

REACT International, Inc.

Policy Statement

Policy 1-02

SUBJECT: Compliance with Internal Revenue Service Requirements

PURPOSE: Provide guidance for REACT Teams and Councils to comply with provisions of Internal Revenue Code Section 501(c)(3) and IRS rules and regulations

APPLIES TO: U.S. Teams and Councils

GENERAL:

REACT International, Inc., is a nonprofit charitable corporation, recognized pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. This status was affirmed for REACT International, Inc., and its subordinate organizations by the Internal Revenue Service in its letter dated 30 July 1976. This letter also established that REACT International's Group Exemption Number is 2746.

IMPLEMENTATION:

In conjunction with the group exemption status of REACT International and its subordinates, the U.S. Internal Revenue Service requires that REACT International annually report the Teams and Councils included in the Group Exemption, as well as those Teams and Councils which have obtained their own Section 501(c)(3) exemptions.

Internal Revenue Code Section 501(c)(3) requires that any 501(c)(3) exempt organization that dissolves distribute the remaining assets to another non-profit, educational, or charitable 501(c)(3) organization. Provisions requiring this distribution upon dissolution are required to be in each Team or Council's Articles of Incorporation (or Constitution, if not incorporated) and its Bylaws.

In order to implement these requirements, REACT International each year, with the annual registration of Teams and individual members, sends out its Form 501, which must be filled out by all U.S. REACT Teams, including those which have their own Section 501(c)(3) exemption. The information contained on REACT International Form 501 is used to prepare the annual report to the Internal Revenue Service.

The IRS has advised Teams (as recently as June 2003) that because of the REACT International Group Exemption, Exemption Determinations obtained by individual Teams are not valid. However, it has in recent years issued these letters to several Teams. ***Teams are warned that obtaining their own exemption letters may turn out to be a wasted (and expensive) exercise.*** There is no reason for an individual Team to obtain its own exemption, as the REACT International Group Exemption is available. Should a Team leave REACT International (or REACT International cease to exist), the Team could at that time obtain its own exemption, based upon the type of organization it is.

Adopted 26 Jul 90. Revised 24 Jul 03.

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