to listing chapter EINs, the report includes the chapter's charter date, tax-exempt status (as a 501(c)(4) or a 501(c)(3)), IRS Forms 990 submitted, and other information. This report is a living document as it is updated with information from chapters on an ongoing basis.

A new chapter obtains an EIN by completing a one-page IRS **Form SS-4**. **Exhibit B** contains a Form SS-4 packet that includes (i) a "mocked up" Form SS-4 to use as a sample for completion of the blank form and (ii) a blank form with certain critical information already completed and the

SS-4 instructions. When the form is completed and signed, the application can be delivered to the IRS by telephone, fax, or mail. Follow the instructions for the delivery method you choose.

Once the chapter receives its EIN from the IRS, **please forward the EIN information to SCI headquarters, attention Chapter Services Department.**

3. How Does a New Chapter Obtain Tax-Exempt Status?

SCI's 501(c)(4) group exemption provides a very simple process for SCI chapters to be authorized by the IRS to operate as Section 501(c)(4) social welfare organizations. After the chapter is formed, it will file for its EIN (see FAQ #2) and on the IRS Form SS-4 discussed above, line 8a requests that you to "enter GEN if applicable". Enter the four-digit number "**2663**" (as is entered on the attached sample form and blank form in **Exhibit B**). By completing this information, the IRS will automatically assign the chapter 501(c)(4) tax-exempt social welfare organization status and include the chapter under SCI's group exemption.

The high majority of SCI's chapters operate under the 501(c)(4) group exemption as social welfare organizations. However, some chapters have elected to apply separately for exemption as under Section 501(c)(3) and to operate as a tax-exempt charitable organization and subject themselves to additional restrictions and scrutiny.

4. What is the difference between 501(c)(3) tax-exempt charitable status and 501(c)(4) tax-exempt social welfare status?

Since both are tax-exempt, both enjoy the exemption from federal corporate income taxes. The primary difference is that 501(c)(3) status allows the charitable organization to provide income tax deduction benefits to donors making charitable contributions. The income tax deduction benefits are "fundraising tools" that the IRS provides based on the charitable activities and exempt purpose of the charitable organization. **Note that 501(c)(4) social welfare organizations are not charitable organizations and cannot provide tax-deduction benefits to donors.**

However, there are significant restrictions, limitations and prohibitions that 501(c)(3) charitable organizations are subject to which 501(c)(4) social welfare organizations are not.

- Charitable organizations are **restricted in the amount of legislative lobbying** they can engage in. Legislative lobbying involves supporting or opposing specific legislation. Exceeding lobbying expenditure limits will result in a 25% excise tax and potential revocation of charitable status. If exempt status is revoked, the organization cannot operate as a tax-exempt organization but must operate as a for-profit taxable company subject to corporate income taxes.
- Charitable organizations are **absolutely prohibited from engaging in any partisan political campaign activity**. Political campaign activity is engaging in activities that support or oppose a candidate for political office or engaging in activities with a political action committee (PAC) that financially support political candidates. Violation of this prohibition will result in revocation of tax-exempt status and subject the organization to operate as a for-profit taxable company paying corporate income taxes.
- Charitable organizations are under greater IRS scrutiny and reporting responsibilities requiring more sophisticated technical accounting and reporting expertise. Some 501(c)(3)

charitable chapters have to contract for accounting services outside the chapter which may impose an undue financial burden on the chapter.

5. How would my Chapter know if it is a 501(c)(4) social welfare organization or a 501(c)(3) charitable organization?

Only a few chapters are 501(c)(3) charitable organizations. As discussed previously, **Exhibit A** represents a summary report based on chapter operating and reporting information. This report lists the tax-exempt status of each domestic chapter based on information received from chapters and based on IRS group exemption reports. Chapters listed as 501(c)(4) social welfare organizations operate under SCI's 501(c)(4) group exemption. For purposes of tax-exempt status, all other chapters operate outside the 501(c)(4) group exemption and have separate 501(c)(3) charitable status "Determination Letters" from the IRS.

If a 501(c)(4) chapter needs to provide written proof of their tax-exempt status, **Exhibit C** is a copy of the IRS Determination letter acknowledging 501(c)(4) tax-exempt status of the subordinate organizations (chapters) under the group exemption. Further written proof would also be accomplished by providing a copy of the chapter's Form 990 filed annually with the IRS which also documents the chapter's tax-exempt status.

6. Can 501(c)(4) tax-exempt social welfare chapters engage in legislative lobbying and political activity? If so, what are the limits?

Yes, 501(c)(4) social welfare organizations can engage in legislative lobbying and political campaign activities. There is no limit on the amount of **legislative lobbying** expenditures a 501(c)(4) organization can incur on an annual basis. **Political campaign** expenditures are allowable but can be subject to taxation at the highest corporate income tax rates and subject to substantial part test restrictions.

To avoid the income tax liability and restrictions, 501(c)(4) organizations typically form political action committees (PACs) connected to the 501(c)(4) organization to conduct political campaign activities on behalf of the 501(c)(4) organization. PACs are Section 527 organizations and are governed by both IRS and FEC operating and reporting regulations with some unique complexities.

7. What is SCI-PAC ("Safari Club International-Political Action Committee")?

SCIPAC is a federal PAC that was formed for the purpose of raising money to financially support federal politicians and candidates for federal office that are supportive of SCI member and SCI chapter values, sportsman issues, and are passionate about protecting the freedom to hunt.

SCI-PAC is a connected-PAC to SCI which means that:

- SCI can pay for all of SCI-PAC administrative and fundraising costs on behalf of SCI-PAC, subject to the 1/3 rule, to maximize the net funds raised for SCI-PAC;
- SCI can have auction items or raffle items to benefit SCIPAC at its annual convention and may even conduct events where the entire fundraiser is for the benefit of SCI-PAC;
- SCI can accept donations to SCI-PAC as part of a SCI membership renewal campaign;

- SCI can be the “collection agent” for SCI-PAC as long as the contributions to SCI-PAC are remitted to SCI-PAC on a timely basis (within 30 days if an individual donation is \$50 or less; 10 days if more than \$50);
- **SCI-PAC can only accept donations or payments from current SCI members.**

8. Can SCI Chapters in the U.S. Conduct Fundraisers for the benefit of SCI-PAC?

Yes, as long as the SCI chapter operates under the 501(c)(4) group exemption.

The SCI chapters operating under the 501(c)(4) group exemption can act as agents of SCI with respect to SCI-PAC. Therefore, these SCI chapters can:

- Pay for all of SCI-PAC administrative and fundraising costs on behalf of SCI-PAC, subject to the 1/3 rule, to maximize the net funds raised for SCI-PAC;
- Have auction items or raffle items to benefit SCI-PAC at its annual convention and may even conduct events where the entire fundraiser is for the benefit of SCI-PAC;
- Accept donations to SCI-PAC as part of a SCI membership renewal campaign;
- Be the “collection agent” for SCI-PAC as long as the contributions to SCI-PAC are remitted to SCI-PAC on a timely basis (within 30 days if an individual donation is \$50 or less; 10 days if more than \$50);
- **Only accept donations or payments from current SCI members for SCI-PAC.**

If your chapter conducts fundraising for the benefit of SCI-PAC, it is critical that you contact your Field Coordinator, Regional Representative, or Chapter Services staff to communicate and coordinate the fundraising activities!

9. Should my chapter apply for separate 501(c)(3) charitable status?

Charitable status is only an appropriate operating option for a chapter that: (1) can maintain a higher level of technical accounting expertise, (2) can gain an ongoing knowledge of charitable status compliance issues, and (3) has potential for significant monetary donations and gifts other than donations for auctions and raffles. However, do not rush into this process without considerable research and long range planning by the chapter’s board looking at least 5 years into the future.

Your chapter might consider applying for 501(c)(3) charitable status if the chapter can answer “yes” to all of the following questions:

- Can the chapter raise a significant amount of **new** contributions such as large cash gifts, donations of land and real property, planned gifts such as charitable remainder trusts, wills, estates, etc. outside its traditional goods & services donations for banquet auctions and raffles?
- Does the chapter’s board know the legislative lobbying limits imposed by the IRS on charitable organizations and it is comfortable that the chapter will not exceed those limits during the next 3 years, 5 years, 10 years, etc.?
- Is the chapter’s board knowledgeable about the prohibition on political activities including activities with political action committees (PAC’s) and the risk of revocation of tax-exempt status for engaging in such activities?

- Is the chapter prepared for a higher level of IRS reporting in addition to increased IRS and public scrutiny?
- Will the charitable status raise enough **new** funding to pay for the increased administrative and financial burden of managing and protecting the 501(c)(3) charitable status?

10. My chapter is a tax-exempt organization. Is it also exempt from all state taxes too?

Not necessarily. Remember that the tax-exempt status is only an exemption from federal corporate income taxes. Each state develops and enforces its own state tax laws and your chapter needs to contact your state department of revenue or taxation to identify any state taxes your chapter is subject to such as income taxes, sales taxes, use taxes, etc.

11. Does my chapter have to file any reports annually with the IRS?

If your chapter **normally** generates **more than \$25,000 of gross receipts/revenues** in a tax year, your chapter must file a **Form 990, Information Return** with the IRS by the 15th day of the 5th month after the chapter's fiscal year-end/tax year-end. Extensions of three (3) months and up to six (6) months are available. **Form 990-EZ** may be used by chapters with gross receipts less than \$100,000 and total assets less than \$250,000 at year-end.

This reporting requirement applies to every chapter doing business in the U.S., whether a 501(c)(3) or a 501(c)(4) tax-exempt organization. Further Form 990 questions can be answered by reviewing the General Instructions and Specific Instructions for Form 990 or by consulting a tax professional.

If your chapter is a 501(c)(4) social welfare organization operating under SCI's 501(c)(4) group exemption: please check the **"Yes" box in line H(d) of Form 990** and enter the group exemption number (GEN) **2663** on **line I** where it states "Group Exemption Number". If Form 990-EZ is used, enter the group exemption number (GEN) **2663** on **line F** where it states "Group Exemption Number".

If your chapter receives a Form 990 or Form 990-EZ packet from the IRS and your chapter does not normally generate more than \$25,000 of gross receipts in a tax year, the Form 990 or Form 990-EZ must still be filed with the IRS. Only **lines A through J** need to be completed **and the box in line K needs to be checked** as a certification that the chapter's gross receipts are not normally more than \$25,000.

Exhibit D in the rear of this section contains Form 990 and Form 990-EZ blank forms and instructions for your use or you can access the forms and instructions at the IRS website at www.irs.gov. Many chapters hire a CPA or tax consultant experienced with tax-exempt organization filings to complete the form due to its complexities and to maintain reporting continuity as chapter officers and administrators change frequently.

12. Is there any type of chapter income that is subject to income taxation?

Yes! Income may need to be classified as "Unrelated Business Income" (UBI) and is subject to federal income taxation if **all** the following are true:

- The income is from engaging in “a trade or business” where income is derived from the sale of goods or performance of services with a profit motive equivalent to for-profit companies engaging in the same trade or business;
- The sales activities are “regularly carried on” (i.e., regularly means the sales activity’s frequency, continuity, and manner of conduct are equivalent to for-profit commercial enterprises engaging in the same trade or business); and
- Sales activities are “not substantially related to its exempt purpose” (the fact that the “net” proceeds are used for exempt purposes is irrelevant).

Advertising sales are the most common UBI in tax-exempt organizations because:

- They are competing against other commercial enterprises in the advertising sales business for that advertising sales dollar and are typically doing so as a means to make a profit;
- The frequency of the publications that the advertising sales are sold for are typically monthly, bi-monthly, or quarterly publications and therefore, the advertising sales activities are conducted year-round.
- Unless the organization’s exempt purpose is related to the advertising trade or industry, the advertising sales activities are unrelated to the organization’s exempt purpose.

The common disqualifier for income from sales of goods or performance of services to not be classified as UBI is that the sales activities are infrequent and are not regularly carried on throughout the year. For example, a chapter may sell ads in the annual banquet program or any other chapter publication that requires only periodic or infrequent sales efforts and, therefore, is not equivalent to the ongoing sales activities of commercial enterprises engaging in the same advertising sales business.

If a chapter generates UBI of \$1,000 or more during a tax year, this income must be reported by filing an IRS Form 990-T. The amount of unrelated business taxable income (UBTI) subject to income taxation is the gross UBI less any direct and indirect costs that can be reasonably attributed to the production of the income. Even if the direct and indirect costs exceed the gross UBI resulting in zero or negative UBTI (net operating loss-NOL) and results in no income tax liability, the Form 990-T must still be completed and filed with the IRS. The NOL can be carried forward to offset UBTI in future years.

Exhibit D in the rear of this section contains a Form 990-T blank form and instructions for your use. Many chapters hire a CPA or tax consultant experienced with tax-exempt organization filings to complete the form due to its complexities and to maintain reporting continuity as chapter officers and administrators change frequently.

13. Is it a problem if my chapter accumulates large amounts of reserves?

Reserves represent the monies or “liquid assets” the chapter has accumulated in banks and investment firms such as checking accounts, savings accounts, money market accounts, marketable securities, etc. Because tax-exempt organizations and their revenue streams are very susceptible to economic cycles, accumulated reserves are an important financial safety net for the organization. Reserves are used to continue funding program spending during periods of declining revenues OR to fund a large project that requires funding in the future. The tax-exempt organization industry’s reserve percentage averages around 40% of the organization’s annual revenues. Chapter’s can use this industry average as an initial benchmark.

This is a rather subjective area in which the IRS would consider all the facts, circumstances, and plans of the chapter to determine if accumulated reserves are excessive. Because the IRS granted tax-exempt status for the organization to use its tax-exempt dollars in furtherance of its exempt purpose, the IRS may question accumulated reserves that equal 200% or 300% of the organization's annual revenues. If the chapter has large accumulated reserves, the chapter should have a documented purpose justifying the large reserve's accumulation.

14. Does my chapter have to make any chapter financial information or records available for public inspection?

Yes! As a tax-exempt organization, certain chapter records must be available for public inspection. All tax-exempt organizations operating under IRC Section 501(c) must provide copies of the following to any individual making a request in writing or in person:

- **Proof of tax-exempt status via a copy of the Determination Letter from the IRS or a copy of Form 1023 or Form 1024, Application for Recognition of Exemption.** A copy of the 501(c)(4) group exemption Determination Letter is contained in **Exhibit C** for use by 501(c)(4) chapters operating under SCI's 501(c)(4) group exemption. All other chapters will have been issued a Determination Letter directly from the IRS;
- **The three (3) most recently filed Forms 990 or 990-EZ, BUT NOT Forms 990-T.**

The chapter must make these documents available on a timely basis for public inspection at their principal office or provide copies of these documents to anyone that requests the documents. If a request is made in writing, copies of the requested documents must be provided within 30 days; and if the request is made in person, the documents must be provided the same day. Penalties will be imposed by the IRS for failure to comply with these disclosure requirements.

A chapter is not required to comply with the request for copies if the chapter has made the requested documents "widely available" such as posting an exact replica of the documents on its website in a format that can be easily read and downloaded without payment of a fee and without requiring special computer hardware or software.

The chapter is not required to disclose the contents of Form 990-T or any parts of Form 990 that identify names and addresses of contributors.

15. What are my chapter's operating and reporting responsibilities to SCI?

See the "Chapter Rules and Guidelines" section of the Chapter Field Manual for detailed information on operating guidelines and compliance requirements.

16. Does my chapter have any liability insurance coverage as a chartered chapter?

Yes! One of the benefits of being a SCI chapter is that chapters are named insured's under the primary liability insurance policies paid by SCI. Following is a list and description of the chapter insurance protection:

- General Liability:
General liability insurance provides protection for chapter assets in the event that the chapter causes bodily injury and/or property damage to someone's person or property.

For example, if during an official chapter event such as a banquet, shooting event, etc., an individual is injured or someone's property is damaged or destroyed, the general liability insurance policy protects the chapter from the financial loss associated with making the person or the person's property whole again. However, if a loss claim occurs as a result of malicious intent or gross negligence by the chapter or any individual acting on behalf of the chapter in an official capacity, the insurance policy does not cover the loss.

The policy's annual liability limits are \$1 million per occurrence and \$2 million in aggregate.

"Host Liability" (serving alcohol) as part of General Liability Policy:

Historically, the general liability policy contained a "**Liquor Liability**" and "**Host Liability**" endorsement with the \$1 million/\$2 million liability limits covering all exposures to manufacturing, distributing, and selling/serving alcohol as a business (**Liquor Liability**) in addition to hosting an event where alcohol is served (**Host Liability**). Unfortunately, the insurance underwriter considers the risk to be too great insuring all U.S. chapters and since SCI and the chapters are not "in the business of manufacturing, distributing, or selling/serving alcohol", they did not include the "**Liquor Liability**" endorsement when the policy was renewed in June.

However, the general liability policy continues to include "**Host Liability**" coverage up to the \$1 million/\$2 million liability limits of the policy. The Host Liability covers the chapter for damages up to the policy limits as an event host where alcohol is being served even if the chapter purchases the alcohol and sells/serves the alcohol themselves.

If the chapter hires a caterer for the food & beverage service including serving of alcohol free-of-charge or for a fee, the chapter should request a certificate of insurance from the caterer ensuring the caterer has Liquor Liability coverage and request that the chapter be added as an additional insured on the Liquor Liability coverage for the duration of the event.

If your chapter will not be using a caterer or the caterer won't add the chapter as an additional insured on the caterer's Liquor Liability policy or the event facility requires you to carry Liquor Liability coverage in addition to the Host Liability coverage you already enjoy, you can contact Ms. Roz Haviland at Lechner & Stauffer, Inc. at (215) 679-9568 for a Liquor Liability application and a cost quote.

- Excess Liability (umbrella):
The Excess Liability or umbrella policy is secondary coverage and follows the coverage form of the general liability policy above. The umbrella policy kicks in if a loss claim(s) exceeds the liability limits of the general liability policy.

There are two (2) umbrella policies each containing annual liability limits of \$10 million each, per occurrence and in aggregate. Therefore, SCI and chapters have a total of \$20 million of umbrella coverage for any catastrophic claim(s) that exceeds the general liability limits.

- Automobile Property and Liability:
Chapters can add any chapter owned vehicles or trailers to the auto policy to protect the value of the asset. The auto policy is not a blanket policy and therefore, it requires a schedule of vehicles to be covered. If a chapter wants to add a vehicle or trailer, we need the year, make, model, VIN, trailer dimensions/size, replacement cost, etc. in order to add to the auto policy. Since the auto policy insurance premiums are a function of the number,

type, and value of vehicles or trailers included under the policy, the chapter will be invoiced for the additional premium resulting from adding the vehicle or trailer.

The deductibles for collision and comprehensive are \$500 and \$250, respectively, with the total coverage limited to the replacement value of the individual vehicle or trailer.

The annual liability limits for bodily injury or property damage to someone's person or property is a combined single limit of \$1 million. The annual liability limit for uninsured/underinsured motorists is a single limit of \$1 million and applies only to SCI and Chapter owned vehicles.

The auto policy also contains a borrowed/non-owned vehicle endorsement for liability only. If a borrowed/non-owned vehicle causes bodily injury or property damage to someone's person or property, the owner/operator's personal auto policy is the first line of liability coverage. If a loss claim exceeds the owner/operator's personal auto policy liability limits, the excess loss is covered by the \$1 million combined single limit coverage in the general terms of the SCI auto policy.

There is no provision that covers physical damage to borrowed/non-owned vehicle. The personal auto policy of the owner/operator of the borrowed vehicle provides the only coverage for physical damage coverage to the borrowed vehicle.

Therefore, it is critical for the chapter to perform its due diligence by ensuring that the individual that the chapter has authorized to use their personal vehicle on official chapter business has valid personal auto insurance in advance of the use of the personal vehicle.

- **Business Real Property and Personal Property:**
Similar to the auto policy above, chapters can add chapter owned business real property and business personal property to the insurance policy, but the property must be scheduled requiring make, model, serial number, description, replacement cost, security of the property, etc., and the chapter will be invoiced for the increased insurance premium resulting from adding the property. The insurance protection is limited to the replacement cost of the property.
- **Directors & Officers Liability:**
The policy pays the loss, including defense costs, of each chapter director, officer or trustee from any claim made against the individual for any alleged wrongful act in their respective capacities as director, officers or trustees of the chapter (individual coverage). The policy shall also reimburse the chapter (entity coverage) for loss, including defense costs, arising from claims which are first made individually against the directors, officers or trustees for any alleged wrongful act representing the chapter.

For example, if the chapter's board decides, through a due diligence process, to expel a chapter member for various reasons and the chapter member sues the board members individually and sues the chapter as an entity for personal damages, the D&O insurance policy will pay for the defense costs of the individual board members, the defense costs of the chapter, and any losses associated with any adverse judicial decision. However, if a loss claim occurs as a result of malicious intent or gross negligence by the chapter or by any individual acting on behalf of the chapter in an official capacity, the insurance policy does not cover the loss.

The annual “aggregate” limit for all chapters combined is \$1 million with a deductible of \$10,000.

For a chapter to be a named insured under the D&O insurance policy, the chapter must forward a warranty representation letter to the D&O insurance underwriter representing there the chapter has no knowledge of any pending actions, claims, lawsuits, etc. in the past that could give rise to a claim. Once received, the underwriter includes the chapter as a named insured from the date of the warranty letter forward. **Exhibit E** contains a warranty representation letter template for a chapter’s use that needs to be completed on chapter letterhead, signed by the Chapter President, and forwarded to the underwriter’s address listed on the letter. Once completed and forwarded to the underwriter, a copy needs to be sent to SCI headquarters to the attention of the Chapter Services Department.

A chapter needs to complete and forward the warranty letter only once to be a named insured under the D&O insurance policy. **Exhibit F** represents a list from the underwriter of those chapters that are currently named insured’s under the D&O insurance policy because they have already completed and forwarded the warranty letter. If your chapter is not on this list, you are encouraged to complete and forward the warranty letter to the underwriter to have D&O insurance coverage.

- Commercial Crime:
The policy provides protection for chapter financial assets against acts of dishonesty, forgery or alteration, theft, disappearance or destruction, and computer fraud performed by employees or volunteers operating in an official chapter capacity. The annual aggregate liability limit is \$1 million with a \$10,000 deductible. In order for coverage to exist, the chapter must demonstrate and ensure that adequate security and control procedures are in place and enforced to minimize the risk of a loss claim.

17. What does a chapter need to do for insurance coverage for its fund-raiser or other chapter events?

Even though the chapter is a named insured for the general liability and excess liability insurance policies discussed above, we request that you call SCI’s insurance agent, Roz Haviland at Lechner & Stauffer, Inc., at **(215) 679-9568**, to determine if there are any unique risks that may give rise to a loss claim for which the insurance policies would not provide coverage.

If the chapter needs to provide proof of insurance to a facility hosting the chapter’s event, etc., contact the insurance agent with the facility name, facility address, and contact person. The insurance agent will issue a “Certificate of Insurance” and will forward the certificate directly to the individual or company requesting the proof of insurance.

18. Does SCI have a “group” merchant account for chapter credit card processing?

Yes! Most if not all chapters have an account set up at their local bank for credit card processing of sales for their chapter events. Due to the small and infrequent volume of their merchant credit card processing activities, the chapter is typically paying a high “discount fee” to the bank. These discount fees charged by the bank can be as high as 5% of the credit card sale.

SCI establish a “group” merchant account system with Well Fargo Bank whereby chapters may join the merchant account and receive the low discount fees SCI enjoys due to SCI’s large volume of merchant credit card processing activities. The benefits, terms and conditions of the group merchant account system are as follows:

- Honors all major credit cards and debit cards
- Less than a 24-hour delivery/deposit of previous day’s credit card sales if you have a Wells Fargo Bank account
- 48-hour delivery/deposit of previous day’s credit card sales to a non-Wells Fargo Bank account
- Discount fee of 1.76% plus 20 cents per transaction
- \$45 annual fee
- \$5 monthly service fee (\$60 per year)
- \$570 one-time equipment purchase (includes terminal and printer) or \$31.00 month-to-month terminal and printer rental because the low discount fee requires the “swiping” of the credit card at the point of sale.

If this group merchant account system will save you money as many chapters have already experienced, or you have other merchant credit card processing questions, please contact Bev Chell, SCI Controller, at (520) 620-1220, extension 264, for application information.

19. Are there specific guidelines that chapters should follow when conducting raffles?

Yes! Federal and state lottery and gaming laws are very strict with respect to giveaways and contests where a random drawing is conducted and an individual wins a prize. It is critical that you follow the guidelines below and use the related templates in conducting any raffles to ensure compliance with these laws:

- a) Review the state raffle regulations and requirements in your state to determine if there are any registration or permitting requirements in your state.
- b) **Exhibit G** contains Raffle Guidelines and templates to lead you through the process of administering a raffle in accordance with all federal and state regulations.

Note: Raffle ticket purchases are NOT charitable contributions and are NOT tax-deductible for income tax purposes.

20. Is the chapter responsible for reporting raffle prize taxable income to the IRS and to the raffle drawing winners?

Yes! Because the value of the prize a winner of a raffle drawing wins is much greater than the wager paid by the winner, the excess of the prize value over the paid wager is taxable income to the prize winner. The IRS requires reporting of taxable income of \$600 or more, and the chapter is required to issue an IRS Form W2-G or IRS Form 1099 to both the IRS and the raffle winner. The deadline for filing the Form W2-G or Form 1099 with the IRS and sending the Form to the raffle winner is January 31st after the raffle winner has constructively received the raffle prize. Log onto www.irs.gov for IRS forms and instructions or contact the Chapter Services Department staff.

For answers to further questions, please contact your Field Coordinator, Regional Representative, OR Chapter Services staff led by Nita Mackley and Kim Rapple, OR Bev Chell (SCI Controller), or Ken James (CFO) at SCI headquarters.