



League of Women Voters of California

How To...

Manage the Money

in the

Twenty-first Century

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LOCAL LEAGUE CALENDAR

TREASURER'S JOB AT A GLANCE

WHEN	TASKS
Monthly	<ul style="list-style-type: none"> • Deposit checks and cash promptly, • Pay bills promptly, • Reconcile the bank statement when available, • Prepare financial report for the Board of Directors.
July	<ul style="list-style-type: none"> • Close the previous fiscal year accounting records and prepare a final annual financial statement for review with the Board of Directors, • Beginning of a new fiscal year in the accounting system.
August	<ul style="list-style-type: none"> • File Registry of Charitable Trusts Form CT-NRP-1, Non-Profit Raffle Registration Form, by the 31st if raffle is planned in next 12 months.
September	<ul style="list-style-type: none"> • Publish the previous fiscal year financial statements for the League members, preferably in the League's Voter, but consider presentation so that sensitive information is not disclosed. Possibly put them in a "Members Only" section of the League's website.
November	<ul style="list-style-type: none"> • File IRS Form 990-N, 990-EZ, or 990; FTB Form 199-N or 199; and Registry of Charitable Trusts Form RRF-1 by the 15th (see Page 11).
February/ March	<ul style="list-style-type: none"> • Begin preparation for the next fiscal year's budget with the League's Budget Committee.
April/May	<ul style="list-style-type: none"> • Board reviews/adopts proposed budget for next fiscal year for presentation at League's Annual Meeting.
May/June	<ul style="list-style-type: none"> • Prepare to close books and arrange for review, • Prepare the most current financial statement for presentation at the Annual Meeting.

There are other tasks the timing of which is unique to each local League. These include the payment of **PMPs to ILOs/regional Leagues**; the filing of **Form SI-100, Statement of Information, with the California Secretary of State** (see [Page 13](#)); the filing of sales and use tax reports and related deposits; and the filing of payroll reports and related deposits of taxes and withholdings.

Note: the above table was developed for a League which has a June 30th year end. If your League has a different year end, then the above timing needs to be adjusted accordingly.

ROLE OF THE BOARD OF DIRECTORS

Financial accountability is the responsibility of the entire board of directors. Trust but verify. Ideally an organization should have more than one person involved in depositing funds, paying bills and reconciling the bank account(s). But such a separation of duties is often difficult to achieve in most local leagues; therefore, it is important that the board carefully review the treasurer's financial statements before acceptance. Don't be afraid to ask questions about the financial statements. Do you understand variances from the budget? Is there adequate cash on hand to pay current bills and to meet long-term obligations? Are excess funds earning interest in some type of savings account?

On an annual basis, an internal review should be done by one or more board and/or off-board League members. This is further discussed on [page 7](#).

In addition, each year the budget committee will present the board with a budget for the next year. By recommending the budget for adoption by the membership at the annual meeting, board members are using the knowledge gained throughout their year of service to attest that the assumptions for income and expense categories are reasonable and can be implemented by the incoming board.

ROLE OF THE TREASURER

As the League's chief financial officer, the treasurer serves as an active member of the board and as an active member of the budget committee. (However, the treasurer cannot chair the budget committee.)

The treasurer's primary responsibility is to maintain and monitor an accounting system that produces accurate and meaningful reports to the board and the membership. For the board in particular, good financial reporting must provide information that is useful in managing the affairs of the organization.

Most board members do not have a financial background, so financial reports involving lengthy lists of numbers most likely will not provide meaningful information about the financial affairs of your League. Rather, information can and should be summarized, with accompanying verbal or written comments about specific items the board needs to focus on and/or may need to be concerned about.

Financial information is also more meaningful if it is presented with a comparison such as the League's budget for the year. Actual items of income or expenses cannot be judged in isolation—by also presenting the related budgeted amount, the board can see how the actual results compare to what was planned for.

As a member of the budget committee, based on the League financial records, the treasurer will supply information for those budget items not submitted by other directors or committee members to help build next year's budget.

OVERVIEW OF ACCOUNTING AND FINANCIAL MANAGEMENT

Financial Statements

Financial statements allow the board of directors, League members, and other interested people to see the financial position of a League at a specific point in time and over a specific period of time.

- **Balance Sheet (also known as the Statement of Financial Position):** This is a “snapshot” of what an organization owns (its assets) and what an organization owes (its liabilities or commitments). Assets normally include bank accounts and possibly investments; Leagues with offices may also have furniture, computers, etc. Liabilities might include obligations for things like sales tax (which may have been collected but not yet paid to the government). The difference between what the organization owns and what it owes is termed its reserves.
- **Income Statement (also known as the Statement of Activities):** This shows the reader how an organization has performed over a specific period of time. The statement shows the amount of money generated (receipts or revenues) and the amount spent (expenses). (See [Appendix A](#) for an example.)

In addition to financial reporting for internal management purposes, a League must also be able to produce information to satisfy other needs. Specifically, Leagues must be able to generate financial information in the form required by reports due to the federal and state tax or other authorities. See “[GOVERNMENT REPORTING](#)”.

Accounting for Local League Funds at the LWVCEF or Other Organizations

Under “[ROUTINE TRANSACTIONS WITH THE LWVC](#)”, there is a discussion about financial accounts a Sec. 501(c)(4) local League can establish (an “Impact Fund”) with the LWV California Education Fund (LWVCEF) to be able to receive tax deductible contributions. Some Sec. 501(c)(4) local Leagues have established such accounts with local community foundations which are similarly tax exempt. It is important to note that such accounts are not technically an asset of a local League, but rather represent restricted gifts made for the benefit of that League. Therefore, contributions made to these accounts should not be recorded as contributions by a local League at the time they are received from the donors, and the balance in such accounts should not be shown as an asset of a local League on its balance sheet. Rather, the local League should record contributions from the LWVCEF or other similar entities when an amount is distributed to the local League to reimburse educational expenditures, or when an amount is applied by LWVCEF to pay an obligation of the local League (e.g., PMPs or contributions to Smart Voter or payment of MyLO fees).

The Basic Accounting System

Most Leagues use accounting software like QuickBooks or Quicken to maintain their financial records, although it is also possible to use Excel spreadsheets for this purpose. QuickBooks has the greatest functionality and is preferred by many accountants for that reason. Local Leagues with employees may want to consider using QuickBooks in order to use its payroll module.

On the other hand, QuickBooks is more expensive than Quicken. And because QuickBooks is a more complex system, it requires more upfront training for those who have never used it before. In deciding which method to use, consideration should also be given to how the treasurer's job can be handed on to your successor. Many more people are familiar with Quicken than with QuickBooks and have their own copy of Quicken software to maintain their personal financial records. This can make it easier to find a new treasurer when the time comes.

Some alternative online bookkeeping options are:

- [Wave Accounting](#) (free for income/expense tracking)
- [Xero](#) (~\$4–\$14/month, basic functionality, small leagues)
- [Zoho Books](#) (affordable, ~\$20–\$40/month, slightly more functionality)

It is also extremely important to frequently backup accounting and other important files, and to keep backup copies in a location other than where the original files are located.

Bank Accounts

Many larger banks have focused on the fact that maintaining checking accounts for individuals or small organizations costs them more money than the services are worth on a stand-alone basis, and are becoming more aggressive in charging monthly fees for basic accounts. Such fees can usually be reduced if relatively high minimum cash balances are maintained in such accounts, but this may not be possible for a local League. Fees may also be reduced if monthly statements are received online rather than getting paper statements. Some banks will also reduce fees if the account owner uses a bank debit card at least once a month, amongst other various qualifiers. These matters change from time to time, so it may become necessary to shop around to find the best way to reduce or avoid costly bank charges. In some instances, community credit unions offer a much lower fee structure, as well as possibly higher rates of interest on certificates of deposit (“CDs”)

Top banks with no monthly fees for small nonprofits include:

- [U.S. Bank](#) (nonprofit checking that offers a dedicated, no-monthly-fee, no-minimum-balance account, with 1,800 free transactions and 300 free cash deposits annually),
- [LendingClub](#) (provides free business checking with unlimited transactions, no monthly maintenance fees, and nationwide ATM access),
- [Mercury](#) (digital/online, free business checking and savings, no minimum balance),
- [Live Oak Bank](#) (digital/online, known for robust, fee-free checking options suitable for smaller, remote, or new nonprofits, daily minimum balance of \$1,000 for fee waiver).

These institutions typically offer free, tailored checking accounts, essential for managing limited budgets and minimizing overhead costs.

Online Credit Card Transactions

There are several ways to facilitate the online payment of a local League's contributions, event payments and other transactions. Such arrangements make it very convenient for members or donors to make credit or debit card payments to a League online, and then for the local League to

transfer these funds online to the League's designated bank account. Of course, some services charge fees for these services, typically 2.5-3.0% of the dollar amounts involved (PayPal, QuickBooks, Stripe, etc., all charge processing fees).

Some free options to receive contributions/payments via credit card or ACH are:

- [Zeffy](#) (100% free online processing platform for nonprofits, including donor tracking and online form creation - donors are asked to tip – donors can opt out of the tip),
- [Givebuttr](#) (similar structure and capabilities as Zeffy)
- [Venmo](#) (phone app - free to transfer money between individuals; would need to transfer the money from the Venmo App to your League bank account; free for a 2–3-day processing window)
- [Cash-App](#) (same process as Venmo)

Fixed Assets and Depreciation

Fixed assets are property like computers, software or furniture which cost more than \$1,500. At the time of purchase, the costs are recorded on the balance sheet in a Fixed Asset account, and a portion of the cost should be expensed monthly (depreciated) over the time of their useful lives (normally five years for furniture, and three years for computers). If your League must file tax returns such as IRS Forms 990-EZ or 990, it is usually simplest to follow the depreciation method used for tax purposes.

Coordination of Data

Good financial management also requires the coordination of information among various databases or systems because many transactions require multiple data inputs.

Basic Internal Financial Controls

Each League should maintain a written record of the policies, procedures and other matters related to the handling of its financial transactions. Copies of this information should be regularly provided to one or more other officers of a League so that the information is a shared resource. It will also be very useful when it comes time to transition to a new treasurer in your League. See [Appendix B](#) for a discussion of the types of information which might be included.

Each League should have a minimum of three persons with signatory authority over its financial accounts (bank accounts, investment accounts, PayPal accounts, etc.), and the ability to access the accounts in person or online. Normally the signatories for each account are revised each year after the annual meeting, when new officers and directors are elected. The League secretary will have to certify a copy of the Board of Directors' minutes identifying who the new signatories will be, and this will have to be provided to the financial institution when the signature cards are turned in, along with copies of the individuals' drivers' licenses. The board will also have to determine if there should be a check signing limit.

Procedures should also be in place to cover transactional requirements whenever the treasurer is unavailable because of work, vacation or illness. The other signatories should always have checks or debit cards in their possession to handle invoices, etc. Some Leagues use post office

boxes so that other members can access receipts and deposit them if the treasurer is unavailable.

It is a good practice for a League to have an expense reimbursement form or expense voucher for League members to use to submit their expenses for reimbursement, including space for indication of any needed approval and a description of the nature of the expense(s). See [Appendix C](#) for a sample of such a form.

Review of Financial and Accounting Practices

Because of the few individuals normally available to handle the financial affairs of a local League, many of the traditional policies and procedures for establishing adequate internal controls are just not feasible in the local League environment. Therefore, alternative methods must be used to monitor a League's financial affairs and reporting.

One alternative which often comes to mind is to have an audit of a League by a certified public accountant. However, such an audit is very expensive, and therefore generally is beyond the budget of any local League.

A very viable alternative for financial oversight is to have a regular, periodic internal review by one or more board and/or off-board League members. These members should be individuals who are not directly involved in the financial management of a League but are active enough to be familiar with general League activities. Such a review can be broadly or narrowly focused to address either the entire financial management of a League, or areas of particular importance or concern. Some sort of internal review should be implemented at all Leagues, preferably on an annual basis.

Procedures for a Review

An internal review does not have to test every financial transaction, but rather a sample of transactions or perhaps a sample month or two to determine that proper accounting procedures have been used and that all reporting and filing requirements have been met. Part of the review process may consist of accessing the League's bank accounts online and reviewing the transactions for unusual items. The following are sample steps for periodic reviews:

- Determine that bank statements are accurate and reconciled on a timely basis.
- Determine whether deposits have been made in a timely fashion, large receipts have been deposited promptly, and bills paid in full when due.
- Review procedures for, and implementation of, timely billing of membership dues under the League's policies, and for collection of past due items.
- Review a sample of financial reports to confirm that they properly represent the detailed activities found in the accounting records.
- Review the treasurer's calendar for timely completion of scheduled payments or tasks, particularly governmental filings.

ROUTINE TRANSACTIONS WITH THE LWVC

Membership Dues

Historically, all League members joined or renewed at the local League level. By joining a local League, the members automatically also became members of their state league (e.g., LWV California or “LWVC”) and of the national league (LWV of the United States or “LWVUS”). League membership dues were established at the local League level, generally in the range of \$75-85 per year, paid directly to the local Leagues. Each California local League then supported the work of the LWVC and the LWVUS by making what were called “Per Member Payments” (or “PMP”) to the LWVC (\$28 per year) and the LWVUS (\$32 per year) based on the membership roster of each local League as of January 31st of every year. This process has changed

New Online Join/Renewal

Effective February 1, 2025, the League’s membership structure was completely revised. As of that date, all individuals had to join or renew at the LWVUS level, paying their entire dues to the LWVUS. Members may log into the LWV Member Portal at portal.lwv.org, using their email address as their user ID. They will be encouraged to join or renew at a ‘standard’ national dues rate of \$75 per year, but each member can choose his or her own dues level, from a minimum of \$20 per year to as high as the member wants to go. The LWVUS will retain 33% of whatever has been paid, transfer approximately 47% to the LWVC, and transfer the remaining 20% to the relevant local League. The amounts receivable by the LWVC and the local League will be reduced by fees charged by the software system being used to implement the transfers (3.9% + \$0.80 per transaction). So a local League may want to encourage members to pay by ACH because the fees are lower (1.8% + \$0.50 per transaction).

In this new system, all League members are classified as ‘Primary’ members. There will no longer be household member or student member classifications, but there still will be lifetime members, individuals who have been a member of the League for at least 50 years, classified as ‘Primary-Life’ members.

Local Leagues which are members of Inter League Organizations like the Bay Area ILO and the Los Angeles County ILO in California will continue to pay Per Member Payments to these organizations as they have always done.

Individuals who were members on February 1, 2025, or join after that date, will receive a renewal reminder email from the LWVUS 60 days before their membership expiration date. If there is no response to the first email, a second renewal reminder email will be sent 30 days before the expiration date. If there is no renewal before the expiration date, they will receive another reminder email on that date. Members who still do not renew will receive a final reminder email 45 days after their expiration date. The relevant local League may also communicate with such members about renewing. There is a 60-day grace period after a person's expiration when they are still considered an active member of the League. After 60 days, they will be considered ‘inactive.’

Members can now also enable auto-renewal for annual dues, making renewal easier.

For help with the new LWVUS join process, visit the [LWV Member Portal User Guide](#).

New Offline Join/Renewal

Members are encouraged to join and renew through the LWVUS Membership portal when possible. Online renewal simplifies the process for both members and all levels of the League. But people can still join and renew offline (such as by check) as needed. The local Leagues are responsible for handling the offline renewal process.

To collect the necessary information from a new or renewing member, the following sample join forms can be used. This standard form is available in PDF format. Note: it is not required to have an individual fill out this form – this is just an optional tool that Leagues can choose to use.

Local Leagues can either choose to deposit the member checks in their own bank account and then pay the member's dues online in the League Portal to the LWVUS, or local Leagues can forward member dues checks to the LWVUS. Step by step instructions are in the [LWV Member Portal User Guide](#).

Note: If a member would like to donate that goes exclusively to the local League, the contribution should be written as a separate check and deposited locally; any checks sent to the LWVUS will be considered dues, and the payment will be split by percentage between each level of League.

Final Per Member Payments (PMP)

A consequence of the change in the membership join/renew structure was the final Per Member Payment invoices issued to local Leagues by the LWVC and the LWVUS in July 2025. These invoices will be calculated using each local League's membership count on January 31, 2025, multiplied by \$28 for the LWVC and \$32 for the LWVUS. The LWVC invoice may be paid in equal amount over the 2-year period through FYE 6/30/26 and FYE 6/30/27. The LWVUS invoice must be paid during the FYE 6/30/26.

LWV California Education Fund

The LWVCEF is a separate organization qualifying as tax exempt under IRC Sec. 501(c)(3). The LWVCEF holds "Impact Funds" which are available to Sec. 501(c)(4) local Leagues that wish to raise and use tax-deductible contributions for appropriate educational or voter service activities. Contributions generated by a local League may be deposited in such Impact Funds and held for the local League's use. This is appropriate when a contributor wishes to make a tax-deductible contribution or when the League plans a project consistent with Ed Fund standards and wants to create an account to accept these donations. More information about Local League Impact Funds can be found [on the LWVC Members Only website](#).

Depositing into a Local League Impact Fund Account

Impact Fund Accounts are designed to help Sec. 501(c)(4) local Leagues obtain tax deductibility for their donors. To deposit money into an Impact Fund account, the local League must send the original donor's check(s) to the LWVCEF with the current LWVCEF Deposit Slip (EF1) (available in the Resource Directory or online) for the initial and subsequent donations. Always send the donors' checks—do not deposit them into a local bank account. Maintain a record of the check number, payer, amount, and date that the check is mailed.

If the local League raises money for the Education Fund through a special event with the admission price of more than \$75, the League must give the donor an estimate of the value of the goods or services. It must also tell the donor in writing that only the excess of the contribution over the value of the goods or services received is tax-deductible.

Accessing a Local League Impact Fund Account

When a local League is confident that a project is to be funded by Impact Fund monies would qualify, they may forgo submitting the [Local League Impact Fund Request Form \(EF2\)](#) to the state office in advance. Submit this form in advance only if your project is a new voter education endeavor. It should show anticipated expenses and expected sources of funding, both Ed Fund and others. If approval is requested after a project is started and, for some reason, the project is not deemed by the LWVCEF to be eligible for reimbursement, the local League would be required to cover any expenses from other funds.

Upon completion of an Ed Fund project, submit the [Local League Impact Fund Reimbursement form \(EF3\)](#). Receipts must be attached to document expenses. Enter the amount for reimbursement on the line labeled "From Local League Ed Fund (Amount to be reimbursed)". For ongoing operating expenses, transaction reports from your general ledger may be attached. Submit reimbursement requests for ongoing operating expenses (e.g. rent, telephone) no more than twice a year.

A portion of a local League's PMP may be paid using Impact Fund monies, though there are stipulations. Specifics regarding this option can be found on the [LWVC's Local Impact Fund Accounts information page](#).

Ending a Local League Impact Fund

As noted above, Impact Funds are designed to help Sec. 501(c)(4) local Leagues obtain tax deductibility for donors to such Leagues. If a local League converts to Sec. 501(c)(3) tax status, it no longer needs such a Fund. It can then request LWVCEF to transfer the current balance in their Impact Fund back to that League.

Insurance Policies

The LWVC maintains a blanket general liability policy for all local Leagues, property insurance for local Leagues which maintain an office, directors' and officers' liability insurance for the LWVC and the LWVCEF boards of directors only, and professional liability insurance for the LWVC and the LWVCEF print and electronic publications. Each local League MUST maintain general liability insurance coverage and the LWVC provides this. However, each League also has the option to purchase its own insurance if it prefers. If so, the local League must provide a verification of insurance coverage to the LWVC and execute a Hold Harmless Agreement to be released from the umbrella policy of the LWVC. All forms are located here: [Commonly Used Forms | MyLO](#)

GOVERNMENT REPORTING

Annual Filings

All local Leagues have regular reporting obligations to the Internal Revenue Service and various California governmental agencies. These are briefly summarized in the following paragraphs; for a much more detailed discussion, see the "[Government Filings](#)" page under the [Local League Management](#) section of the LWVC website. It is strongly recommended that at least one person other than the preparer of these returns, preferably an officer or director, review more complex returns or reports prior to filing (e.g., IRS Form 990 or 990-EZ, FTB Form 199).

If a local League's annual gross receipts normally exceed \$50,000, it must file Federal Form 990-EZ or 990, depending on the level of its receipts or the amount of its assets. Under that level of receipts, a local League must at least file an online e-Postcard, Form 990-N, although it can choose to file one of the more complex forms. Similarly, if a local League's annual gross receipts normally exceed \$50,000, it must file the Franchise Tax Board Form 199; under that level of receipts, it must file an online e-Postcard, Form 199N, or it can choose to file Form 199.

It is necessary to understand the importance of the word "normally" in this context. Its use is based on the fact that a small nonprofit may occasionally have a much larger level of gross receipts resulting from large gifts, bequests or grants in a particular year, and the law provides a relief from filing more complex tax forms. If a nonprofit would normally file the simpler Form 990-N, it can continue to file that form even in a year in which it has unusually high receipts. But if the higher level continues into subsequent years, in the third year it must start filing either Form 990-EZ or 990, based on the applicable filing rules for those forms.

The deadline for filing the applicable forms, online or paper copy, is the 15th day of the fifth month following the end of a local League's fiscal year. Federal and California extensions are available under specific conditions, or penalties may apply for failure to file or failure to file on time. However, there is no penalty under either circumstance for a delayed filing of the Form 990-N, although a failure to file for three successive years will result in a local League's loss of its Sec. 501(c)(4) or Sec. 501(c)(3) tax status.

A local League must also file Form RRF-1: Annual Registration Renewal Fee Report with the Registry of Charities and Fundraisers (part of the California Attorney General's office), together with a copy of its Form 990-EZ or 990 (if filed) or a Registry Form CT-TR-1 if it files Form 990-N. These forms are due not later than the 15th day of the 5th month following the end of the fiscal year, but the Registry will honor extensions granted by the Internal Revenue Service for

filing the Form 990-EZ or 990. If gross annual revenue exceeds \$25,000, a sliding scale filing fee (\$25 and up) is due with the Form RRF-1. The form is available at this [link](#).

In California, any nonprofit organization that intends to conduct a raffle during an annual period (September 1 through August 31) must register for this purpose with the Registry and then must file a separate report reflecting the actual results of any raffle held during that twelve-month period. For more information and forms go to this [link](#).

Biennially the California Secretary of State requires nonprofit corporations to file Form SI-100: Statement of Information—Domestic Nonprofit Corporation. This form is due by the end of the month a League is incorporated, and then in every subsequent odd or even-numbered year depending on whether it was incorporated in an odd or even-numbered year. Also, an amended Statement must be filed any time an individual listed on a prior Statement has been replaced.

Establishing Tax Exempt Status under Sec. 501(c)(4) or Sec. 501(c)(3)

In the formation of a League organization, there are differences in how their articles of incorporation (if incorporated) and bylaws (all local Leagues) must be written depending on which tax-exempt status they decide to use--Secs. 501(c)(3) or 501(c)(4). The differences relate to two provisions. First, articles of incorporation and bylaws typically describe the “purpose” of the organization. Also, such documents must provide what happens to the assets of any organization if it is terminated or dissolved, identifying what type of organization may receive these assets--the permissible recipients vary for each status.

Historically, all state and local Leagues qualified as tax exempt under Sec. 501(c)(4), although some state and local Leagues also have had a paired Sec. 501(c)(3) organization like LWVCEF. However, in recent years more than forty California local Leagues have successfully converted to a single entity with qualification under Sec. 501(c)(3) (no League which applied to the IRS to do this has ever failed to qualify). The significant differences between these two qualifications are that (a) dues and contributions paid directly to a Sec. 501(c)(4) organization are not tax deductible while those to a Sec. 501(c)(3) organization are tax deductible; and (b) there are no limits on the amount of lobbying activities a Sec. 501(c)(4) organization can conduct, while a Sec. 501(c)(3) organization’s lobbying activities cannot be a “substantial part” of its overall activities. Further, Sec. 501(c)(3) organizations cannot support or oppose candidates for public office, but that limitation is a moot point because League organizations are prohibited from this activity under core LWV policies.

Whereas a local League must apply to the IRS to become a Sec. 501(c)(3) organization, it is possible for a new local League to just “self-declare” that it qualifies under Sec. 501(c)(4) without having to seek the IRS’ approval. In this case, it must file a Form 8976, Notice of Intent to Operate Under Section 501(c)(4), with the IRS within 60 days after its formation. (This form can only be filed electronically, with payment of a \$50 fee.) Failure to file this form on a timely basis results in a penalty of \$20 per day, up to a maximum of \$5,000. If desired, it is possible to formally establish a League’s qualification under Sec. 501(c)(4) by filing an application with the IRS on Form 1024-A, with a filing fee of \$600, but such an application is not required.

A new local League can qualify as tax exempt under Sec. 501(c)(3) by filing the online IRS [Form 1023-EZ](#) and paying an application fee of \$275. This application is much simpler, although

there may be some review by the IRS. This action should be done relatively soon after its establishment as an independent League.

If a local League sometime in the past established a tax-exempt status under Sec. 501(c)(4), but then decides to convert to Sec. 501(c)(3), it must file the full Form 1023 application, with a \$600 filing fee, a process which involves more work than the Form 1023-EZ. The application is typically carefully reviewed by the IRS, which review could take six to nine months to complete, although the approved tax status will be retroactively effective as of the date the application was filed.

In either of the foregoing situations, local Leagues would have to file a Form 3500A application with the Franchise Tax Board (FTB) to achieve a similar California tax exempt status.

Any local Leagues interested in changing their tax status to Sec. 501(c)(3) should contact Tom Carson ((323) 746-5250) or tpcarson@outlook.com for his help prior to considering a change in tax status.

If successful with the IRS under either of the two approaches, a League should file a Form 3500A with the FTB, which will automatically follow the IRS precedent.

Whatever its Federal tax status, a new local League must also register with the Registry of Charities and Fundraiser, and file [Form CT1](#) within 30 days of initially receiving assets.

Sales and Use Tax

Each League which sells publications or merchandise must collect sales tax. If your League sells or intends to start selling these or similar items, you may contact the state League office or visit this website for detailed information about what is required: [Sales and Use Tax | Taxes](#)

Withholding and Employer Taxes

The fact that a League has “tax-exempt” status does not excuse it from the same legal obligations to its employees that apply to any business. These obligations are numerous and broad in scope, and need to be carefully considered to be sure of compliance. Very careful consideration also needs to be given to the characterization of individuals as employees versus independent contractors, as there are potentially significant penalties for utilizing the wrong characterization. Guidance on this issue is available at this [link](#).

If an employer, a League is obligated to report each employee's income and to make proper withholding payments to the federal and state governments. It is also responsible for depositing, paying, and reporting federal and state income tax, social security and Medicare taxes (FICA), and various other federal and state payroll-related taxes. It is possible to handle all of these obligations with payroll software such as QuickBooks Payroll, or by engaging a payroll processing service, although this may be a more expensive alternative for an organization with very few employees. Other options worth looking into with either free services or small-fee upgrades for nonprofit payroll services are: [Gusto](#), [OnPay](#), and [Payroll4Free](#).

Federal withholding obligations are explained in IRS Publication 15 (Circular E-Employer's Tax Guide) which may be obtained at www.irs.gov. Various California tax and other assistance is available at this [link](#).

On a broader view, it is extremely important to note that, to avoid any possible misunderstandings, a League should provide each employee with a written statement of its employment policies, including any employee benefit plans, such as vacation policies, health plans, retirement or life insurance plans.

If a League pays \$600 or more to an independent contractor, individual, or unincorporated business for services rendered, a Form W-9 must be provided to the League by that individual or unincorporated business. The League is also required to file with the state Employment Development Department Form DE542: Report of Independent Contractor(s).

At the end of the year, for each independent contractor paid \$600 or more during the calendar year, the League must prepare and provide a Form 1099-NEC to them by January 31 of the following year. It must also file Form 1096: Annual Summary and Transmittal of U.S Information Returns, together with copies of the Forms 1099 to the Internal Revenue Service by February 28th. These forms can be processed in QuickBooks software (for a fee), or other online services. You can also manually fill out, print, and mail these forms for free through the IRS at this [link](#).

Workers' Compensation

Each League which has a paid employee MUST maintain workers compensation insurance either with the [State Compensation Fund](#) or other private insurers. The insurer will designate the rate of insurance and frequency of transfers to them. Information is available at the website of the [California Department of Industrial Relations](#).

APPENDIX A

SAMPLE INCOME STATEMENT (STATEMENT OF ACTIVITIES)

League of Women Voters of XXXXXXX July - December 20XX Actual vs. Budget

Category Description	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>
INCOME			
Membership Dues	900	750	150
Member Contributions	1,695	1,700	(5)
Non-Member Contributions	1,000	800	200
Sale of Merchandise	40	-	40
Interest Income	95	100	(5)
TOTAL INCOME	\$ 3,730	\$ 3,350	\$ 380
EXPENSES			
Operating			
1. General Supplies	10.00	50	(40.00)
2. Telephone	180.00	180	-
3. Bank Charges	30.00	60	(30.00)
4. Processing Fees	83.40	70	13.40
	\$ 303.40	\$ 360	\$ (56.60)
Board & Admin			
1. President	-	100	(100)
2. Fundraising Drive	45	0	45
	\$ 45	\$ 100	\$ (55)
VOTER	10	40	(30)
Community Involvement	800	1,000	(200)
Misc. Expense	40	50	(10)
TOTAL EXPENSES	\$1,198.00	\$ 1,550	\$ (351.60)
NET INCOME	\$2,531.60	\$ 1,800	\$ 731.60

Balance Sheet (Statement of Position) at December 31, 20XX

Checking Account	\$ 3,931.60
Savings & Investments	\$ 14,260.00
Total Assets	\$ 18,191.60

APPENDIX B

BASIC CORPORATE FINANCIAL DATA

The following describes the kind of basic corporate information which should be documented by the treasurer or others on a current basis, and frequently updated. Copies of this information should be regularly provided to one or more other officers of a League so that the information is a shared resource.

This documentation should start with information about the League's bank accounts and investments—the name and location of financial institutions where they are located; the League members who are signatories for the account(s); any limits on checking signing amounts; user names and passwords for accessing the accounts online; password for debit card, etc.

Other types of information which should be maintained:

- Credit card accounts, including limits, username and passwords for online access, method of payment (e.g., debit to checking account).
- Similar information about accounts like PayPal.
- Membership records so that member dues may be invoiced on a timely basis.
- Summary of recurring payment obligations such as Per Member Payments, insurance premiums, rent, and website fees.
- Members of the Budget Committee, including names, telephone numbers, email addresses; and copies of recent budgets.
- Governmental filings.
- Calendar of important due dates.
- Username and password to access accounting software.

APPENDIX C
SAMPLE EXPENSE VOUCHER

LEAGUE OF WOMEN VOTERS
EXPENSE VOUCHER

Name: _____

League Position: _____

EXPENSES:

Date	Description	Event or Expense Category	Amount

Total Expenses \$ _____

In lieu of reimbursement, I wish to donate this amount to LWV \$ _____

Reimbursement requested (Total Expenses less Donation) **\$ _____**

Signed: _____ Date: _____

Approved: (Board member or Committee Chair):
_____ Date: _____

Submit to Treasurer for reimbursement. Attach bills or receipts.

For internal use only:

Paid by check # _____ Signed by: _____ Date: _____