

**TAX OPTIONS  
PROS AND CONS**

August 3, 1992

This document has been prepared as a result of the Tax Options Panel Discussion during WSC '92. During that discussion, there were many questions raised, some of which were left unanswered. It was clear that no final answer of the Fellowship could be achieved during the conference. The tax options group offered to prepare a paper to outline the four options discussed during the panel discussion with some pros and cons for each.

As your areas and regions discuss the information provided, we ask you to do two things: 1) develop a consensus about which, if any, of the options you would approve if they were to be voted on; 2) develop a list of any questions which arise and send those questions to the Tax Options Group, c/o WSO as soon as possible.

Keep in mind, that the decision to initiate contact with the IRS was originally intended to provide greater protection for the World Service Conference as an entity and hopefully extend that protection to the remainder of the Fellowship.

To date, the WSO has paid out in excess of \$55,000 over the past four years to two different tax attorneys. The majority of that was to an attorney whose services were terminated at the request of the tax options group. We currently have asked the recent attorney to stop any work until further notice. Although a financial impact figure has been listed for each option given herein, we have no way to accurately predict the total actual future cost.

At this point, the tax options group (composed of two BOT members, two BOD members and one WSC Admin. member) are unanimously favoring Option Three. Based on that, the Board of Trustees as a whole, after considerable discussion, also gave unanimous support to that option.

Further action will depend greatly on your responses. Thank you.

**OPTION 1**

**Leave as is.** ("As is" refers to the way things have been which basically means that the WSC would not be incorporated and that each individual region or area would make their own decision and efforts to incorporate and gain exempt status.)

**PRO:**

- A. The additional disruption to the fellowship that would be caused by any significant action in this area would not be appropriate given other fellowship priorities.

- B. Tax issues are better addressed at the local level. The World Service Conference does not have a specific responsibility in this area and should not recommend that this issue become a primary responsibility of world services.
- C. AA has been faced with the same questions and has chosen not to address this issue.
- D. The IRS is surely already aware of NA. They have not made a big issue of our tax status to date so why should we raise these issues. Initiating any action with the IRS raises our visibility and exposure to national or local IRS actions.

**CON:**

- A. The WSC has requested that world services address this issue and arrive at a recommendation and action that will address tax liability issues in some way other than the current status.
- B. The total expense to the fellowship of encouraging each region to seek their own tax solutions would be far greater than a centralized effort. (We estimate that the cost of incorporation for each region varies between a few hundred to a couple of thousand dollars.)
- C. This issue is one which must be faced sooner or later. Our choice is to initiate contact (in a responsible manner) or wait for the IRS to deal with the components of our service structure on a case by case basis.

**Financial Impact (to WSC): None**

**OPTION 2**

**Specific, separate exemption for WSC.** (This means that the WSC would apply for its own exemption but would not pursue attempts to have that exemption applied to any other segment of the Fellowship, ie., regions, areas, etc.; thus, the pros and cons will be oriented to potential WSC exemption.)

Please note that a manual could be developed to instruct regions about how to gain exempt status and extend that protection to areas and groups. Regions are not currently incorporating in a manner that focuses on benefitting areas/groups)

**PRO:**

- A. Relatively simple and inexpensive to obtain tax exemption for the WSC.
- B. Provides tax liability protection for the World Service Conference without impact on or interaction at the region, area, and/or group levels,

**CON:**

- A. Does not provide regions/area/groups with a low cost means to address their tax concerns. Each would be individually responsible. Tax liability would be determined on a case by case basis by local IRS officers.

- B. Initiating any action with the IRS raises our visibility and exposure to national or local IRS actions.

**Financial Impact (to WSC): approx. \$1000.00**

**OPTION 3**

**Tax exemption for WSC and all its affiliates with no other change. This option stands an even chance of being accepted by the IRS.** (This means that we would apply for an "umbrella" exemption in the hopes the IRS will accept our unorthodox structure. They do not currently have any provision for an organizational structure such as ours.)

**PRO:**

- A. If accepted by the IRS, this approach would provide the most desirable level of protection while requiring the least adjustment at the region, area, and group levels.
- B. Fellowship acceptance of this approach might be more positive since we would not be asking for any structural changes.
- C. Settles the issue with the IRS.

**CON:**

- A. We would be asking the IRS National Office to "bend" the technical requirements for a group exemption in our case.
- B. Initiating any action with the IRS raises our visibility and exposure to national or local IRS actions.
- C. Creates world level administrative expense for coordination.
- D. The IRS is surely already aware of NA. They have not made a big issue of our tax status to date so why should we raise these issues.
- E. We may unknowingly assume liability at the world level due to actions at the group, area or regional level that we do not control.

**Financial Impact: short term-approx. \$10,000. - \$15,000.**

**ongoing - unknown**

**OPTION 4**

**A group exemption for all, requiring an organizational document to be filed with the IRS.** (We have been advised that the required organizational documents would include paperwork that every region, area or group desiring coverage would have to sign and probably have updated each year, ie., each time officers changed. This is an optional arrangement, ie, each region/area/group may decide to "join" or "drop-out" at any time, providing they complete the necessary paperwork.)

**PRO:**

- A. Substantial chance of acceptance by the IRS if we complete the process.

- B. Decreased risk of tax liability determination on a case by case basis.
- C. Settles the issue with the IRS.
- D. Far less fellowship administrative burden and expense than each region seeking their own exemption.

**CON:**

- A. May be contradictions/compromises regarding group autonomy, organization of groups and the perspective that we would be expressing opinion on an outside issue, thereby bringing NA into public controversy (Traditions 4, 9, and 10.)
- B. Initiating any action with the IRS raises our visibility and exposure to national or local IRS actions.
- C. May require that every group apply for a tax identification number in order to qualify for the "umbrella" protection. (At present, some groups already have these as the ID # of their checking accounts; others simply use an individual's social security number.)
- D. Required organizational structure may shift local tax reporting responsibility to world services.
- E. Creates world level administrative expense for coordination.
- F. The IRS is surely already aware of NA. They have not made a big issue of our tax status to date so why should we raise these issues.
- G. We may unknowingly assume liability at the world level due to actions at the group, area or regional level that we do not control.

**Financial Impact: short term-approx. \$15,000. - \$20,000.**

**ongoing - unknown**