



# **State Affiliation Handbook**

**Last Updated January 2022**

# NAMSS State Affiliation Handbook

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## About NAMSS

### 1. NAMSS' History

Charlotte Cochrane and Joan Covell Carpenter, two far-sighted medical staff secretaries, each had the vision to create a section of medical staff secretaries under the sponsorship of the Association of Western Hospitals. Working in different counties in California, the pair was connected by the Executive Director of the Association of Western Hospitals after each had separately contacted the organization regarding their vision.

An inaugural meeting was held in June 1971 and so was established a California-based medical staff secretaries organization (today known as CAMSS). The goals of the association were to standardize medical staff office support services, promote educational workshops, foster standards of excellence nationwide, and to bring medical staff secretaries together for professional and personal development, information exchange and career development.

In February 1973, the California Association of Medical Staff Secretaries (CAMSS) published the first edition of *OVERVIEW* with Pat Petrone serving as the first editor. A few years later, the association radiated from the western states and the first national conference was held at the American Hospital Association in Chicago, October 13-14, 1977. Thirty-one people attended this conference. The theme was "Helping the Medical Staff Get it All Together."

At this meeting, Mary Harryman and Arlene Ellis Camp were appointed co-chairmen of an Extension Committee to develop plans for a national organization. The committee met in Chicago in May 1978, and developed plans for the national organization and for the Second Annual National Conference held in Chicago on October 25-26, 1978. Two hundred and sixty people attended the conference.

Arlene Ellis Camp from Pasadena, CA, was elected the first national president. Under her remarkable and energetic leadership, the organization prospered. Arlene developed the first bylaws, policies and procedures. Arlene, Betsy Kennedy (CAMSS President), and Charlotte Cochrane (CAMSS co-founder) met with Harlan Huebner, an attorney, in Los Angeles and presented the national bylaws. They developed Articles of incorporation and NAMSS officially was established as a nonprofit incorporated organization.

Arlene appointed the first committee to establish a certification program, which was chaired by Cindy Orsund-Gassiot (first president of the Texas Society for Medical Services Specialists and NAMSS 1980-1981 President). NAMSS administered the first exam in 1981 at the annual conference in San Francisco with testing sites also offered in New York, Atlanta, Chicago and Dallas. There were many "firsts" in those days, and Arlene inspired, motivated, coerced, influenced, swayed, lured, and wheedled the best out of her board members. Together, they set the course for the continued prosperity of this new national organization. Through the past 30 years, NAMSS has accomplished many goals from education and certification to special recognition from various health-related agencies.

In 1992, President George Bush signed Congressional House Joint Resolution #399 proclaiming the first week in November as [National Medical Staff Services Awareness Week](#) – a salute to our profession.

On June 11, 2008, the National Commission for Certifying Agencies (NCCA) granted accreditation to the CPMSM and CPCS Exams of NAMSS for demonstrating compliance with the *NCCA Standards for the Accreditation of Certification Programs*. NCCA is the accrediting body of the National Organization for Competency Assurance (NOCA). Today the certification programs have over 5,200 certificants.

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NAMSS has expanded into a very solid organization and today offers its 5,500+ membership tremendous educational opportunities including online and live courses, webinars, and other tools and resources focusing on certification preparation, professional development and industry updates. NAMSS continues to invest in education to meet the needs of all members from those new to the field to those who hold executive and leadership positions within their facilities.

NAMSS continues to attain additional recognition for our profession through our ever-increasing advocacy initiatives. Leaders in the healthcare field from organizations such as the Centers for Medicare and Medicaid Services, The Joint Commission, American Board of Medical Specialties, and the Federation of State Medical Boards have incorporated input from NAMSS on standards and policies, recognizing our unique and important role as the “gatekeepers to quality patient care.”

NAMSS is looking forward to the future as we seek to enhance the professional development and recognition of individuals responsible for medical staff and credentialing services in the diverse healthcare industry.

*Compiled from articles written by Joan Covell Carpenter and Mary Ann Dunn and published in OVERVIEW in 1990.*

*NAMSS would like to thank the California Association Medical Staff Services for their efforts in establishing NAMSS.*

## **2. NAMSS’ Mission and Vision**

*Our Mission:* To enhance the professional development and recognition of the medical services profession through education and advocacy.

*Our Vision:* Ensure healthcare quality and patient safety.

## **3. NAMSS’ Goals**

**NAMSS 2021-2024 Strategic Plan includes:**

- **Communicate and Educate**
- **Broaden Membership**
- **Elevate the Profession**
- **Embrace Diversity, Equity and Inclusion**

**Read more about the NAMSS Strategic Plan [online](#). (Please note, you must be logged in as a NAMSS member to view this information).**

## State Affiliation

The following information can be found on the NAMSS website under [State Association & Affiliate Information](#).

1. [What is an Affiliate?](#)
2. [Why Affiliate?](#)
3. [Become an Affiliate](#)
4. [Benefits for State Associations](#)
5. [NAMSS Affiliate-Only Resources](#)

As an additional benefit, NAMSS provides State Affiliates a number of exclusive benefits, including:

- Insurance Coverage
- Advocacy Toolkit
- State Conference Toolkit
- Legal Toolkit
- Marketing and PR Resources
- Speaker Registry
- State Leadership Conference Information
- Bylaws Review

These resources can be found on the NAMSS Affiliate-Only Resources page on the NAMSS website. *(Please note: you must be logged in to view this information).*

## 6. Confidentiality

NAMSS and the State Associations shall maintain the confidentiality of all shared information and data, i.e. mailing lists. NAMSS will not distribute information shared by the State Associations to any third party without the consent of the respective State Association. The State Associations will not distribute information shared by NAMSS to any third party without the consent of NAMSS. Any confidential information (mailing lists, etc) provided to NAMSS by the State Association will remain the property of that State Association. Any confidential information provided to the State Associations by NAMSS will remain the property of NAMSS.

## 7. Indemnification

As a condition of affiliation with NAMSS, State Associations shall indemnify and hold harmless NAMSS, its partners, officers, directors, employees, members, attorneys, and other agents, from and against any and all claims, lawsuits, demands, losses, damages, settlements, costs and expenses (including reasonable attorneys' fees and expenses), and liabilities of every kind (a "Claim"), which may arise by reason of any act or omission by the State Association or any of its officers, directors, employees, members, attorneys, and other agents. The State Association shall promptly notify NAMSS upon receipt of any Claim (lawsuit).

## Key Resources

### 1. Process for Review of State Association Bylaws by NAMSS

NAMSS provides an optional bylaws review service to the State Associations. Review of State Bylaws is not required, nor must a State Association accept all recommended revisions. A copy of the Bylaws Submission Policy, which includes the procedure for submitting bylaws changes and a state bylaws template, and the Bylaws Review Submission Grid can be found on the [NAMSS State Affiliate Information](#) webpage.

### 2. NAMSS Code of Professional Conduct

The NAMSS Ethics Policy and Code of Conduct can be found on the [NAMSS Policies and Bylaws](#) webpage.

### 3. Recommended Reports

It is recommended that every State Association have on file the following information:

#### Database informational Checklist:

1. The State Association founding/charter date
2. EIN – Employer Identification Number
3. IRS Exempt Letter indicating that the association *is* exempt
4. Date of association incorporation, if applicable
5. List of bank accounts, checking and savings information
6. Number of state association members
7. Annual dues and invoice dates
8. Copy of year-end financial statement
9. Location of association library, if applicable
10. Election dates and list of current officers and directors, with term dates

#### Annual Report Checklist:

1. Completed Financial Statement Form
2. List of Officers and Directors for the year covered by the report
3. Current membership list (paid in full members for the past year)
4. A copy of the minutes of the regular meetings of the directors and members
5. Schedule of events for the next year
6. Location of Association Library and contact person name and number

### 4. Recommended State Association Policies

#### *Administrative Policies*

1. Board of Directors Meeting Agendas – Preparation and Distribution
2. Board Meetings
3. Parliamentary Authority
4. Removal of Officers/Directors
5. Vacancies in Officer and Board Positions

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## **Conference**

1. Conference Continuing Education Units
2. Conference Committee Composition
3. Conference Courtesies and Fees
4. Conference Registration Policy

## **Financial**

1. Expense Reimbursement
2. Record Retention Schedule
3. Indemnification of Officers, Board Members and Representatives
4. Whistleblower Protection Policy

## **Governance**

1. Amending Bylaw
2. Nomination and Election of Officers and Board Members
3. Selecting Volunteers

## **5. Helpful Links**

### **Association Management:**

- [NAMSS Policies](#)
- [Professional Association Management State Association Policies](#)
- [State Conference Toolkit](#)
- [Education Resources for State Associations](#)
- [Marketing Resources for State Associations](#)
- [State Website Resources](#)

### **Tax Reporting/Filing:**

- [Apply for an Employer Identification Number \(EIN\)](#)
- [Federal Tax Filing](#)
- [Resources for Charities and Nonprofits](#)
- [Independent Contractor Tax Reporting/Form W9](#)

## **6. Sample COI and Disclosure Form**

A copy of the NAMSS Volunteer Leader Agreement and Conflict of Interest Form can be found on the [NAMSS Policies and Bylaws](#) webpage.

## 7. Sample Financial Statement Form

\_\_\_\_\_ STATE ASSOCIATION  
FINANCIAL STATEMENT FORM  
*Revenue and Expense Statement*  
As of December 31, 20\_\_\_\_

**Income:**

Membership Dues \$ \_\_\_\_\_

Other Income (List by Source)

\_\_\_\_\_

\_\_\_\_\_

*Total Income for the Year* \$ \_\_\_\_\_

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**Expenses:**

Meeting Room Rental \$ \_\_\_\_\_

Dietary Expense \_\_\_\_\_

Printing & Stationary \_\_\_\_\_

Postage & Mailing \_\_\_\_\_

Program Expenses \_\_\_\_\_

Travel Expenses \_\_\_\_\_

Annual Incorporation Fees \_\_\_\_\_

Other Expenses \_\_\_\_\_

*Total Expenses for the Year:* \$ \_\_\_\_\_

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**Revenue Over Expenses** \$ \_\_\_\_\_

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**Balance on Hand**

1. Checkbook Amount \$ \_\_\_\_\_

Bank \_\_\_\_\_

Account # \_\_\_\_\_

2. Savings Amount \$ \_\_\_\_\_

Bank \_\_\_\_\_

Account # \_\_\_\_\_

3. CD/Other Amount \_\_\_\_\_ \$ \_\_\_\_\_

Bank \_\_\_\_\_

Account # \_\_\_\_\_

*Total Balances on Hand:* \$ \_\_\_\_\_

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**Debts Owed by State Association**

1. Amount of Indebtedness \$ \_\_\_\_\_

Owed to \_\_\_\_\_

2. Amount of Indebtedness \$ \_\_\_\_\_

Owed to \_\_\_\_\_

*Total Association Indebtedness* \$ \_\_\_\_\_

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Date: \_\_\_\_\_

Treasurer's Signature: \_\_\_\_\_

## State Association Administration

### 1. Managing Association Operations

NAMSS does not exercise supervision or control over the State Associations, but assists the State Associations by providing certain benefits and services designed to meet our mutual goals. The below items are recommended best practices for managing the operations of a non-profit organization. State Associations are encouraged, but not required to comply with these recommendations.

- A. **Board Meetings** –It is recommended that your State Association Board of Directors hold at least one official meeting each year, either in person or via conference call, as outlined in your Association’s bylaws and/or policies. Your State Association may choose to have the Board meet prior to each State Association annual or membership meeting. You may also decide to have the officers of the association and others, as delineated in the State Association’s Bylaws, serve as the Executive Committee and meet more often to implement the policies and recommendations of the Board.
- B. **Board of Director's Responsibilities** - Directors perform essentially a fiduciary/policy making function for the State Association:
  - 1. Set the overall policy of the organization.
  - 2. Determine the goals through an approved long or short-range plan.
  - 3. Provide adequate funds to do the job through the annual budget.
  - 4. Establish the dues structure.
  - 5. Ensure the election of officers in accordance with the Bylaws.
  - 6. Fill all vacancies occurring on the Board in accordance with the Bylaws.
  - 7. Recommend changes in the Bylaws.
  - 8. Meet as required by the Bylaws, by call of the President, or on its own motion.
  - 9. Ensure that State Association is operating in conformity with its Bylaws and applicable laws.
  - 10. Oversee the financial and operational aspects of the association.
- C. **Duties** - As Individuals, each Director is expected to serve in the following capacity for their State Association:
  - 1. Have a duty of care and loyalty.
  - 2. Prepare for and attend all meetings of the Board of Directors.
  - 3. Consult frequently with the membership of the association in order that he or she may be truly representative in their legislative function or to explain Board actions.
  - 4. Counsel, advise and make suggestions.
  - 5. Serve on or chair committees when requested.
  - 6. Perform such duties, within his or her capabilities, as the President may request.
- D. **Committees** - Your association may have standing committees that are always operating and it may have ad hoc committees, created to address one issue or tackle one project. Typically, associations have committees to address issues of membership, programs, governmental affairs, technical issues, and more. See the sample Bylaws in the appendix for more information about committees.
- E. **Code of Professional Conduct and Ethics Policy**– It is recommended that your state association develop a policy with respect to matters of ethics that applies to all members. See the Appendix for the NAMSS’ Code of Professional Conduct Policy.

## 2. Financial and Legal Status of State Associations

Associations, as not-for-profit organizations, exist to serve the profession and its members, not for turning a profit as with commercial entities. A prudent Board of Directors will want to have a financial surplus to provide an additional fund and for future operations. It is important to note that, because an association may operate as a nonprofit or have a nonprofit status under applicable state law, does not mean it automatically has a federal tax exempt status.

We will focus on 501(c)(6) associations in this section and throughout the handbook as most professional societies fall under Section 501(c)(6) of the Internal Revenue Code, the provision for "business leagues." Organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals are eligible to file Form 1023 to obtain recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. As NAMSS and many of the State Associations operate as professional societies, existing to advance the profession and educate their members, most State Associations will fall under Section 501(c)(6).

- A. **Deductibility** - Associations are typically exempt from federal income taxation under Internal Revenue Code section 501(c)(6). Contributions made to such associations are not deductible as charitable contributions. Dues paid may be deductible as business expenses – the exception is the extent to which dues support political or lobbying activities. Nevertheless, 501(c)(6) associations are not prohibited from engaging in political activities and are not subject to limits on lobbying expenditures. You can ask the IRS to formally recognize the organization's tax exemption. For information on how to apply for recognition of tax exempt status, please see Section 4, "Tax Issues".
- B. **Disclosure** - Associations that are exempt as 501(c)(6) association, are required to conspicuously state that contributions (including dues) are not deductible as charitable contributions for U.S. federal income tax purposes.
- C. **Association Incorporation** - Corporate status offers numerous advantages for a State Association. In most cases, it provides a liability shelter against individual financial responsibility for corporate officers and directors of the State Association. If a State Association does not incorporate it is acting as an "unincorporated association" in legal parlance, in which all participants share potential liability. Meaning, should the association go into debt or be sued, the individuals involved in the organization would be personally liable. In order to obtain corporate status, the Board of Directors must file Articles of Incorporation with the Secretary of State (or comparable official) in the state where the association is located. Nonprofit organizations may also be subject to additional state or local government requirements. Local attorneys can guide you through the process. Many state corporation authorities also have information on incorporation requirements. In order to help State Associations incorporate, the IRS has compiled a list of [state government websites](#).
- D. **Registered Agent** - If you are incorporated, you must also designate a person in the State Association to serve as Registered Agent – to receive legal service of process and other legal papers on behalf of the State Association. The registered agent may be an individual member of the association who

resides in the state, or (more often) a third party, such as the organization's lawyer or a service company. NAMSS uses [Corporation Service Company](#) as its registered agent as they can serve as a registered agent in most states. For more information on designating a registered agent in your state, contact your Secretary of State.

### 3. Managing Association Funds

- A. **Financial Statements and State Association Annual Reports** - A key responsibility of an Association Treasurer is preparing and/or overseeing the preparation of financial statements for State Leadership. Reports should be prepared either monthly or quarterly. There are two basic financial statements that should be prepared.
1. Income Statement -this statement indicates the sources and amounts of revenue, the expenditures amounts and accounts, and the amount of any surplus or deficit for the period covered.
  2. Balance Sheet -the balance sheet shows the value of association assets, the amounts of liabilities, and the difference (net worth) as of the end of the period.

For simplification, we recommend that the fiscal year align with the calendar year (January 1 – December 31). Sample Financial Statements are included in the Appendix and on the State Resources pages on the NAMSS website.

- B. **The Budget Process** - The Board of Directors establishes policies to achieve the mission of the association and is responsible to obtain the necessary resources, oversee operations, and plan for the future. The board should create an annual plan that includes the association's short and long range goals. A budget is then developed to accomplish the goals. There are five steps to the budgeting' process:
1. Prepare the list of objectives for the upcoming year.
  2. Estimate the cost of each objective, or goal.
  3. Estimate the expected income of the association.
  4. Compare expected income to the cost of achieving the objectives.
  5. Prioritize and submit proposed budget to the board for approval.
- C. **Handling Money** - Over time, even a small association may receive, handle and expend large sums of money. As a result, each association should develop and follow a simple system of financial management that adheres to generally accepted accounting principles. A number of inexpensive software programs, such as Quicken or Quick books come with charts of accounts and can be used for this purpose. Income in the form of cash and checks should be recorded in a cash receipts journal. Payments made to creditors should be supported with vouchers or invoices and recorded in the check register. Miscellaneous transactions should be recorded in a general journal. Most associations will want to choose the cash method of accounting except for large bills that are incurred. Using the cash method of accounting, revenue and expenses are recognized when cash changes hands. Using the accrual method revenue is recognized when earned and expenses are recognized when incurred. The accrual method better matches revenue and expenses to the period where services were performed but does require additional entries and a deeper understanding of accounting principles.
- D. **Internal Controls** - A significant loss of assets through theft or fraud could jeopardize association programs. The State Association's board is expected to exercise reasonable diligence, care, and good judgment in safeguarding the association's assets. Sound internal controls should be established to

allow for a system of policies and procedures that minimize the likelihood of misappropriation of funds.

Every association should have a bank account. Depositing funds into an account belonging to an individual associated with the association constitutes poor financial management and places undue financial responsibility on that person. Two signatures check policy is recommended for checks over a benchmark level. Be sure to change signature cards at the bank when new officers are elected. To open a bank account, an association needs its own Employer Identification Number (EIN). This nine-digit number assigned for IRS filing and reporting purposes, established a unique identity for an organization much like a social security number identifies and individual. A State Association can obtain an EIN within four or five weeks by mail; or immediately by telephone or online. There is no application fee. [Apply for an EIN online.](#)

An investment policy should be adopted and recorded in the minutes. Funds should be invested in a reasonable manner; avoid "risky" investment vehicles. It is a good idea to invest reserves only in instruments that are insured by the federal government. This avoids taking unnecessary risks with membership funds in your fiduciary capacity.

- E. In accordance with general accounting principles, association leadership may want to perform an annual audit to review the financial records. One option is to hire an audit firm; however, this can be expensive. Other less expensive options include:
- Seek a financial officer/accountant from a hospital or managed care organization or an association member with financial experience to perform the audit
  - Form an ad hoc audit committee of association members with financial experience to review the financials, or
  - Seek a local accounting firm, tax service or accountant that would do the audit pro bono

#### 4. Tax Issues – IRS Filing

***Do not assume that your State Association is exempt from paying US Federal income taxes because it operates as a non-profit organization.***

**Note:** Copies of IRS forms are easily obtained by downloading them from the [IRS website](#).

- A. **Applying for Tax Exempt Status** (Form 1024) - Tax-exempt status is a privilege, not a right, conferred on an association that meets certain requirements of the Internal Revenue Code. To ensure federal tax-exempt status, associations must first be organized under section 501(c)(6) or 501(c)(3) of the Internal Revenue Code (IRC). Most professional societies fall under Section 501(c)(6) of the Internal Revenue Code, the provision for "business leagues." Although formal recognition by the IRS is not required, it is recommended. Organizations organized as charitable or educational organizations under Section 501(c)(3) of the Code must obtain recognition from the IRS. Organizing as a business association that may be exempt from federal income taxation under Internal Revenue Code section 501(c)(6) requires that the association be:
1. An association of persons having a common business interest;
  2. The purpose of the association must be to promote that interest;

3. Activities must be directed towards the improvement of business conditions of one or more lines of business rather than to provide services;
4. Cannot be engaged primarily in a regular business for profit; and
5. No part of the earnings of the association may inure to the benefit of any individual.

IRS Form 1024, Application for Recognition of Exemption under Section 501(a), requests recognition of tax exemption and documents an association's organization and operation. The form requests information such as the association's purpose and activities, articles of incorporation, bylaws (constitution), and details of financial activity. Although Form 1024 is not difficult to complete, an accountant or attorney specializing in services to tax-exempt organizations should review the document before it's filed with the IRS, to ensure it includes all the required information.

The filing fee for submitting the application for tax-exempt status ranges from \$150 to \$500 and the IRS takes about 8 to 12 weeks to respond. A favorable response comes in the form of an IRS Determination Letter, which indicates in writing the IRS approval of tax-exempt status. The association should provide a copy to NAMSS at [info@namss.org](mailto:info@namss.org) and keep the original in a safe, secure place.

As mentioned earlier in this handbook, we do not cover the topic of 501(c)(3) requirements as many State Associations will fall under Section 501(c)(6). For more information on 501(c)(3) requirements please visit the [IRS Website](#).

- B. **IRS Reporting** (Form 990 and 990-EZ) – Previously to 2008, small non-profits were exempt from any IRS filing requirement if they had average revenue or assets below \$25,000. The IRS now requires all tax-exempt organizations to file an annual Form 990-N, (Electronic Notice [e-Postcard]).

The new law effects associations that were not previously required to file a 990 tax form at the end of the year, whether incorporated or unincorporated, and provides that failure to file the return for three consecutive years will result in the nonprofit's tax exempt status being revoked by the IRS. The IRS has developed an electronic filing system (there is no paper form) for the e-Postcard. For more information regarding this requirement go to <http://www.irs.gov>. The annual electronic notice is due by the 15th day of the 5th month after the close of the tax year. For example, if your tax period ends on December 31st, then the annual electronic notice filing is due the May 15<sup>th</sup> of the following year.

Associations with gross receipts of \$25,000 or more are required to file Form 990, (Return of Organization Exempt from Income Tax). This can be filed electronically.

- C. **Unrelated Business Income Tax (UBIT)** - Some associations sell certain items or advertising to members and to nonmembers and have other fund raising activities that are not directly related to the associations tax exempt purpose. That income may be considered "unrelated business income," and, as such, may be subject to federal income tax. Examples include payments from vendors to actively market their products or services (as opposed to royalties for simply endorsing the services), advertising revenues and fees received for managing other unrelated groups. Also sales of some items may be subject to state sales tax. State Associations must consult with legal and tax professionals to determine specific requirements in their area. IRS Form 990-T, "Exempt Organization Business Income Tax Return," must be filed by any such organization that has more than \$1,000 in gross income from unrelated trade or business activities.

## 5. Tax Issues - State and Local Filing

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State Associations need to consult with tax professionals at the state and local levels to determine reporting requirements and tax liability. For example some states require that a copy of the organization's federal tax returns be filed with the state. You can find more information on requirements within your state [here](#).

- A. **State Sales Tax** – The sale of some items may give rise to the obligation to collect sales tax on those items sold within your state. You may be required to secure a vendors license, which registers you to pay that tax. Check with your state tax department for more information.
- B. **Personal Property Tax** -Very few nonprofits are exempt from paying personal property taxes in states that collect such a tax.
- C. **Disclosure of Tax Returns** - Be aware that you may be asked to produce copies of your last three years of Federal Income Tax returns to anyone upon request; however, you may charge a reasonable amount for copying.
- D. **Payroll** (Employees or Independent Contractors) – State Associations are subject to all the normal payroll taxes for employees, but some people who provide services to a State Association may not be considered employees (i.e. Speakers), particularly if that work does not constitute their chief source of income - or if they work under minimal direction from the association. These workers are considered independent contractors; and they pay their own employment taxes. Consequently, associations must obtain the name, address, and taxpayer identification number or social security number for every independent contractor hired so they can report compensation to the IRS. The easiest way to handle this is to ask the independent contract to complete a [W9 form](#).

## 6. Legal Matters

- A. **Liability & Risk Management** – State Association officers and directors may be personally liable for activities that occur within the scope of association activities. Having the proper insurance will provide some protection from liability in addition to the protections afforded by incorporating. In addition, the association should be diligent in safeguarding against the risk of loss or liability by properly managing the association's funds and activities and ensuring safe practices at its meetings.
- B. **Minutes** - The official set of Minutes are important legal documents, reflecting the official acts of the incorporation. Each State Association should be keeping a set of minutes especially of Board meetings, which should not be transcripts of the proceedings of the Board, but instead, they should operate as a summary of the motions made and "action" taken.
- C. **Conflict of Interest and Disclosures** - Directors owe a duty of loyalty to their association and may not use their positions to profit personally at the expense of the organization. Potential conflicts of interest should be disclosed. Potential conflicts include having a direct or indirect business relationship with the association, having a family member who has a direct or indirect business relationship with the organization, serving as an officer, director, trustee, key employee, partner, or member of an entity doing business with the association, or having a family or business relationship with at least another officer, director, or key employee of association. See the Appendix for the NAMSS Conflict of Interest and Disclosure form.

## 7. Insurance Protection

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An incorporated association exists as a legal entity separate from the people who volunteer to serve as its officers and directors. As such, an incorporated association generally shelters association volunteers from personal financial liability.

Still, in today's litigious society, directors, officers, and other association volunteers may be liable for some association decisions and activities that go awry. To protect State Association assets and assure volunteers that their personal assets are also protected, it is essential to understand the scope of insurance available.

It is recommended that State Associations purchase a liability policy to cover directors, officers, and committee members. Coverage should include losses from claims made against the insured for Wrongful Acts, Employment Practices, and Personal Injury.

### ***NAMSS Affiliate Insurance Program Information***

Affiliates can purchase discounted insurance through NAMSS' insurance broker. The following policies are available:

#### A. Directors & Officers Liability/Employment Practices Liability (D&O/EPL)

General Definition – D&O: Insures corporate directors and officers against claims, most often by members and employees, alleging financial loss arising from mismanagement and improper employment decisions. The policies contain two coverages: the first reimburses the insured organization when it is legally obligated (typically by corporate charter or state statute) to indemnify corporate directors and officers for their acts; the second provides direct coverage to directors and officers when the organization is not legally obligated to indemnify them. D&O forms are typically written on a claims-made basis, generally contain an explicit duty to defend the insureds, and typically exclude intentional/dishonest acts and bodily injury and property damage.

General Definition - EPL: A form of liability insurance covering wrongful acts arising from the employment process. The most frequent types of claims alleged under such policies include: wrongful termination, discrimination, and sexual harassment. The forms are written on a claims-made basis and generally exclude coverage for large-scale, companywide layoffs.

New business applications for D&O and EPL can be found [here](#).

#### B. General Liability (GL)

General Definition: Coverage for an insured when negligent acts and/or omissions result in bodily injury and/or property damage on the premises of a business, when someone is injured as the result of using the product manufactured or distributed by a business, or when someone is injured in the general operation of a business. For Affiliate Groups/Associations, the most prevalent exposures are event-related.

For specific insurance questions, contact:

Marianne Alejandro  
Mesirow Financial



## 8. Lobbying and Political Activity

In recent years, there has been a flurry of lobbying and political activities by tax-exempt organizations. The following are highlights of regulations regarding 501(c)(6) organizations. State Associations should carefully review any activities that may qualify as lobbying or as political in nature and obtain legal advice to ensure compliance with current regulations.

- A. **Lobbying Allowances for 501(c)(6) Association** - There is no restriction on the amount of lobbying activity that 501(c)(6) organizations may conduct. However, federal tax regulations limit the business expense deduction for dues used to support an organization's lobbying activities. In general, no deduction is allowed for any amounts paid in connection with:
1. Influencing legislation
  2. Participation or intervention in a political campaign on behalf of a candidate
  3. Attempts to influence the general public with respect to elections, legislative matters, or referendums
  4. Direct communications with certain executive branch officials in an attempt to influence the official actions or positions of the official. Research, preparation, planning, coordination of any of the activities above is also included in the determination of non-deductible lobbying expenses.

Associations may either pay the corporate tax rate on expenditures for these activities or insert in dues invoices a notice that contains a reasonable estimate of the amount of their dues that can be allocated to the association's qualified lobbying expenses -in other words, the amount of their dues that their members may not deduct as a business expense. Consult your tax accountant or attorney on how to proceed with this requirement.

- B. **Political Activities** - Although recent Supreme Court decisions have expanded the scope of a corporation's right to engage in political activity, including general advocacy of political candidates, there are still prohibitions on corporations making direct contributions to such candidates unless made through a political action committee ("PAC"). Political activities are regulated by the Federal Election Commission, the IRS and the House and Senate. Your attorney should be consulted as to applicable restrictions and requirements.

## 9. Professional Association Management Services

Depending on the size of your association, you may want to consider professional association management services through an [Association Management Company \(AMC\)](#). AMCs are for-profit businesses that provide professional management and administrative services to associations. AMCs provide a centralized office that serves as an association's headquarters while allowing for overhead costs to be shared by multiple client associations. AMCs can provide an array of services including administrative and strategic staff support, accounting and financial services, meeting and conference management, marketing, communication and services, advocacy/legislative outreach, and program and education development services.

AMCs can range in size from very small companies serving as the headquarters for less than five associations to very large companies serving over three hundred associations. NAMSS is managed by SmithBucklin, a larger AMC that typically manages associations with budgets of over \$1 million.

If you are interested in an AMC, you can submit a [Request for Proposal \(RFP\)](#) through the AMC Institute. You can choose to submit an RFP for full service management, meaning that the AMC would serve as your headquarters, or project specific management, such as accounting services.

## **10.Document Retention**

It is recommended that an association adopt a records retention policy outlining the predetermined length of time that accounting, legal, corporate, insurance and other pertinent records be retained. This ensures continuity between officers and directors and compliance with the Form 990 referenced in section 4, letter b above. The purpose of a record or document retention policy is to allow an association to identify, retain, store, and dispose of the Association's records in an appropriate, legally sound, and orderly manner. For a sample Record Retention policy, please see the NAMSS Record Retention Policy located within our [Financial Policies](#).

