



Tax Exemption Restrictions

SWS is a federally recognized 501(c)(6) tax exempt organization. To maintain our status we need to honor the requirements of the IRS code, including:

- Our activities must be directly tied to our mission as we have reported it to the IRS.
- SWS cannot engage in a regular business of a kind ordinarily carried on for profit, even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining.
- No part of SWS's net earnings may "inure to the benefit of any private shareholder or individual." We cannot pay royalties to our members or give money to members to use for their own purposes. We cannot pay Officers.
- When we give cash awards or pay people for services, we must file a form 1099 to report this income to the IRS.
- We can reimburse expenses based on original receipts and must keep these receipts on file in case we are audited.
- If we provide funds to support an activity that is related to our mission, we need to exercise oversight to make sure the funds are spent in the ways we intended through securing and reviewing annual reports. We need to keep these documents on file in case we are audited.
- Should we discover that money is not being used for the intended purpose, we have the obligation to report that to the IRS.
- SWS cannot pay its members for expenses they incur in defending malpractice suits and pay judgments rendered in the suits.
- We cannot engage in any activity that amounts to endorsing or supporting a candidate for political office.
- We could spend money on lobbying as long as we stayed closely within the mission of the organization and the amount is not significant compared to our operating expenses. To do that we would need to set up a separate system to track expenditures and file reports with various levels of government.