

Group Corner

Setting Your Group Up As a Small Business

by Jeff Martell, CDSS Group Services Manager

There comes a time in the life of any group that its members will want to legitimize the structure of the group. Once you have had a few successful dances and begin making money, your group will want to have a bank account, purchase insurance, firm up some ground rules, and not have the financial and legal liability for the group rest on any one person. Some of this may sound a bit complex, but it is actually fairly easy.

The first thing you will need to do is decide on a structure for the group.

The most common form for dance groups seems to be the nonprofit corporation. Nonprofits are formed for civic, educational, charitable, and religious purposes and enjoy tax-exempt status and limited personal liability. Nonprofit corporations are generally managed by a board of directors or trustees, and donations made to nonprofit groups can also be tax deductible. An educational nonprofit corporation has to file for a 501(c)3 status from the IRS, or join an umbrella organization that has a group exemption status. CDSS offers the option of an umbrella exemption to our affiliate groups. More information about group exemption is available online at www.cdss.org.

For more information on various other business structures and their relative merits, see the US Small Business Administrations website at www.sba.gov.

Once you have decided on a structure, you will need to put it into writing in the form of either a partnership agreement or bylaws.

CDSS has samples of nonprofit bylaws on our website, www.cdss.com/nonprofittax-exemption.html. If you or anyone else is investing money in your group, consulting a lawyer is also advisable. Some things to consider when setting up your bylaws are: who will be a “member” of the group, who gets to vote on policy, how directors and officers are elected, and who is responsible for what tasks. The clearer you spell everything out in the bylaws, the less chance there is for misunderstanding further down the line.

Almost all companies or individuals are required to file income taxes.

Please note: joining an umbrella organization *does not* mean the parent organization files your taxes. It is always the responsibility of the individual group. A nonprofit corporation is usually required to file an IRS Form 990, 990EZ, or if gross receipts are less than \$25,000 annually, a 990N. You can find information on the Form 990 and who must file at www.irs.gov.

You will also need a federal Employer Identification Number, or EIN, which is the corporate equivalent of a social security number. You can apply for one online at www.irs.gov. Your local Chamber of Commerce or Small Business Administration will also have some sort of small business counseling services available, which may help with sorting out and state and local requirements for setting up your group.

That, in a nutshell, is how a group is born. As always, the CDSS staff is available to answer any questions you may have about group issues and services—jeff@cdss.org, 413-268-7426 x 103.

Helpful websites

www.irs.gov
www.cdss.com/nonprofittax-exemption.html
