

How Can Your Ruritan Club Incorporate?

Michael Chrisley

Associate Executive Director

The question of incorporation crops up in most Ruritan clubs from time to time. Although Ruritan National liability insurance and the U.S. Congress's Volunteer Protection Act provide a high degree of protection to Ruritan members, there may be instances where incorporation of the Ruritan Club provides a desirable additional shield of protection.

There are several steps to incorporation. Because Ruritan clubs are affiliated with a national organization, many of these steps have already been completed, making the process easier. The first step, define the purpose of the organization, can be accomplished with the following statement: The purpose of the Ruritan club is to create a better understanding between people and through volunteer community service make the community a better place to live and work.

While a business corporation exists to make a profit, civic clubs have a different reason for existing. A club can use the objectives of Ruritan, found in the adopted club constitution, to solidify the statement of purpose.

Many states have different requirements as to the statement of purpose. It is always advisable to consult an attorney to draft legal documents. It is desirable to state in the purpose that the organization will not issue or sell stock or distribute dividends. It is also desirable to state that if the organization ever dissolves that the funds remaining after obligations are paid will be passed on to other organizations that further the progress of the community and have a similar tax status.

Ruritan National and its member

clubs fit into the category of civic service organizations. So, deciding on the type of corporation is easy. The Internal Revenue Service code for our type of organization is 501 (c) (4).

In some states it only takes one person to create a corporation. However, in many states the state corporation commission requires that several persons are involved in the process. It would be wise for the club to include all of its officers: the president, vice-president, secretary and treasurer and directors in the process. It is important that the bylaws state that the officers of the corporation will not be compensated for their participation in the organization. This is covered in the Ruritan club bylaws under Article IV Section F.

The Ruritan club will have to decide on the name for the corporation. The name of the club may be used. It would probably be a good idea to check to see if the name of the club is available for use – it is possible that two clubs with the same name exist in one state. If no other corporation is using the club name, you may want to reserve the name with the state corporation commission.

Most of what is needed to draft the *articles of incorporation* from this point on is included in the constitution and bylaws. Some of the items include: name of the club, statement of purpose, description of the emblem, basic policies, membership and dues, governing bodies, how the governing bodies are elected, duties of officers, how committees are made up, meetings (regular and special), fees and dues, handling of funds, property ownership, distribution of funds and property in the event the club disbands, and procedure for amending constitution and bylaws.

Again, it is wise to involve an attorney in the preparation of articles of incorporation. An attorney will be familiar with the laws of your state. Additionally, the club may wish to name the attorney as the club's *registered agent*. The registered agent should live in the state of incorporation but does not have to be an attorney. A registered agent may be a club member or board member who is willing to use his or her home or business address. The purpose of the registered agent is to simply be responsible for receiving and forwarding legal documents to the club. The registered agent is NOT financially or legally responsible for the activity of the club.

There is no need to apply to the Internal Revenue Service for tax exempt status. All Ruritan clubs are tax exempt because of their affiliation with Ruritan National. The club should have filed form SS4 when it was organized – this is an application for an Employer Identification Number (EIN), the equivalent of an individual's social security number. The group exemption number (GEN) is assigned to the group. Ruritan National's GEN is 1615. Many states require that the club pay an annual fee and file an annual report. The fee ranges from \$0 to \$50. The report and fees are usually sent to the state corporation commission.

For more information or for a sample certificate of incorporation, contact the Ruritan National Home Office at toll free (877) 787-8727, or send your request to P.O. Box 487, Dublin, VA 24084.