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National Gay Flag Football League (NGFFL)



Local League Toolkit Module III: Tax & Legal Implications

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1.0 Overview and Purpose

The National Gay Flag Football League (“**NGFFL**”) is committed to proudly fostering community, comradery and inclusivity by providing opportunities to engage in competition through flag football. As part of this vision, the NGFFL has a supporting agenda which includes driving local membership growth and development.

The purpose of the Local League Toolkit (“**Toolkit**”) is to provide lessons learned and resources that can help start or strengthen a local flag football league. Each city and league will be different, but there are common elements that will make this Toolkit useful to local leaders and other stakeholders who organize and run local leagues. This Toolkit is meant to share best practices, examples and lessons learned, all in an attempt to make organization and execution as efficient and as high of quality as possible.

The purpose of this module is to discuss several tax and legal implications of organizing and managing a local league. Your local league may start out as a regular pick-up game and become more formal over time. Early on in this process, you will want to think through how to best ensure that those involved in organizing and those involved in playing are protected from legal liability. Additionally, your league’s relationships with local and state government, your players and your sponsors/partners will largely be affected by your league’s legal status.

2.0 Creation of a Legal Entity for a Local League

When your local league becomes sufficiently large that other activities will be needed (see *Sections below*), you will need to officially become a legal entity. State laws dictate the specific requirements for the creation, maintenance and ongoing responsibilities of legal entities.

It is highly recommended that you consult local legal and tax professionals. Any information contained in this Toolkit is of general informational purposes only and individual local leagues should consult local professionals for state-specific options and requirements.

You will need to form a business entity for your local league. A key decision is deciding which business structure your local league will take. While the majority of local leagues opt to form a “non-profit corporation,” there may be state-specific options to consider.

Each state defines a “non-profit corporation” differently, so check with your local state’s Secretary of State or Department of Commerce (typically the state agency responsible for governance of legal entities). You will likely (but not in all instances) be required to file Articles



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of Incorporation. This may be called something different; example: in Texas, a non-profit corporation is required to file a Certificate of Formation, not Articles of Incorporation.

An example of Articles of Incorporation can be found in Appendix A.

Typical elements that will need to be included in Articles of Incorporation include:

- Purpose – the purpose for why the legal entity is being created; for non-profit corporations, must include the charitable purpose of the organization
- Initial Directors – named individuals constituting the initial Board of Directors; the initial directors will serve until they are replaced as outlined in the Bylaws (*See Toolkit Module II: Board & Internal Management*)
- Incorporator – the person that signs and files the Articles
- Registered Agent – the Articles will identify an individual (and his/her address) known as the Registered Agent, who will be the official point of contact for the legal entity

When you work towards getting your tax-exempt status (*See Section 3.0*), that process is managed by the federal government—the IRS. When the IRS determines your tax-exempt status, the IRS will look at your state-filed Articles of Incorporation and expect it to contain certain language. It is highly recommended that your Articles contain this language so you do not have to file amended Articles later as you apply for tax-exempt status. Certain mandated language includes:

- When the non-profit corporation will be dissolved and that the assets will be distributed to other tax-exempt organizations
- Inurement (a statement forbidding the income or assets to directly or indirectly unduly benefit any insider)
- A general statement that the entity will not take any action that would be inconsistent with the requirements for tax-exemption under Section 501(c)(3) of the Tax Code

Note that there is a difference between non-profit and tax-exempt:

- Non-profit – determined by state law
- Tax-exempt – status that the IRS says the organization is free from paying certain taxes

Once filed with your state, your organization will be expected to file reports and keep information current. These reports may be required on an annual, biennial or less-frequent basis, as determined by state law.

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3.0 Determination of Tax-Exempt Status

One your local league has become an official legal entity in the state you are located, you can then seek approval from the IRS to be treated as a tax-exempt organization. The most common form of tax-exemption comes from Section 501(c)(3) of the Tax Code—thus, you will often hear entities say they are 501(c)(3) organizations.

To become a tax-exempt organization, a non-profit organization must file IRS Form 1023. The following must be included in the submission of Form 1023, so all the following must be completed before filing:

- Certified copies of a certificate of formation from your state and Articles
- Copy of Bylaws
- Detailed pro forma financial statements, including revenue and expense statement for the current and three preceding fiscal years
- For new organizations, proposed budgets for the next two fiscal years including a list of anticipated financial support resources
- Narrative description of past, present and future planned activities with an emphasis on broad public benefit of the organization’s activities
- Names and addresses of directors and officers
- Annual accounting period (fiscal year)
- Statement as to whether the organization is claiming status as a private foundation or as a public charity
- Employer Identification Number

The IRS estimates that it takes a novice approximately 100 hours to complete their Form 1023 and if any mistakes or corrections are needed, it could delay the application up to 18 months for final approval.

Again, the NGFFL highly recommends local leagues consult local professionals for specific options and requirements for their tax-exempt needs.

Once a tax-exempt status is granted, any donations that your organizations receive may be treated as charitable contributions from your donors. Your donors may expect a receipt from your organization, so include that in any fundraising documentation that you’ll provide. See *Toolkit Module V: Fundraising, Income & Sponsorship* for additional recommendations.

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Additionally, keeping your tax-exempt status requires additional steps:

- Comply with reporting obligations – your entity is required to file some type of IRS Form 990 (Form 990, Form 990-EZ or Form 990-N) depending upon your situation. If you fail to do this for three years in a row, your tax-exempt status will be revoked.
- Do not operate for the benefit of private interests – no tax-exempt organization can unduly benefit any individuals, founders or board members
- Do not engage in substantial lobbying or political campaign activities

4.0 Tax Filings

During formation, you will need to apply for an Employer Identification Number (“**EIN**”), commonly referred to as a tax ID number. This number will be used on all federal tax documents. The EIN is also needed to open any bank accounts in the organization’s name. The organization should complete IRS Form SS-4 or can use the IRS website to obtain the EIN. Please retain the EIN notification letter for the organization’s records.

Once you have become a tax-exempt organization, you will need to file IRS Form 990 on an annual basis. This serves as the federal tax return for your tax-exempt organization.

Additionally, your state will mandate annual filings with the state taxing authority, which you will need to keep current. Refer to your local state’s taxing authority’s requirements.

5.0 File for State Fundraising Permits

Some states require organizations, even those that are non-profit, tax-exempt organizations, to register before they can solicit or fundraise. Check with your local state and municipalities on whether your fundraising activities require your organization to file or register.

6.0 Insurance

It is recommended that the local league obtain insurance for their activities; two types of insurance is strongly recommended:

- League Insurance – general liability coverage for players signing a waiver as they participate in games. Depending upon the coverage sought, it is typically secondary to any insurance that the individual players may have.
- Directors Insurance – coverage for individual board members regarding off the field incidents.

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7.0 Waivers of Liability

Once you begin play or conduct any league activities, you will want all participants to sign a legal waiver. The waiver should include language waiving any and all liability for the local league, the local league’s leadership, sponsors, and players for any injury resulting from the participant’s involvement in league activities—not just playing flag football, in case some incidents occur in social environments “off the field.”

A waiver should also include language giving the local league permission to use photographs or video of participants for any communication strategies (*See Toolkit Module VII: Communications and Social Media*).

An example of a Waiver can be found in Appendix B.

8.0 Code of Conduct

Sadly, some of your time will be spent managing individual players who behaviors (both on and off the field) cause issues. It is vital that all of your players sign a Code of Conduct which outlines expected behaviors and clearly states what would be unacceptable conduct. The local board will need to determine what actions constitute what types of enforcement, but having a signed Code of Conduct for all players protects the local league, the local leadership, referees and other players from unruly conduct.

An example of a Code of Conduct can be found in Appendix C.

9.0 Revision History

Version	Version Issue Date	Description of Changes:
1	2012	Initial version
2	03/15/201	Restructured Toolkit into module format and made required edits to content to account for new format; added information around non-profit status and legal entity formation

10.0 Appendices

Appendix A – Sample Articles of Incorporation

Appendix B – Sample Waiver



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Appendix C – Sample Code of Conduct



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10.1 Appendix A

ARTICLES OF INCORPORATION OF YOUR NONPROFIT NAME

The undersigned incorporators, who are individuals 18 years of age or older, a majority of whom are citizens of the United States and pursuant to the nonprofit corporation laws of this state, hereby adopt the following Articles of Incorporation.

ARTICLE I. NAME

The name of this corporation is: _____.

ARTICLE II. REGISTERED OFFICE

The physical address of the registered office for this corporation is at:

_____, _____, _____.

ARTICLE III. REGISTER AGENT

The name and address of the initial register agent is: _____,

_____.

ARTICLE IV. DURATION

The period of duration is: Perpetual

ARTICLE V. PURPOSE

The specific purpose of this corporation is:

- purpose one _____;
- purpose two _____;
- purpose three _____; and
- etc.

This corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.



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ARTICLE V. INITIAL DIRECTORS

The number of directors, and the method of selecting directors, shall be fixed by the Bylaws of this corporation. The initial directors shall be three (3) in number. The names and addresses of these initial directors are as follows:

- John Jones, 123 Main St., Harbor City, OH 44123
- Betty Smith, 321 Front St, Harbor City, OH 44123
- Alex Doe, 888 Noble Lane, Harbor City, OH 44123

ARTICLE VI. MEMBERS

The classes, rights, privileges, qualifications, and obligations of members of this corporation are determined by the bylaws of this corporation.

ARTICLE VII. INCORPORATORS

The name and address of the incorporators of this corporation are:

- John Jones, 123 Main St., Harbor City, OH 44123
- Betty Smith, 321 Front St, Harbor City, OH 44123
- Susan Doe, 888 Noble Lane, Harbor City, OH 44123

ARTICLE VIII. ADDITIONAL PROVISIONS

1. No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Third hereof.
 2. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.
 3. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.
- No member, officer, or director of this corporation shall be personally liable for the debts or obligations of this corporation of any nature whatsoever, nor shall any of the property of the members, officers, or directors be subject to the payment of the debts or obligations of this corporation.

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ARTICLE IX. DISSOLUTION

Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

IN WITNESS WHEREOF, we the undersigned, being the Incorporators of [name of nonprofit] executed these Articles of Incorporation on _____, 20____.

Type Name Here, Incorporator

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10.2 Appendix B

Waiver and Release of Liability

I understand participating in flag football games and events organized or sponsored by the _____ (“Activities”) is a potentially dangerous or hazardous activity that includes risks, including, but not limited to, the possibility of physical harm or injury, permanent disability, death and damage to property. I hereby expressly and specifically assume all risks, including, but not limited to, the risk of physical harm or injury, permanent disability, death and damage to property, associated with my participation in Activities, including, but not limited to, falls, contact with other participants, weather conditions including rain, ice, snow and cold temperatures, the conditions of the field and event locations, etc., all such risks being known and understood by me. I understand that, except as otherwise agreed to by the _____ in writing, the _____ do not carry or maintain health, medical or disability insurance coverage for any participants in Activities.

Having read this Waiver and Release of Liability (“WRL”), knowing, understanding and willing to assume the risks associated with my participation in Activities, and in consideration of being permitted to participate in Activities, I, for my heirs, executors, administrators, legal representatives, assigns and any other person entitled to act on my behalf, as well as myself, hereby waive, release, forever discharge, hold harmless and covenant not to sue the _____, their successors and assigns, their Board of Directors, officers, operators, employees, agents, other participants and any other representative of the _____ (collectively, “Released Parties”) from any and all claims, demands, suits, judgments, damages, actions and liabilities, of every name and nature whatsoever, whenever occurring, whether known or unknown, contingent or fixed, at law or in equity, which arise or may hereafter arise from my participation in Activities. I understand and acknowledge that this WRL discharges the Released Parties from any liability or claim that I may have against the Released Parties with respect to any bodily injury, personal injury, illness, death or property damage that may result from my participation in Activities, whether or not caused by the negligence of the Released Parties. I understand that, except as otherwise agreed to by the _____, the _____ does not assume any responsibility for or obligation to provide financial

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assistance or other assistance, including but not limited to medical, health or disability insurance, in the event of injury or illness to myself caused in any part by my participation in Activities. Except as otherwise agreed to by the _____ in writing, I hereby release and further discharge the Released Parties from any claim whatsoever that arises or may hereafter arise on account of any first aid, treatment or service rendered in connection with my participation in Activities.

I expressly agree that that this WRL is intended to be as broad and inclusive as permitted by the laws of the State of _____, as applicable, and that this WRL shall be governed by and interpreted in accordance with the laws of the State of _____, as applicable. I agree that in the event that any clause or provision of this WRL shall be held invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not otherwise affect the remaining provisions of this WRL which shall continue to be enforceable.

I hereby grant permission to the _____, their successors, assigns, licensees, and legal representatives, the irrevocable right to use my name, picture, portrait or photograph on its World Wide Web site, in electronic media (e.g., video, CD-ROM, etc.) or in other printed publications or other forms of promotion without further consideration, and I acknowledge the _____'s right to crop or treat the photograph at its discretion, and waive my right to inspect or approve the finished product, including written copy, which may be created in connection therewith.

I hereby grant and convey unto the _____ all right, title and interest in any and all photographic images and video or audio recordings made by the _____ during my participation in Activities, including, but not limited to, any royalties, proceeds or other benefits derived from such photographs or recordings. I also acknowledge that the _____ may choose not to use my photo at this time, but may do so at its own discretion at a later date.

I also understand that once my image is posted on the internet, the image can be downloaded by any computer user. Therefore, I agree to indemnify and hold harmless from any claims the following: the _____, the photographer, their offices, employees, agents and designees, including league officers.



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In witness whereof, I have executed this Waiver and Release of Liability on the date indicated below.

Player

Date



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10.3 Appendix C

Code of Conduct Statement

The _____ (“League”) is comprised of members diverse in temperaments, skills, interests, and backgrounds, yet we join together into this greater organization. This Code of Conduct outlines the basic expectations of behavior as a participant of the local league to ensure our activities remain safe and enjoyable to all participants.

The undersigned hereby agrees that:

1. Conduct should at all times be supportive of the mission statement of the League.
2. All players shall treat fellow players, referees, teams, spectators, neighborhood, and the community in a positive, sportsmanlike, and respectful manner while at any League-sponsored activity.
3. No player shall strike, shove, or use any unnecessarily rough tactics towards a player, referee, or spectator while at a League-sponsored event.
4. No player shall engage in objectionable demonstration of dissent, unsportsmanlike conduct, taunting or other disrespectful behavior at a League-sponsored activity.
5. No player shall question or dispute the decision of a referee unless acting in a respectful manner as the Captain of the team in question.
6. No player or official shall participate in playing or officiating football in any condition that would be a danger to him or herself, or to any other player, official, and/or bystander. This provision includes but is not limited to physical and/or mental impairment of any kind. A violation of this paragraph may lead to immediate expulsion from competition.
7. Enforcement of the Code of Conduct will be handled by the referees at each field and, if necessary, the League Board.

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Enforcement:

8. For the first infraction, the referees will call a captains' meeting at midfield and discuss with both captains the behavior that needs to be addressed.
9. For the second infraction, the referees will consult with each other and may expel the player from the game. The team that loses the player will continue down one player until the ball changes possession.
10. For the third infraction, the referees will refer the matter to the League Board for further action. Penalties may include multi-game suspensions or expulsion from the League.

In witness whereof, I have executed this Code of Conduct on the date indicated below.

Player

Date

