

Chair Report for January 2025 EASC

Over the past two years, we have discussed several concerns with the EASC financial situation. Many of these issues were brought to light when our region (OKRSC) went through the process to become a non-profit 501(3)C. This report is an attempt to put those issues on the table for a continued discussion and help EASC make decisions on a path forward.

What is the issue? *EASC is considered a 'for profit' organization and is required to file and pay taxes.* Many people may believe that we are NA, and we should be nonprofit based on what we do. Unfortunately, in the eyes of the IRS, this is not true. NA does not carry the same automatic nonprofit status granted to churches and many other organizations. In order to be considered 'nonprofit', we must go through a filing process to become a 501(3)c nonprofit organization. Our world office (NAWS), has done this. While there is a way for NAWS to be nonprofit and have that extend to all services bodies 'below' it, that would require that those service bodies 'report' to NAWS and NAWS to have some control. We know, this is not how NA works. Our services bodies have autonomy as long we keep our Traditions and Concepts at the core of our activities.

As some may recall, OKRSC made a decision to repair it's financial status which resulted in their refiling as a 501(3)c nonprofit corporation in early 2024. (They were previously 501(3)c, but did not keep up with the regular reporting requirements to maintain that status.) In this refiling effort, it was discovered that EASC was using the OKRSC EIN number (unique IRS identification) for our bank accounts. This is not legal. EASC made a change and obtained our own EIN number in early 2024.

Why should we care? Some may be asking themselves why should we spend time discussing these issues? Our primary purpose is to carry the message of recovery and these hard financial topics can be a distraction. True, but money is necessary to carry the message. As OKRSC found, we are at a point where we can no longer ignore our situation. If these issues become an IRS enforcement problem, *our trusted servants could have personal liability.* As a service body, we CANNOT allow our trusted servants to be put in that situation.

Financial requirements for an organization like EASC are clear. If we do not file for nonprofit status, we must file taxes as a for-profit organization. Some may say, nothing has happened yet, why worry about it? These things have changed which may bring IRS attention:

EASC has a new EIN which will be considered by IRS as a for-profit organization.

IRS has triggers that make it more likely for an organization to receive attention. One is the amount of business they do. Some believe 50K can be a threshold for more IRS attention. In 2023, EASC did over 50K in total income (25K in sales & 25K in donations and all else). In 2024, EASC did \$60K (26K in sales & 29K in donations and all else). A good question is 'how would IRS know?'. EASC is currently not reporting anything.

EASC has been using electronic tools for literature sales and donations (CashApp for donations and Square for literature sales). Tools like this can generate a notification to the IRS (1099K). Before 2024, the limit which triggered a 1099K to be sent was \$20K. For 2024, this was lowered to \$5K. In 2025, it is scheduled to be lowered to \$600. In 2024, we had \$26K in total Square sales. Currently, the Square account is not associated with the EASC EIN number. This is something we need to change in the near future.

We also use CashApp for Group donations to EASC. Our CashApp account is a personal, 'friends & family' account. A 1099K should not be sent for this type of account (at any level).

What is Next?:

That is what EASC groups must decide. Here are some possible paths forward:

Do nothing: Continue as we are. Hard to say how likely it will be that IRS would turn its attention to us. Getting the new EIN may bring attention. If a 1099K is sent to EASC (and IRS) from Square in the future, it could bring attention. If IRS were to pursue EASC for failure to pay taxes, it would be a very big mess. EASC trusted servants could be held personally responsible.

An additional step to consider if we 'Do Nothing' would be to limit or stop using Square. Possibly keep Square transactions below 1099K reporting. If the 1099K reporting level drops to \$600, it may make using Square more risky.

Start paying taxes – We would need to hire someone to help us with this for at least the first year. Once we start paying taxes, we would definitely have IRS attention going forward. If we file as for-profit, more than likely we would owe taxes each year. I do not have the knowledge to guess how much we would owe.

Become a 501(3)C Non-profit – This would take a significant amount of work to complete the initial filing. There would be some cost for initial fees and filing (my best guess would be less than \$1000). We would need to establish a separate 'Board' with their own bylaws. That Board would have no 'power' over EASC. It is needed only to meet the 501(3)c requirements. We would need to complete annual filings going forward. Once we have the non-profit status, we would not be required to file taxes. We have the knowledge (within a couple of our members) on how to do this from the experience with OKRSC. OKRSC hired a lawyer to help, but I do not believe EASC would need a lawyer (OKRSC had to dissolve the old non-profit, which required legal help). It is a longer conversation to share all the detail needed to complete the 501(3)C process. If we proceeded with this path, groups would have all the detail **before** going forward. In my opinion, the biggest challenge for EASC in that this path would require a longer-term commitment from the trusted servants involved with the new Board.

Summary - I know this was a lot. Please discuss this with your groups and bring back guidance on how you want EASC to proceed. If you have additional questions, feel free to reach out to me directly. Earnest P., OKRSC Treasurer, is another good resource for questions. He was intimately involved with the OKRSC 501(3)C filing and has a good understanding of EASC financial status.

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