

August 14, 2011

Bank Accounts; Information for Groups, Districts or District Committees

AA Groups often are faced with questions relating to the establishment of bank accounts for the Group's funds. The same questions are present at the District level and for District Committees. The information which follows is pertinent to each of these entities, but for simplicity refers generally to Groups. This document presents certain information about this process which was derived from various government web sites. This information is intended to be an overview of some of the steps a group can take when preparing to open a bank account. This document is not intended to be all inclusive. You are encouraged to perform further research into your own particular circumstances to determine relevant guidance. Additionally, the rules cited herein are subject to frequent change; accordingly, certain information contained herein may be out-of-date.

The preparers of this document are not lawyers or tax advisors. This document does not represent the views of Area 10 or of AA. This should not be construed to be tax advice or legal advice. Rather, it is merely a summary of recent experiences.

An initial question which will be asked by the bank when a Group attempts to establish a bank account is to provide your ITIN, or individual taxpayer identification, typically a social security number (SSN), or your EIN, employer identification number, sometimes called a Federal tax ID. The bank requires this information as it must report certain information about all bank accounts to the US Treasury Department. For example, interest earnings are reported annually to the US Treasury Department and the account holder on Form 1099-INT.

Some groups have asked if it is appropriate to use the ID numbers used by the Area or their District. Our AA traditions indicate that groups are autonomous. As such, the Area and districts do not have control over or access to funds of the groups. These funds are not included in the tax filings of the Area for this reason, and it would be inappropriate for a Group to use the Area ID.

If you have a Group treasurer or other group member who is willing to supply their SSN to the bank, then a bank account may be established with the name of the individual, not the Group. However, you cannot easily change the SSN number associated with the bank account, and should the individual supplying the SSN decide they no longer wish to be associated with the bank account; the Group would likely need to establish a new bank account. The bank account will be the property of the individual, not the Group. Further, any information that the bank reports to the US Treasury Department related to the account would be attributed to the individual, not the Group. Amounts associated with Group bank accounts may be nominal, and an individual may be willing to take on this responsibility and duty. Sometimes, individuals just use their own existing bank accounts and co-mingle Group monies with their own. This practice seems to work if records are maintained to separately track and identify Group funds.

Should a Group wish to pursue opening a bank account using an EIN, the process is a bit more involved. First, you must obtain an EIN. You can do this on-line on the Internal Revenue Service web site, IRS.gov. The form you fill in will ask for certain information, including the type of organization the Group is and who the responsible party is, including name and address. When the application is completed, generally you will immediately receive your EIN while still on the web site. When completing the application, the form will ask the type of organization your Group falls within. There is a category for Community or Volunteer groups and another for Other Tax Exempt/Non Profit organizations. You should select the type you best believe fits your situation.

Once you receive your EIN, you may find there is a need or requirement to complete further documents at the federal or state level. For instance, the Group may want to complete a Federal Form 1023, Application for Recognition of Exemption for a 501(c) (3) organization, which is required if the Group wants to be recognized as tax exempt (nonprofit). This is a 26 page document that must be accompanied with a \$400 application fee if your annual revenues are less than \$10,000 and an \$800 fee if revenues are higher. While many of the questions in the application may not be applicable to a Group, there are certain questions that will need to be addressed. Included in this category are questions related to dates the Group was incorporated or founded. Many groups may not be “officially” organized beyond having registered with the General Services Office and the Group may have to embark on this process of organizing. This will entail preparing organizing documents (the Form 1023 application indicates certain information that will be required in these documents) and providing information as to organizing members such as name, address, etc. Many groups may elect into the category of unincorporated association.

At this point, you may find it necessary to go to the Colorado Secretary of State web site and determine if it is necessary to register the newly established and organized Group with the State. This may entail completing further forms and may necessitate the payment of a modest annual fee to maintain the registration. Information can be obtained at sos.state.co.us.

Lastly, if you are approved as a tax-exempt organization by the US Treasury after submitting your Form 1023 application, you will be required to submit an annual tax return for an exempt organization. For tax years starting after 12/31/2010, if you revenues are less than \$50,000, this is done on a fairly simple Form 990-N, an e-postcard filed on-line. It contains only 8 questions and should be simple for a Group to complete.

Should a Group go the route of organizing, it is important to note that filing all required forms annually on a timely basis is very important to maintain your status. Accordingly, during Group officer rotations, it will be important to ensure that incoming officers are aware of all reporting requirements as failure to report may result in certain penalties.

Certain information on this matter is contained on the AA.org website. You may find that information by visiting AA.org, For Groups and Members, Financial Information,

AA Guidance on Finance, Bank Accounts and Tax ID Numbers, using the following link:
http://www.aa.org/lang/en/en_pdfs/mg-15_finance.pdf