

## **Background for Bylaws/Articles Changes Need**

In 2005, the Internal Revenue Service (IRS) went to Congress to request additional funds to ensure tax exempt organizations were in compliance with IRS regulations. Congress provided funding and since that time the IRS has hired additional agents to focus on these entities and to monitor and audit tax exempt organizations.

To ensure the county and local organizations of the Oklahoma Farmers Union are compliant with current IRS regulations, the state organization engaged the services of an attorney who specializes in IRS compliance. As a result, the state organization will acquire a tax status called a "Group Exemption" which will allow all county and local organizations to become tax exempt and not pay federal and state income taxes on monies received from dues income.

To accomplish this goal, the bylaws must meet the requirements of a Group Exemption. During the bylaws review it was determined a re-write was needed to reflect changes made by the state organization over the years but not reflected in the bylaws as well as changes to the bylaws which had led to inconsistencies with the Certificate (Articles) of Incorporation and within the bylaws. The goal was to create bylaws which were clear and easy to follow.

Once bylaws and certificates are adopted by delegates then implementation at the local level can begin. Templates for bylaws and a Certificate (Articles) of Incorporation for the county and local organizations will be provided for all those who wish to receive tax exempt status through the Group Exemption-- if these changes are adopted by the delegate body.

The goal is for local and county organizations to eliminate personal liability and exposure to those local and county organization officers and board members while continuing to allow local control. Changes will allow organizations to continue to operate locally with decision-making and control of funds but with the ability for the state organization to assist the entities in filing required annual federal tax forms provided annual reporting is done on a timely basis.

Because of the extensive changes to bylaws and certificate (articles) of incorporation this year to reach compliance, the proposed documents are substitutions for current documents (bylaws and articles (certificate) of incorporation). Usually member-delegates would see underlines and strikes where the changes occur but the volume of work to be accomplished prevents that from being a practical approach.

Following adoption of the proposed changes, items not specifically addressed in the bylaws or certificate (articles) of incorporation will be included in a policy document and retained for operational purposes. A checklist of what needs to be done by each county or local organization will be provided for either the local, county or state organization to complete the process. As part of this process an operational agreement will be developed and exist between the local or county organization and the state organization to accomplish the goals of meeting the IRS requirements.