

## **Brief Overview of Classic Yacht Association Efforts Toward Tax-Exempt Status**

The Classic Yacht Association was incorporated in 1970 in the State of California as a non-profit entity. This state designation simply defined the purposes of the organization, and did not affect the tax status of the corporation, neither on the state nor federal level.

While occasional discussions about the benefits of being granted federal tax-exempt status occurred over the years, it was not until 2003 that the conversations began to coalesce around some action items pursuant to obtaining that goal.

Below is an outline of the timeline of events that ultimately culminated in the Classic Yacht Association being named a federally tax exempt organization on April 19, 2016.

- January, 2003: Outgoing Association Commodore Mike Oswald challenged the CYA to imagine the benefits of official tax-exempt status during his speech at the Change of Watch in Vancouver, B.C.
- January 2008: The Pacific Northwest Fleet made "Proposal No. 1" to the Board at the Annual Meetings in Long Beach, CA. Enriched with information gathered when a committee of CYA members met with accountants from Ward & Company in Seattle, the proposal included the minor by-law changes that would be necessary, along with a Q&A section which addressed matters such as financial record keeping, possible write-offs, insurance, and donations. Despite the ample positive recommendations, concerns about added financial reporting and maintaining the identity of the CYA as it currently existed caused the proposal to fail in a close vote. With the focus now squarely on the CYA's financial status with regards to the federal government, it was decided that the Association needed to begin filing income tax. Each fleet treasurer was to be required to submit and Income/Expense sheet yearly, to be compiled with the Association's own treasury figures in calculating tax liability.
- January, 2011: ATS Tax Services of Tukwila, WA had been preparing the Association tax forms since 2009, and had sent a letter to the Board in 2010 recommending tax-exempt status. The tax bill for 2010 was \$1160. Discussion

about the cost of paying the ever-increasing income tax bill ensued at the Board meetings in Victoria, B.C.

- April, 2014: Given an ATS-prepared tax bill of \$1204 for 2013, permission was granted by the Commodore to engage another accounting firm to recalculate the taxes for 2013. Bruce Glidden, MBA, and owner of the Burien H&R Block franchise, did a complete review of the CYA taxes, and found immense overpayment, telling the IRS, "Since 2012, the taxpayer has consolidated their financial accounting. As a result, numerous redundant accounts of revenue and expenses have been deleted. All changes stem from this." Bruce expressed surprise that the CYA had never applied for tax exempt status, as the Association seemed to him to be a perfect candidate for such designation.
- January 2016: With the volatility of tax liability in its recent history, the Board was presented with a PNW Fleet proposal for pursuing Tax Exempt status via the IRS Short Form during the Vancouver, BC meetings. The proposal passed.
- February 2016: PNW Fleet members Ann Hay, Margie Paynton and Jim Paynton met with Bruce Glidden to prepare the Short Form. Among the questions to be answered was the "c" status; it was decided that the best description of the CYA was as an educational organization, 501(c)3. All other questions were answered readily with Bruce's expert advice, and the application was submitted.
- April 2016: The Classic Yacht Association received a formal letter from the Internal Revenue Service stating, "We're pleased to tell you we determined you're exempt from federal income tax under Internal Revenue Code Section 501(c)3." Reporting each year was directed to be made on the Form 990-N E-postcard, which would prove to be a quick and direct way to confirm the CYA had stayed below \$50,000 gross income each year, a requirement if the full 990 form was to be avoided.
- January 2017: With tax-exempt status secured, the Board discussed ways during the Mystic, CT meetings to further enhance its mission through the benefits of this declaration. All donations to the Association were decided to be routed through the Association Treasurer, with acknowledgment letter going from the Treasurer to the donor, and funds being transferred to the fleet of origin. It was noted that state tax-exempt status might allow for further benefits at the local level.

Compiled February 8, 2019