

**STAFF STUDY ON REIMBURSEABLE EXPENSES FOR INCOME TAX**

by

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Presented to the TCC at 3<sup>rd</sup> Qtr Meeting, Lubbock**

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**STATEMENT OF THE PROBLEM:**

To determine financing options available to MOAA members and to Chapters when attending TCC Quarterlies to include IRS guidance for deductions.

**FACTS BEARING ON THE CASE:**

1. Escalating costs due to inflation are affecting MOAA member's financial abilities to attend Quarterly meetings.
2. TCC does not have sufficient funds to financial support members when attending the Quarterlies.
3. TCC is a non-profit organization as defined by IRS regulation 501 (c) 19.
4. IRS Notice 1366, dated July 2007 (Attachment 1) lays out rules for Tax-Exempt Organizations.

**DISCUSSION:**

1. Unless there is a drastic turn-around in the economy, costs will continue to escalate.
2. There are no plans for TCC to obtain funding for members expenses.
3. Members could deduct expenses for attending the quarterly meetings. To do so IAW current IRS regulations, said expenses are considered a "donation" and thus complete records of the expenses must be maintained by the member and a receipt obtained from TCC for the amount. (Attachment 2)
4. TCC must also maintain complete records of receipts given when members claim the expenses in question. (Attachment 2)
5. Chapters can support member expenses through reimbursement. A ceiling on the amount of reimbursements could be delineated. A record of expenses demanded should be kept by the member as well as the chapter. (Attachment 3)

**OPTIONS:**

1. TCC could reduce any/all of the Quarterlies and resort to telecom/audiocommunications.
2. TCC could finance all or part of the member's expenses.
3. Members could deduct expenses as a "donation".
4. Members could absorb costs without reimbursement.

**CONCLUSIONS:**

1. Members absorb the costs.
2. Chapters provide funding after setting a ceiling on costs.
3. Members may claim expenses as a "donation" if chapters/TCC choose to maintain records and TCC issues a receipt for the amount.
4. Consider reducing the number of Chapter of Council meetings per annum.

**Attachments:**

- Attachment 1 IRS Notice 1366
- Attachment 2 Tax Deductible Contributions
- Attachment 3 Reimbursement

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## REIMBURSEMENT Atch 2

Reimbursement is a “non-tax entity” to the IRS as long as no fraud or collusion is involved. Since, by definition, reimbursement is a paying back of money spent by an individual for the group, it represents only a charge to the chapter. So long as the reimbursement is reasonable amount for a legitimate expense there is no issue. Obviously records and receipts of each transaction should be kept by the chapter. The IRS does provide limits for expenses (for example: \$0.505 per mile for automobile mileage; GSA rates for hotels and meals, etc.) and these should be used as guidelines whenever possible.

## REIMBURSEMENT Atch 3

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Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

**Notice 1366**  
(July 2007)

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## **Attention: New Rules for Tax-Exempt Organizations**

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This version of Publication 3386, *Tax Guide Veterans' Organizations*, dated June 1999, does not include tax law changes enacted under the Pension Protection Act (PPA) of 2006 and the Military Family Tax Relief Act (MFTRA) of 2003. The following changes may apply to your organization or to donors that make tax-deductible contributions to your organization.

- For tax periods beginning after December 31, 2006, a tax-exempt organization that normally has gross receipts of \$25,000 or less must file Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*. (Section 1223 of PPA, which amended section 6033 of the Internal Revenue Code (Code).) The IRS is developing a filing system for Form 990-N and will be publicizing filing procedures upon completion of the filing system. For more information, you can:
  - Sign up for Exempt Organization's *EO Update*, a regular e-mail newsletter that highlights new information posted on the charities pages of [irs.gov](http://irs.gov). To subscribe go to [www.irs.gov/eo](http://www.irs.gov/eo) and click on "EO Newsletter."
  - Check our website at [www.irs.gov/eo](http://www.irs.gov/eo).
- For tax periods beginning after December 31, 2006, failure to file Form 990, Form 990-EZ, or Form 990-N for three consecutive years will result in revocation of your tax-exempt status as of the filing due date of the third year. To have your tax-exempt status reinstated if it is revoked for failing to file for three consecutive years, you must apply or reapply for exemption and pay the appropriate user fee. (Section 1223 of PPA, which amended section 6033 of the Code.)
- A donor cannot claim a tax deduction for any contribution of cash, a check, or other monetary gift made on or after January 1, 2007, unless the donor maintains a record of the contribution in the form of either a bank record (such as a cancelled check) or a written communication from the charity (such as a receipt or letter) showing the name of the charity, the date of the contribution, and the amount of the contribution. (Section 1217 of PPA, which amended section 170(f) of the Code.)
- Generally, if an organization receives a contribution of charitable deduction property and sells, exchanges or otherwise disposes of the property within 3 years (previously 2 years) after the donor contributed the property, the organization must file Form 8282, *Donee Information Return*. For more information, see the instructions for Form 8282. (Section 1215(b) of PPA, which amended section 6050L(a) of the Code.)
- For tax years beginning after November 11, 2003, the membership requirements for section 501(c)(19) veterans' organizations were expanded to include ancestors or lineal descendants of past or present members of the Armed Forces of the United States or of cadets. (Section 105(a) of MFTRA, which amended section 501(c)(19)(B) of the Code.)