



OVERVIEW

LUKE CHAPTER MOAA ORGANIZATION

“Tax Exempt” vs “Tax Deductible?”

“Why Two Non-Profit Corporations?”

January 4, 2024

TROA said: “Let there be a Sun City West Chapter... and it was good”

The Sun City West Chapter of The Retired Officers Association (TROA) was chartered on January 8, 1980

- Established initially as an unincorporated association (a form of partnership)
- Sun City West Chapter was organized as an Arizona non-profit corporation in Nov 1982
 - Becoming a corporation gives limited liability and protects personal assets of directors/officers
 - But, 'non-profit' under state law is not a tax-exempt status
- Upon application to the IRS, the Sun City West Chapter of TROA determined in 1993 by IRS to be tax exempt as 'veteran's organization' under Section 501(c)(19)
 - With the representation that 90% of members were war veterans, in 2006 IRS also determined that donations to the Chapter are tax-deductible to the donor/member
 - But IRS requires maintenance of records to verify the 'war veteran' percentage
- Several changes in the Arizona corporate name, ultimately to “Luke Chapter Military Officers Association of America” in May 2015

General Lynch: “Protect the member’s tax deduction”

- MOAA General Counsel offered legal opinion in 2015 that chapters were not documenting ‘war veteran’ status for donation deductibility
 - Must have 75% military “veterans’ for tax exemption, and 90% military ‘war veterans’ for tax deductibility
 - With surviving spouses as members, chapters often failed the test; and records are weak
 - Often, chapters are tax-exempt, but donations are not properly deductible by the donor
- General Counsel recommended establishment of chapters as a ‘public charity’ organization under IRS Section 501(c)(3)
 - Requires a purpose to benefit the public with charitable, educational, scientific, religious, literary, fostering sports, and other similar missions
- But, we cannot merge a veterans’ organization into one single public charity entity, because IRS prohibits legislative lobbying by public charities
 - legislative lobbying a key attribute for chapters and for ‘five star’ status!


Birth of Luke Chapter Scholarship Fund

- April 2015, Luke Chapter MOAA Scholarship Fund, Inc. was created with AZ Corporation Commission (re-named “Community Fund” in 2020)
 - Established a ‘brother/sister’ relationship with Luke Chapter MOAA per IRS
 - Members and board of directors were the same people, by-laws nearly identical, etc.
 - Held separate board meetings, one followed the other; filed separate tax returns
 - One annual joint meeting in April elected directors to both boards
 - Worked okay while gross revenue of both organizations less than \$50,000 annually
- Donations to Community Fund are now properly deductible
- The Board recognized that the mission had grown to support needy veterans
 - In 2017, Luke Chapter applied for a grant from MOAA for ‘Military Families Initiative’
 - MOAA has donated \$44,135 to Luke Chapter since FY 2017-18 (seven years running)
 - AZ Dept of Veterans Services granted \$25,000 since FY 2019-20 (five years running)
 - Overall, approximately \$145,000 has been paid out to about 110 vets and families

Why do we hold MOAA veteran grant funds in Luke Chapter?

- MOAA requires comprehensive commercial liability insurance to qualify for a Community Fund grant---no insurance, no grant
- Greatest potential for tort claims falls within Luke Chapter at dinners and programs
 - Six of eight dinner programs are primarily social; two are fund-raising/charity events
- Two premiums of \$625+ each would be required to insure both organizations
- Since 2017, Luke Chapter is the 'named insured' to the liability policy; Community recently named 'additional insured' for two programs in April and May
- Luke Chapter signs a grant contract with terms and conditions with MOAA for each grant, including the insurance requirement
- Since 2018, veteran funds are split between Luke Chapter and Community Fund

Birth of Community Fund

- Half-a-step: Board in 2020 authorized change of name of Scholarship Fund to “Luke Chapter MOAA Community Fund, Inc.”
 - Donations may be designated for scholarship, veterans support or board discretion
 - Three-fold charitable mission: college scholarships, veteran’s support and JROTC support
 - Name change filed with ACC in March 2020 from Scholarship Fund to “Community Fund”
- A new thought process: Should structure ourselves like national MOAA 
 - Parent/child relationship between parent and subsidiaries
 - Parent is the ‘single member’ of the child (not our 180+ chapter members)
 - Parent appoints the board of directors of subsidiary
 - A majority of directors of subsidiary are not directors of the parent board (per IRS rule)
 - Offers a degree of independence for subsidiary 501(c)(3) boards

Birth of Community Fund (cont'd)

- Revised Articles of Incorporation of Scholarship/Veterans Support filed in April 2020; created “Luke Chapter MOAA Community Fund, Inc.”
 - Mission statement includes: “To receive, manage, administer and disburse funds for assistance...” of active duty and retired/former military “who are in financial distress and in need.”
 - New Community Fund bylaws no longer mimic Luke Chapter bylaws
 - Member designated funds for veterans' support are now accumulating
 - Up to Community Fund Board to decide how to spend those designated funds
 - This vet pool is separate and apart from Luke Chapter veteran support grant funds
 - But the Community Fund supplements Luke Chapter veterans grant fund, by direct payouts to veterans
- The two organizations are complimentary and mutually reinforcing

BEFORE

**Luke Chapter
501(c)(19)**



**Scholarship
and Veteran
Support Fund
501(c)(3)**

AFTER

**Luke Chapter
501(c)(19)**



**Community
Fund
501(c)(3)**