

Bank Accounts; Information for Groups, Districts or District Committees

AA Groups often face questions relating to the establishment of bank accounts for the Group's funds. The same questions arise at the District level and for District Committees. This paper should be helpful to each of these entities, but for simplicity refers generally to Groups. This document presents certain information about this process which was derived from various government web sites. It is an overview of some of the steps a group can take when preparing to open a bank account. This document cannot be all inclusive. You are encouraged to perform further research into your own particular circumstances to determine relevant guidance. Additionally, the rules cited herein are subject to frequent change; accordingly, certain information contained herein may be out-of-date.

DISCLAIMER: *The preparers of this document are not lawyers or tax advisors. This document does not represent the views of Area 10 or of AA. This should not be construed to be tax advice or legal advice. Rather, it is merely a summary of recent experiences.*

Question 1: Should the group open a bank account

This decision is typically based on several factors: the size of the group, the age of the group, perhaps the proximity of the group or its members to a bank, what the bank requirements are for setting up an account, what checks and balances the group wants on the handling of the group's money, and other considerations.

Often a small or a new group will not open an account, thinking that the formality of this is not yet justified. These groups often feel that the amount of 7th Tradition funds collected and the expenses the group incurs are so small that the group treasurer – or some other designated individual – can simply keep track of the funds in cash, reporting to the group on a regular basis. This approach has the merit of simplicity. There are risks of loss or mishandling of funds, but the amounts are usually small and the group is willing to take the risk in the interest of convenience. *(At this point recommendations could be made about keeping records and regular reporting to the group, if this is considered within the scope of the paper.)*

Question 2: If the group decides to open a bank account, what information does the bank need?

The bank will need the name or owner for the account, and some identification number (such as your ITIN, or individual taxpayer identification, typically a social security number (SSN), or your EIN, employer identification number, sometimes called a Federal

tax ID. The identification number is needed because the bank must report certain information about all bank accounts to the US Treasury Department. For example, interest earnings are reported annually to the US Treasury Department and the account holder on Form 1099-INT. Several different approaches have been used by different groups. Some are as follows:

a. Account established in the name of an individual of the group, using that individual's SSN as the ID.

If you have a Group treasurer or other group member who is willing to supply their SSN to the bank, then a bank account may be established with the name of the individual, not the Group. Amounts associated with Group bank accounts may be nominal, and an individual may be willing to take on this responsibility and duty. However, you cannot easily change the SSN number associated with the bank account, and should the individual supplying the SSN decide they no longer wish to be associated with the bank account; the Group would likely need to establish a new bank account. The bank account will be the property of the individual, not the Group. Further, any information that the bank reports to the US Treasury Department related to the account would be attributed to the individual, not the Group.

Sometimes, individuals just use their own existing bank accounts and co-mingle Group monies with their own. This practice seems to work if records are maintained to separately track and identify Group funds.

b. Account established in the group name, using an individual's – usually the treasurer's SSN as the ID.

This arrangement sets up the group as the owner of the account, with the individual having access. This is usually a small business account and is often free. All reporting done on the account by the bank lists the group as the owner and the individuals with access have no liability beyond the value of the account. There can be multiple levels of access to the account, from full access to deposit and withdraw funds to simply view access. However, when the treasurer changes, the identification information on the account will need to be changed. This is usually easily done, requiring both the incoming and the outgoing treasurer to go to the bank and fill out a couple of forms. The change will be made within a couple of days.

c. Account established in the group name, using the GSO group ID number.

Some groups have asked if it is appropriate to use the ID numbers used by GSO, the Area or their District. Our AA Traditions indicate that groups are autonomous. As such,

GSO, the Area and districts do not have control over or access to funds of the groups. These funds are not included in the tax filings of the Area for this reason, and it would be inappropriate for a Group to use the Area ID.

d. Account established in the group name, using an EIN.

Should a Group wish to pursue opening a bank account using an EIN, the process is a bit more involved. First, you must decide what type of entity your group wants to be. The group could incorporate, be a partnership or an unincorporated association. Without doing anything, groups are considered unincorporated associations. Any of these types of entities can set up a bank account. Being incorporated is the most involved. Unfortunately, it is also the type of entity banks are most comfortable with.

Once you have made that decision, you must obtain an Employer Identification Number (EIN). You can do this on-line on the Internal Revenue Service web site, IRS.gov. The form you fill in will ask for certain information, including the type of organization the Group is and who the responsible party is, including name and address. When the application is completed, generally you will immediately receive your EIN while still on the web site. When completing the application, the form will ask the type of organization your Group falls within. There is a category for Community or Volunteer groups and another for Other Tax Exempt/Non Profit organizations. You should select the type you best believe fits your situation.

Once you receive your EIN, you may need to complete further documents at the federal or state level. If your group typically receives contributions of \$5,000.00 or more each year, the Group may need to complete a Federal Form 1023, Application for Recognition of Exemption for a 501(c)(3) organization, which is required if the Group wants to be recognized as tax exempt (nonprofit). If your group has less than \$5,000.00 in annual contributions it is presumed to be non-profit. See, [Public Charity - Tax Exemption Application](#).

At this point, you may find it necessary to go to the Colorado Secretary of State web site and determine if it is necessary to register the newly established and organized Group with the State. This is not required unless you received contributions exceeding \$25,000.00 annually. See, Charities and Fundraisers FAQs. This may entail completing further forms and may necessitate the payment of a modest annual fee to maintain the registration. Information can be obtained at sos.state.co.us.

Lastly, you will be required to submit an annual tax return for an exempt organization. For tax years starting after 12/31/2010, if your revenues are less than \$50,000, this is done on a fairly simple [Form 990-N](#), an e-postcard filed on-line. It contains only 8 questions and should be simple for a Group to complete.

Should a Group go the route of organizing, it is important to note that filing all required forms annually on a timely basis is very important to maintain your status. Accordingly, during Group officer rotations, it will be important to ensure that incoming officers are aware of all reporting requirements as failure to report may result in certain penalties. For example, the non-profit status will be revoked after three (3) years if the required IRS filing of the 990N e-postcard for non-profits that gross less than \$50,000 per year is not filed.

FOR MORE INFORMATION:

Certain information on this matter is contained on the **AA.org** website. You may find that information by visiting AA.org, For Groups and Members, Financial Information,

AA Guidance on Finance, Bank Accounts and Tax ID Numbers, using the following link:

http://www.aa.org/lang/en/en_pdfs/mg-15_finance.pdf