

September 15, 2014

Dean Beverly Durgan
240 Coffey Hall
1420 Eckles Avenue
St. Paul, MN 55108

Re: Nomination for the "Friend of Extension"

Dean Durgan,

On behalf of the Center for Youth Development, I would like to nominate the **University of Minnesota Tax Management Office** for consideration for the "Friend of Extension" recognition. The Office of Tax Management team includes:

- Kelly Farmer, Director, University of Minnesota Tax Management Office
- Heather Broneak, Assistant Tax Director, University of Minnesota Tax Management Office
- Kirsten Muller, Assistant Tax Director, University of Minnesota Tax Management Office

This team was instrumental in helping the University of Minnesota Extension 4-H Youth Development program obtain the legal status as a non-profit, tax exempt youth organization and continues to help us maintain our accountability under the group exemption ruling. Details about these contributions follow.

Kelly provided leadership to a small team of individuals that determined how best to respond to NIFA's decision to pass the responsibility for the 4-H Youth Development programs non-profit, tax exempt status to the land grant institutions. Due to his previous work with Minnesota 4-H, **Kelly** was able to articulate a rationale for applying for a Group Exemption Number (GEN) for Minnesota 4-H under the auspices of the Regents of the University of Minnesota; this recommendation was accepted by other University offices and the Board of Regents. **Kelly and Heather** worked closely with representatives from the Office of General Counsel and the Center for Youth Development to prepare and submit the GEN application and to continue to follow-up on the process for nearly two years until the request was approved and a number assigned. This group ruling ensures that all Minnesota 4-H organizations including federations/councils, clubs, and groups are exempt from federal income tax. This group ruling also means that 4-H organizations can accept charitable contributions/donations.

Even though 4-H is exempt from paying federal income tax, all 4-H federations/councils, clubs and groups are expected to file an income tax return with the Internal Revenue Service. **Kirsten** worked with Extension staff to create and/or revise the tools needed for collecting financial information from each group, to create a standardize chart of accounts, and to convert the federations/councils with the highest gross revenue to a standardized electronic bookkeeping system. For the past two years, **Kirsten** has completed the appropriate 990 tax form for each of the groups required to file a 990 or 990-EZ (50+

per year) as well as provided directions for regional support staff filling a 990-N for the additional federations/councils and each club. When tax issues arise, **Kelly and Kirsten** work with the Center for Youth Development and the IRS to address these. Preparation of the tax returns by the Tax Management Office has decreased the time invested by Extension employees in preparation of returns and increased our assurance that each return is completed accurately and submitted in a timely fashion.

During the time period when Minnesota 4-H was waiting for the IRS to act on the group exemption application, the Department of Revenue made the decision that Minnesota 4-H organizations were not exempt from making sales tax exempt purchases. At the request of the Center for Youth Development administration, **Heather** provided evidence to challenge this decision. The decision was reversed with a single sales tax exemption number provided for use by all Minnesota 4-H Organizations making it possible for all Minnesota 4-H organizations to make purchases without paying sales tax. Additionally, **Heather** has helped to interpret the state statute and craft decision making aids that guide staff and volunteers through a process of determining if a fundraising event will be subject to sales tax and if so, procedures for collecting and paying the tax. With **Heather** involved in monitoring state statutes regarding sales tax, Minnesota 4-H is both accountable to and benefits from the latest legislation. For example, beginning with the 2015 calendar year, the limit on excludable fundraising sales for nonprofit organizations increases from \$10,000 to \$20,000; Minnesota 4-H is aware of and can benefit from this change because Heather communicated this revision to us.

In support of these efforts, the Tax Management Office has created and maintains a public website (<http://tax.umn.edu/4-H.html>) that lists the 4-H organizations that qualify as subordinates under the GEN5929, satisfies the public disclosure requirements, describes our filing requirements, and provides information for donors. **Kelly** also advised other 4-H Youth Development programs and tax management offices across the nation as they pursued similar partnerships within their Universities and I understand has consulted with the master Gardener program and perhaps other Extension programs.

I am convinced that without the advice, persistence and leadership we received from the Tax Management Office, Minnesota 4-H would not have received a group exemption number. I am also convinced that the Tax Management Office's ongoing contributions have made it possible for us to streamline our operations, stay accountable to and benefit from current legislation and the group exemption ruling, and improve the accuracy of each 4-H organization's income and sales tax reporting.

For these many reasons, I am recommending the University of Minnesota Tax Management Office under the leadership of Kelly Farmer, Director, for the "Friend of Extension." Thank you for your consideration.

Sincerely,



Tamie Bremseth
Director of Youth Development Operations

C: Shelly Tschida, Executive Assistant to the Dean
David Werner, Chief Financial Officer
Dorothy Freeman, Associate Dean and State 4-H Program Director