

Department of Florida VFW Auxiliary IRS Issues Recap

RECAP: The Department of Florida VFW Auxiliary's federal tax-exempt status was automatically revoked on October 15, 2023, due to a failure to file a Form 990-series return for three consecutive years: 2020, 2021, and 2022. The last filing was May 31, 2020, for the tax year 2019. Consequently, auxiliaries under the Group Exemption also lost their federal exempt status. The Department was unaware of any issues with the IRS until after the revocation of the tax exemption.

In early April 2024, the Department Council of Administration voted to hire a Tax Accountant to address these deficiencies. Interim Department Treasurer, Cindy Estell, signed an agreement with a local Tax Accountant specializing in non-profit organizations' 990-series returns, the reinstatement process, and applying for a group exemption as a 501(c)19.

UPDATE 5/31/2024: Transactions (Checks and Deposits) processed through the former Peachtree recordkeeping system between 07/2/2022 to 2/29/2024 were imported into QuickBooks, and all transactions processed from 3/1/2024 through 4/30/2024 were manually added to QuickBooks and reconciled.

Over 900 individual transactions were manually categorized into the proper Income and Expense Chart of Accounts, and the interim Department Treasurer is now utilizing QuickBooks as the official Department financial record-keeping system. Transactions from 7/1/2022 back to 6/1/2020 were no longer available on Peachtree for extraction and import into QuickBooks, so all transactions during this period had to be manually added and categorized.

An unsigned hardcopy of a 990-series for the year 2021 was located and forwarded to the Tax Accountant. However, changes in IRS requirements in 2019 necessitated additional manual research of transactions from 7/1/2022 back to 6/1/2020, thus preventing the use of the found 990-N filing for 2021. Records from 6/1/2020 – 6/30/2022 were retrieved from storage but required organization for detailed IRS submissions. This added work impacted on the timeline to complete missing returns and reinstatement filings by the June Convention. Updates will continue until resolution, tentatively by School of Instruction in August 2024.

UPDATE 6/14/2024: Transactions from 7/1/2022 to 6/1/2020 have been manually added and categorized into QuickBooks. Reconciliation with current and prior checking accounts is ongoing. The next goal is to identify key transactions, particularly donations of \$5,000 or more, to proceed with 990 filings. These transactions are now filed in banker boxes, awaiting further organization.

UPDATE 8/5/2024: The 990's for 2020 (tax year 06/01/2020 to 05/31/2021); 2021 (tax year 06/20/21 to 05/31/2022); and 2022 (tax year 06/01/2022 to 05/31/2023) are now complete. The Tax Accountant is finalizing documents for IRS submission requesting reinstatement of the Department Auxiliary's tax-exempt status, changing our status from a 501(c)(4) to a 501(c)19 Veterans non-profit organization, and restoring the Group Exemption. Another update will be provided by mid-September.

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UPDATE 9/3/2024: The IRS has mailed a notification stating that your auxiliary is no longer recognized as a tax-exempt subordinate in a group exemption letter. No action is needed regarding this letter. The Department Treasurer has:

- Mailed all three back 990Ns for the tax years 2020, 2021, and 2022 to the IRS Center in Ogden, Utah, and paid the Tax Accountant \$3,750 for her services.
- Sent a reinstatement request letter with a list of Auxiliaries EIN#s, Names, Addresses, and a \$2500 check for the Group Exemption reinstatement fee to the IRS Service Center in Cincinnati, OH.
- Submitted IRS Form 1024, Application for Recognition of Exemption Under Section 501(a), changing our status to 501(c)(19) along with a \$600 user determination fee.

Update 10/1/2024: The Tax Accountant has completed the 990N for 2023 (6/1/2023 – 5/31/2024). However, it cannot be submitted online due to the pending status of prior filings.

Update 12/1/2024: On 11/25/2024, I received a certified letter from the IRS addressed to Veterans of Foreign Wars of the US Dept of Florida Aux Inc, care of Cindy Estell. The letter was a Notice of intent to levy property due to \$2,735.54 unpaid taxes for the tax period ending December 31, 2021. This amount was paid to prevent further action.

- On 11/27/2024, I contacted the IRS about the letter. They indicated discrepancies in the quarterly 941 submissions compared to W2 and W3 forms for 2021. Correct payroll taxes were deposited monthly through EFTPS, but errors were found in the quarterly 941's submitted by the previous Treasurer. Corrections for tax periods ending December 31, 2022, and December 31, 2023, were also needed. I completed and mailed Form 941-X to correct these issues.

UPDATE 1/30/2025: The Tax Accountant is still unable to submit the 990N for 2023 online due to the status of prior filings. Contact with the IRS revealed that the application for reinstatement submitted on 9/10/2024 has not yet been assigned. The assignment and subsequent determination may be taken until September 2025.

UPDATE 2/16/2025: Two notices from the IRS were received on 2/15/2025 regarding the following:

- The first Notice was a bill in the amount of \$7,633.90 for payroll taxes (plus penalty and interest) not paid as reported on the June 30, 2023, Form 941 (2nd Qtr) which would include payroll taxes for April, May and June. After research, it does appear that the IRS did not take into account the 2nd Quarter Form 941X that I submitted to the IRS on December 16, 2024. Form 941 that Linda originally submitted to the IRS was overstated by \$3305.76. The actual total payroll payments that should have been submitted for the 2nd Quarter 2023 (April-May-June) and reported on Form 941 was \$1866.96, but as shown below, the total amount submitted for this period was only for \$1244.64 (April & May) omitting payroll taxes \$622.32 for June 2023. So, while I agree we do owe the June payroll taxes \$622.32 plus any penalty and interest, I do not agree with the total amount of \$7633.90. I will be sending the IRS a letter this week and include the Form 941 X previously submitted and ask that the IRS reexamine this issue.

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- The second Notice was a bill in the amount of \$861.28 for payroll taxes (plus penalty and interest) not paid as reported on the September 30, 2023, Form 941 (3rd Qtr) which would include payroll taxes for July, August and September. As you can see below, the payroll taxes for July 2023 were not submitted to the IRS. So, I agree with the IRS that we do owe \$861.28. I will be getting this into the mail tomorrow.

The first payment you see below (2/17/2023) was for the January and February payroll; the second payment (7/10/2023) was for March, April and May payroll; the next payment 8/7/2023 would be for August payroll, 9/7/2023 for September, 10/10/2023 for October, 11/13/2023 for November and then December was not paid until 1/2/2024 along with the January 2024 payroll taxes.

UPDATE 2/18/2025: I spoke with an IRS representative this morning regarding the Notice received on Saturday stating that the Department owed \$7,633.90 for FIT taxes not paid for the Tax Period ending June 30, 2023. I informed the representative that I disagreed with the IRS findings and had prepared 941X for the tax period to correct the 'overreported' figures provided by the previous Treasurer. Additionally, I acknowledged that while I disagreed with the total amount determined in their review, we did owe payroll taxes for June 2023 that were not submitted and that I would be sending a check to cover the amount owed along with the penalty and interest included on the Notice for the Tax Period ending September 30, 2023.

The IRS representative agreed with this approach and noted our records accordingly. They advised that a follow-up with the IRS should be conducted in approximately 6-8 weeks to check on the status.

A letter and other documents were mailed to the IRS on 2/18, along with a check for \$861.34 to cover the unpaid payroll tax (plus penalties and interest) for the June 2023 Tax Period.

Additionally, a check for \$861.28 was mailed to cover the unpaid payroll tax (plus penalties and interest) for the July 2023 Tax Period as per the second IRS Notice CP102.

UPDATE 3/6/2025: I received a letter today from the IRS dated November 19, 2024, and a note indicating the letter had previously been sent to the Hudson PO Box. The Notice is also in reference to 941 Tax Period June 30, 2023, stating that the IRS has determined that the total taxes reported on the 941 2nd Quarter for Tax Period June 30, 2023, were overreported and that the correct amount was to be \$1,866.90, which is what I had reported in my previous letter. The letter has asked for a detailed explanation for the error... I am faxing a letter of explanation along with multiple supporting documents.

UPDATE 3/12/2025: Confirmed with IRS that an IRS Agent has been assigned to our case for reinstatement and change status to 501(c)(19).

UPDATE 4/3/2025: Received Notice CP220 Dated March 31, 2025, from IRS regarding Form 941 Tax Period June 30, 2023. Notice stated that changes were made to the June 30, 2023 Form 941 and as a result, the payment due IRS for accumulated interest and penalties from June 30, 2023, to March 31, 2025, is in the amount of \$3,558.57, which is a reduction from the original amount of \$7,633.90. I confirmed this with the IRS and issued and mailed check in same amount on 4/4/2025.

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AND NOW FOR SOME GOOD NEWS!

UPDATE 4/4/2025: I am beyond *excited* to report that I received from the IRS today the Department of Florida VFW Auxiliary Determination Letter effective August 26, 2024, stating that the Department Auxiliary is now exempt from federal income tax under Internal Revenue Code (IRC) Section 501 (c)(19). Keep in mind that this pertains only to the Department VFW Auxiliary.

As a side note... I have not yet received anything from the IRS regarding the Department Auxiliary Group Exemption. So that issue is still unresolved for those auxiliaries that previously fell under the Department Auxiliary Group Exemption, I will follow up with the IRS to see if I can get an update.