

Chapter 8 - Incorporation and Income Taxes

The incorporation of your Square Dance Club is an essential protection for the members and officers and certainly should not be ignored. By the simple act of completing and filing a Certificate of Incorporation, the group becomes a legal entity, thereby relieving the individuals from liability that can be very damaging.

In the absence of incorporation, if your organization is sued for a physical injury at a dance (in excess of insurance coverage), for breach of contract, or for moral damages, all the officers and members may be sued. That means every registered member of the organization can be named in the suit and must share the legal expenses as well as the judgment (if the court finds against the organization).

Incorporation is relatively easy to achieve. The small amount of effort and the modest investment to incorporate will provide enormous protection from what otherwise could be a financial disaster. Both members and officers of each organization would do well to see the group incorporated. Following are the steps to be followed which are reasonably accurate.

1. Write or call either the Secretary of State offices (see next page) to request two copies of form NV-102.10, *Articles of Incorporation under the General Not For Profit Corporation Act of 1986*, plus one copy of the *General Not for Profit Corporation Guide*. You may also wish to ask for a copy of the *General Not for Profit Act of 1986 with amendments, if any*.
2. Read the *General Not For Profit Corporation Guide*. It's easy reading and tells you how to fill out Form NV-102.10. The form is fairly straight forward and follows along with the guidebook. If you have any further questions, there are reference numbers included in the guidebook to call for assistance.
3. Mail two copies of the completed forms with \$50.00 in a cashier's check or money order, payable to the Secretary of State, to the Springfield office. When approved, the Secretary of State will stamp the date filing on both copies and return one copy to the incorporators or their representatives.
4. After you receive the NV-102.10 from the Secretary of State, you must file them with the Recorder of Deeds in the county in which the registered office of the corporation is located. The recording must be within 15 days after the Secretary of State has mailed these items or as soon thereafter as practical. There may be a small fee for filing these forms, depending on the county.
5. Next, your club should apply for a Federal Employer Identification Number. Almost all corporations will need to have this number at some time. Obtain Form SS-4 from the IRS to apply for this number.
6. If you do not apply, or do not receive a federal tax exemption, you must file both federal and state income tax returns and pay the proper taxes. Consult the **IRS** and the **Illinois Department of Revenue** for the time to file and the forms to use. If you receive a federal tax exemption, you are also exempt from Illinois income tax. If you do not become federally tax exempt, then your corporation must also file Illinois income tax returns and pay the proper tax.

7. Some not-for-profit corporations may qualify for sales tax exemptions on goods bought for the use of the organization. The corporation can qualify if it forms exclusively for charitable, religious, or educational purposes, or if it is for senior citizens. Since square dance clubs usually **do not** fall into one of these categories, they are typically **not exempt** from sales taxes.
8. All not-for-profit corporations must file an annual report of officers and directors with the Secretary of State. Forms will be sent to the registered agent approximately 60 days before the due date. Failure to file an annual report may result in the involuntary dissolution of the corporation.
9. Any change in the corporate name, duration, or purpose will require that the Articles of Incorporation be amended, using the proper form. Also, any other changes affecting the corporate form of the club should be reported.

Incorporation information:

Secretary of State
Department of Business Services
Corporation Division
Centennial Building
Third Floor
Springfield, IL 62756
(217) 782-7880

Secretary of State
Department of Business Services
Corporation Division
188 West Randolph
Room 426
Chicago, IL 60601
(312) 793-3380

Illinois Income Tax

State of Illinois
Department of Revenue
Income Tax Division
PO Box 3545
Springfield, IL 62708
(800) 641-2150

**Internal Revenue Service
Information**

Order forms by mail:
Internal Revenue Service Forms
PO Box 24672
Kansas City, MO 64131

Order by Phone: (800) 424-3676