

## RSO Bank/Credit Union Accounts

Registered student organizations are required to hold an account at a bank or credit union for all self-generated funds such as membership dues and money raised through fundraising initiatives.

Outside accounts are the sole responsibility of each organization. The organization **is not** allowed to use the University taxpayer identification number or the University's name to establish or imply affiliation with the University when opening an outside account. The responsibilities include, but are not limited to tax filing and reporting obligations to the IRS or similar agencies. Any account identified using the University's name or taxpayer identification number will be terminated immediately by the University. Make sure the organization name you file does not include ISU or Illinois State University.

### How to open a student organization outside bank account

1. Apply for a EIN (Employer Identification Number) number for your organization through the IRS at [http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-\(EIN\)-Online](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online)
  - a. Read instructions and click "Apply Online Now"
  - b. Read instructions and click "Begin Application"
  - c. Select "View Additional Types including Nonprofit/Tax-Exempt Organizations" and click "Continue"
  - d. Select either "Community or Volunteer Group" or "Social or Savings Club" depending on which best describes your organization and click "Continue". Definitions are as follows:
    - Community or volunteer groups: groups that share a common interest and come together to provide volunteer services, such as neighborhood watch groups, preservation societies, etc.
    - Social Club: a group organized for leisure, recreation, or other similar non-profitable purposes. Some types of social clubs include sailing clubs, hiking clubs, art groups, etc.
  - e. For the address, use:  
Campus Box 2700 Dean of Students  
Normal, IL 61790
  - f. For phone, use your advisor's ISU office number (with his/her permission). If you have issues with this, please contact Student Activities & Involvement.
  - g. You will be prompted to include your social security number; please note that you will not be taxed as an individual on the RSO account funds.
  - h. Share the assigned EIN with your advisor and save a copy in your secure student organization files for future use.
  
2. Research the best options for your organization. Questions to ask include:
  - a. What fees are associated with the account?
  - b. What is the minimum balance required for the account?
  - c. What are the charges for being overdrawn?
  - d. How many individuals may be authorized to sign on checks?
  - e. When leadership changes, how do we change the authorized signature on the account?
  - f. What steps can be taken if the previous signer is unavailable?

3. The individuals with signature authority on the account must go to the bank/credit union together to open the account – bring your driver’s license and EIN number.

## **Recommendations**

1. Have 3 signature authorities on your account.
2. Advisors should not be a signature authority to reduce personal liability. Students in leadership positions should be able to handle the account.
3. It is strongly recommended that you use a bank/credit union at which the signature authorities **do not** have a personal account.
4. Have a thorough conversation about the pros and cons of using debit cards, as the misuse of funds can be much greater. Checks will require a signature and can be more easily traced than electronic transactions.
5. Develop organization accounting procedures for record keeping. Require receipts for reimbursements and keep them in an organized filing system.
6. Add a statement in your constitution providing instruction on where funds should go if the account needs to be closed.

## **Tax-exempt Status – just because you have a tax ID, doesn’t make you tax exempt**

Registered student organizations **CANNOT** use the Illinois State University tax-exempt number to make purchases. Each organization must apply for their own tax-exempt number. If nationally affiliated, some groups may be able to use the tax-exempt number of their national organization who will have established guidelines on how it can be utilized.

To qualify as tax-exempt from federal taxes, a group must meet the requirements set forth in the Internal Revenue Code. For more information, visit <http://www.irs.gov/Charities-&Non-Profits/Types-of-Tax-Exempt-Organizations->.

To qualify for Illinois tax-exempt status, a group must meet the requirements set forth by the state. More information is available at <http://tax.illinois.gov/publications/pios/pio-37.htm>.

Obtaining tax-exemption for an organization is a long and detailed process. You will also need to strictly follow reporting rules set forth by the IRS. If your organization should qualify for and receive a tax-exemption number, provide your advisor and the Student Activities & Involvement Office with a copy of the tax-exempt letter to keep on file.