HEADQUARTERS

Little League Baseball, Incorporated (Little League International) has been declared exempt from taxation under Internal Revenue Code (IRC) section 501(c)(3) by notification from the Deputy Commissioner of the Internal Revenue Service (IRS).

LOCAL LITTLE LEAGUES

The following are some general guides of the taxability of chartered local league income and the deductibility of contributions given to them. Little League International has been qualified as an exempt organization, and therefore its income is generally exempt and contributions to it may be deducted as provided in IRC section 170. **However, 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 its own through the IRS, or by applying to be included under Little League International's federal group exemption number. While chartered leagues may apply for tax exemption directly through the IRS, we recommend seeking exemption under Little League International's group exemption because it is more efficient and there is no fee for the chartered league.

Exemption may be had under IRC section 501(c)(3), which exempts from taxation "corporations . . . organized and operated exclusively for . . . educational 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, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office." For these purposes, "educational" is defined in part as relating to "[t]he instruction or training of the individual for the purpose of improving or developing his capabilities."

The ease and simplicity of becoming recognized as a 501(c)(3) tax exempt charitable organization under the Little League International group exemption 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 requirements for maintaining exemption under Little League International's group exemption.

Specifically, chartered leagues that choose to become included under our group exemption number must comply with the following procedural requirements:

1. Each league must be affiliated by charter with Little League International and subject to its general supervision.

2. Each league must obtain its own federal employer identification number (EIN) from the IRS and provide the EIN to Little League International, along with the associated League I.D. Number. Leagues may apply for an EIN through the IRS using an SS-4 Form, available at IRS.gov.

3. Group tax exemption for a chartered league is not automatic. Each league must apply to be included under the Little League International group exemption by submitting a Letter of Intent completed by the league president. See below for a template Letter of Intent. Once the Letter of Intent is received and processed, Little League International will add the league to our database and provide the league with a confirmation letter along with a Letter of Determination from the IRS. Leagues must keep these two documents together and present them upon request to any donors, sponsors, or other entities in regard to charitable contributions.

4. Each league is responsible for its own annual tax filing with the IRS. See below for discussion of annual filing requirements.

5. Each league must submit an annual financial statement showing income and expenses to Little League International (as referenced in the League Resource Guide under "Fiscal Year End/Audits"). This requirement may be satisfied by furnishing a copy of the league's annual Form 990 or Form 990-EZ, including Schedule A. However, this requirement is not satisfied by providing a copy of Form 990-N. See below for a discussion of the appropriate form that should be filed.

6. Each league must notify Little League International in writing within [10 days] of any change in name, address, EIN, purpose, character, or method of operation.

To maintain tax exempt status, each league is required to file the following annual information return with the IRS:

- Form 990-EZ with Schedule A is required for a league with annual gross receipts greater than $50,000 but less than $200,000;
- Form 990 with Schedule A is required for a league with annual gross receipts greater than $200,000;
- Form 990-N (i.e., the e-Postcard Form) is required for a league with annual gross receipts less than $50,000 if the league chooses not to file Form 990 or 990-EZ.

For these purposes, gross receipts include contributions, gifts, and grants from the public directly, sponsor fees, registration fees, membership dues and assessments, fundraising and other income.

Leagues using a September 30 fiscal year-end must file the appropriate IRS form by February 15 each year. Leagues using any other tax year must file the appropriate IRS form by the fifteenth day of the fifth month after close of books. Penalties generally apply for returns filed after the due date.

Failure to file the appropriate Form 990 with the IRS for three consecutive years will result in automatic IRS revocation of the league's federal tax-exempt status. Such revocation would result in the league'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 the IRS website, available here.

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 International's GEN by submitting a new Letter of Intent to Little League along with either a league or IRS letter explaining how the revocation issue was resolved.

The best course of action is to follow the guidelines outlined above 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.

For more information regarding maintaining tax-exempt status under IRC section 501(c)(3) and annual filing requirements, see IRS Publication 557.

CHARITABLE CONTRIBUTIONS / SUBSTANTIATION DISCLOSURE REQUIREMENTS

Quid Pro Quo Contributions

The law requires charities to furnish disclosure statements to donors for such quid pro quo donations in excess of $75.

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 in consideration for a concert ticket valued at $40. In this example, only $60 would be deductible. However, because the donor's total payment (quid pro quo contribution) exceeds $75, the disclosure statement must be furnished.

Substantiation Requirements

Donors are required to maintain a contemporaneous written acknowledgement from a charity in order to substantiate a deduction for monetary contributions of $250 or more. Local leagues should be prepared to provide donors a written acknowledgement with respect to monetary contributions of $250 or more. The written acknowledgement should include the following information:

- Name of the recipient league
- Date of the contribution
- Amount of the contribution
- Whether any goods or services were provided in exchange for the contribution
- If goods or services were provided in exchange for the contribution, a description and good faith estimate of the value of such goods or services.

Little League International recommends that all donations received by local leagues be given a receipt in the amount of the contribution.

In the case of donations other than by cash or check, i.e., a popcorn machine for the concession stand, the donor should provide an estimate of the value of the contributed property. 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. We acknowledge that Little League Baseball, Incorporated, may remove our league from the group exemption letter with or without cause after providing thirty (30) days' notice.

It is the intent of our league to comply with the guidelines established by the 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) #