

## FISCAL YEAR REPORTS

The fiscal year for all CWA Locals begins October 1 and ends September 30. Any Local chartered during the fiscal year would show a different beginning date (such as May 1), but the same closing date.

The Labor-Management Reporting and Disclosure Act (LMRDA) requires a financial report to be filed by CWA Locals within ninety (90) days (December 30) after the end of the fiscal year.

***The only Locals exempt from filing any reports under the LMRDA are those comprised entirely of state, county, municipal or federal employees.***

CWA Locals, when first chartered,\* must file with the U.S. Department of Labor, Office of Labor-Management Standards (OLMS), an initial Report Form LM-1. (See UOPM Section 11.4).

\* Or Locals that become subject to the LMRDA.

An acknowledgment will be sent by OLMS listing the Local's LM file number.

This six-digit number **must be shown** on any reports or correspondence with the OLMS. *It should, therefore, be made a permanent part of your Local's files and records.*

The DOL mails directly to each registered Local the forms and related information necessary for filing the annual financial report. The DOL will mail the necessary DOL forms within one month of the closing of the local's reporting year, e.g., early September. These are mailed to the latest address on record with that agency, as shown on the last LM filing.

Should your Local fail to receive the LM financial report forms within a reasonable period before the end of the fiscal year, they may be secured from the OLMS office located nearest your Local (See UOPM Section 11.3). This information may be obtained from the following Web-site address:  
[http://www.dol.gov/dol/esa/public/olms\\_org.htm](http://www.dol.gov/dol/esa/public/olms_org.htm).

The most common reason for a Local not receiving the LM financial forms is an incorrect or obsolete mailing address. This can be corrected by notifying the DOL of the new address, using your LM file number as a reference. Or, the changes can be shown on the annual LM-2, LM-3 or LM-4 when it is filed.

If, during the fiscal year, your Local has amended its bylaws, Form LM-1 must be filed with the insert next financial report, (see UOPM Sections 11.4 and 11.5).

The LM-1A has been discontinued as of December 29, 1994. An amended Form LM-1 must be filed when there are changes in certain Practices & Procedures that are not included in the Local union's constitution and by-laws.

The Internal Revenue Service (IRS) Form 990 (see UOPM Section 11.9) must be filed not later than the fifteenth (15th) day of the fifth (5th) month (February 15) following the close of the Local fiscal year.

The IRS has made several major revisions concerning the filing and completion of Form 990, as follows:

1. Locals whose annual receipts are less than \$25,000 are not required to file the 990. Should your Local fall in this category and still receive the form, the Local should file the form without financial data following the directions on the form for completing same. The IRS will eventually purge your Local from its records. However, once your Local's receipts exceed \$25,000, it is incumbent on you to file Form 990. The IRS will not mail the form automatically once your Local number has been purged from their records.

If, during any year, the Local's gross receipts are less than \$100,000 and its total assets at end of year are less than \$250,000, it may file Form 990EZ (Short Form Return of Organization Exempt from Income Tax) instead of Form 990. Even if the organization meets this dual test, it can always file a Form 990. However, if the Local's gross receipts or assets are above these limits, it must file Form 990.

2. Form LM-2, LM-3 or LM-4 is acceptable to the IRS in lieu of completing lines 13 through 15 of Part I, (but complete lines 16 through 21); Part II and Part IV but complete lines 59, 66, and 74 columns (A) and (B) of the 990. Also, lines 10 through 16 part I (but complete lines 17 through 21). Part II (but complete lines 25 through 27 columns (A) and (B) of the 990 EZ). However, the LM must answer all the questions in Part II. If it does not, fill in the missing information on IRS Form 990.

Normally, IRS mails Form 990 to each Local. However, should you fail to receive your copy, the form may be obtained from your nearest IRS District Director. 1-877-829-5500 service available Monday through Friday from 8:00 a.m. until 9:30 p.m. Eastern time.

In connection with required reporting, your attention is directed to the CWA Constitution, Article XIII, Locals, Section 9 - Authority, Duties and Obligations of Locals.

"(d) To adopt Bylaws and Rules not inconsistent with this Constitution and to repeal, amend or modify such Rules and Bylaws as may be inconsistent therewith, voluntarily, or at the direction of the Executive Board of the Union, subject to the right of appeal to the Convention

..."

"(h) To provide for the bonding of Local Officers and other persons who handle Union funds and property ..."

"(m) To maintain adequate files and records and have made an annual audit of the financial records of the Local by competent persons; to make available Local financial statements to the membership, at least annually; furnish to the Union's Secretary-Treasurer, in acceptable form, an annual financial statement ..."\*

\* A copy of the financial report filed with the Labor Department will be acceptable. It is mandatory the Secretary-Treasurer be furnished a copy of your Local's LM and/or IRS report, as this is the only way the International knows your Local has complied with federal regulations.

"(n) To furnish the Vice President and Secretary-Treasurer of the Union with copies of Bylaws and Rules of the Local and copies of revisions as they may be made ..."

Following this page is the Policy for CWA Compliance with the LMRDA of 1959, as amended, which was adopted by the CWA Executive Board. With respect to this policy, each Local should follow the administrative routine established in their particular District when forwarding the required reports.

### **CWA POLICY FOR CWA COMPLIANCE WITH THE LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT OF 1959, AS AMENDED**

The Labor-Management Reporting and Disclosure Act of 1959, as amended, imposes on the individual Local and its officers full responsibility, with criminal penalties provided, for filing the information and reports required under the Act, and for otherwise complying with the provisions of the law, as it applies to Locals. As a result of this, the CWA Executive Board, on November 20, 1959, adopted the following resolution:

1. That the International Secretary-Treasurer shall be responsible for complying with the requirements of the LMRDA of 1959, as amended, as they affect the International level of the Union by filing required reports and information with appropriate government agencies.
2. Locals and officers of Locals shall be responsible for complying with the requirements of the LMRDA of 1959, as amended, as it applies to Locals, and shall file such reports and information directly with the DOL.

3. That two informational copies of all such reports filed with the DOL by the Locals and their officers shall be filed with the appropriate District Vice President.
4. That the office of the Secretary-Treasurer of CWA shall keep the Locals of CWA advised with respect to report forms, regulations and other information published by the DOL with respect to the LMRDA of 1959, as amended, and shall furnish to Locals upon request such advice as may be sought."

## **RECORD RETENTION REQUIREMENTS FOR CWA LOCALS**

All CWA Locals are required to maintain certain financial records which are used in the daily operation of the Local. In addition, these records are used to meet the federal filing requirements by all CWA Locals at the end of their fiscal year.

In this connection, there are several rules and regulations, set forth by the Federal Government, which can serve as a guide to Locals in maintaining their records.

A complete document retention list is contained in a publication entitled "Guide to Record Retention Requirements," which is available from:

Commerce Clearing House, Inc.  
4025 West Peterson Avenue  
Chicago, IL 60646

It may be that some of the larger CWA Locals, whose record keeping is extensive, may wish to purchase this booklet, which is revised periodically.

The Labor-Management Reporting and Disclosure Act sets forth the following rules with respect to maintaining records:

"402.9 To maintain records on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed with the office may be verified, explained or clarified, and checked for accuracy and completeness, and shall include Vouchers, Worksheets, Receipts and Applicable Resolutions."

"Retention Period:

"Not less than five years after the filing of the documents."

Therefore, that material or information used by Locals in filing annual financial reports with the Labor Department must be maintained for a period of not less than five years, according to the Record Retention Guide.

Certain CWA Locals are also required to file Form 990 with the Internal Revenue Service on an annual basis.

The Communications Workers of America and its Locals are classified as tax-exempt organizations.

Following are the regulations with respect to retaining records which are used in connection with filing IRS Form 990:

"Reg. §1-6001-1 Records.

"(a) In general. Except as provided in paragraph (b) of this section, any person subject to tax under subtitle A of the Code (including a qualified State individual income tax which is treated pursuant to section 6061(a) as if it were imposed by chapter 1 of subtitle A), or any person required to file a return of information with respect to income, shall keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such person in any return of such tax or information.

"(c) Exempt organizations. In addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements..."

"(e) Retention of records. The books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained so long as the contents thereof may become material in the administration of any internal revenue law."

Under this regulation, the Local is obligated to maintain for an indefinite period of time those records which are used in the completion and filing of the annual financial report with the Internal Revenue Service.

The IRS has followed the policy that Labor unions are responsible for maintaining records that are material, in filing annual financial reports, for only seven years. This means that a Local has the current year and seven subsequent years available.

## **OFFICE OF LABOR-MANAGEMENT STANDARDS**

*INFORMATION RELATING TO THE LABOR-MANAGEMENT REPORTING & DISCLOSURE ACT OF 1959, AS AMENDED, AS WELL AS OLMS REPORT FORMS, MAY BE OBTAINED FROM THE NEAREST OFFICE OF THE OFFICE OF LABOR-MANAGEMENT STANDARDS, U.S. DEPARTMENT OF LABOR.*

This information may be obtained from the following Web-site address:

[http://www.dol.gov/dol/esa/public/olms\\_org.htm](http://www.dol.gov/dol/esa/public/olms_org.htm)

## LABOR ORGANIZATION INFORMATION REPORT FORM LM-1

All established CWA Locals\* should have an initial Form LM-1 on file with the Department of Labor.

- \* LM report forms do not apply to Locals composed solely and entirely of public employees, such as municipal workers.

*Therefore, this Section applies only to newly chartered Locals.\** Form LM-1 "registers" a CWA Local with the Department of Labor (DOL). It may be secured from your nearest Office of Labor-Management Standards (OLMS), DOL. (See UOPM Section 11.3 for a list of these offices.)  
[http://www.dol.gov/dol/esa/public/olms\\_org.htm](http://www.dol.gov/dol/esa/public/olms_org.htm)

- \* Or Locals that become subject to the LMRDA.

The Labor-Management Reporting and Disclosure Act of 1959 requires that each labor organization subject to the Act adopt a constitution\*\* and bylaws and file two copies with the Secretary of Labor, together with an initial Form LM-1 within 90 days after the date on which the Local becomes subject to the Act. The initial Form LM-1 must report certain information concerning the structure, practices, and procedures of the labor organization.

- \*\* The Headquarters office has filed with the Department of Labor copies of the CWA Constitution. Therefore, it will not be necessary for any newly chartered CWA Local to file this document with the LM-1. The Local, however, is responsible for filing two copies of its bylaws with the report form.

Any changes in the information reported on the initial Form LM-1 must be reported when the Local files its annual financial report.

The report form is to be submitted in duplicate to the DOL, together with two copies of your Local's bylaws. It must be signed by both the Local President and Secretary (or Secretary-Treasurer).

The report and accompanying documents are to be filed with:

U. S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
200 Constitution Ave., N.W., Room (N-5616)  
Washington, D.C. 20210

OLMS will acknowledge receipt of your Local's initial Form LM-1 and advise you of the 6-digit identifying file number that has been assigned to your Local. This file number must be entered on the annual financial reports (Form LM-2, LM-3, or LM-4) which your Local is also required to file with the DOL.

The Labor Organization Information Report, Form LM-1, is filed as the initial report of your Local.

The LM-1 Form comes in a set of four copies. In addition to the two copies filed with the DOL, **one copy is to be sent to the International Headquarters office**. One copy should be kept in your Local's file.

Instructions accompany the form. However, your attention is directed to the following items, which coincide with the numbers of Form LM-1:

2. File Number. Leave Blank. This will be assigned by the DOL.
3. Organization fiscal year ends: "September 30<sup>th</sup>."
4. Affiliation: "Communications Workers of America."
5. Designation: "Local."
12. Check "Private Industry Employees."
13. Check "a Local, Lodge, Branch, etc."
17. Check "Yes." The International Headquarters has filed copies of the CWA Constitution on behalf of its Locals. However, you must list your Local bylaws as documents being filed with the report.

Identification Items 1 - 9 (to be completed by all filers) - Information Items 10 - 17 (to be completed by initial filers only) - Practices and Procedures (to be completed by all filers except Federal employee Labor unions subject to the CSRA or the FSA) - Additional Information (to be complete by all filers as necessary) - Signatures (to be completed by all files).

Form LM-1 is **not** stocked at the International Headquarters office.

**SAMPLE – FORM LM-1**  
**LABOR ORGANIZATION INFORMATION REPORT**

## **LABOR ORGANIZATION ANNUAL FINANCIAL REPORT FORM LM-2**

The DOL will mail the necessary DOL forms within one month of the closing of the Local's reporting year, e.g., early September to all Locals that have filed an LM-2 in previous years. Form LM-2 is a 12-page annual report that must be filed by unions with total annual receipts of \$200,000 or more and those in trusteeship. If your Local fails to receive its copy, the form may be secured from any Office of Labor-Management Standards offices listed in UOPM Section 11.3.

A rule makes several minor and technical revisions to the annual financial reporting form which Labor unions are required to file under the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMDRA). It also makes several technical amendments to the Department of Labor's regulations in which those reporting forms are prescribed. These changes are being made to enable the Department to optically scan the reports and make them available on its Internet Web site, and to make the reports more uniform. The effective date of these changes is January 1, 2000. Locals with a total annual income, from all sources, in excess of \$200,000 must file Form LM-2. The DOL has redesigned Form LM-2 so that it can be optically scanned and made available on the Internet. The major change to the form is in its appearance. The most important of these changes are:

- (a) the reporting form is now landscape rather than portrait orientation,
- (b) it has pre-printed green boxes for entering information for the most of the items, and
- (c) the spaces for entering information are larger and, consequently, the form has more pages (twelve pages instead of six for the Form LM-2).

The LM-2 comes in a set of four copies. One copy should be filed with:

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
200 Constitution Ave., NW, Room (N-5616)  
Washington, DC 20210

Two copies should be retained by your Local and the remaining copy is to be forwarded to the International Headquarters office. The only change in the content of the Form LM-2 is that item #3 has been expanded. Currently, labor unions are asked in item 3 to indicate whether the report is a terminal report. In a revised Form LM-2, labor unions are asked also to indicate whether this report is an amended report or a separate report for a subsidiary organization. This information will be used to facilitate the processing and scanning of the reports.

When you receive the forms from the DOL, two preprinted address labels (one on top of the other) are on the first copy. The top label should be peeled off and placed in the space provided on the second copy. One of the labeled copies is mailed to the DOL, if possible, use the envelope provided with the form.

Form LM-2 must be filed within ninety (90) days after the close of the Local fiscal year, (September 30th). Therefore, the deadline for filing the financial report is December 30<sup>th</sup>.

Locals which have had their charter recalled must file a Terminal Financial Report Form LM-2, if the LM-2 was used in prior years. ***A Local has thirty (30) days from the charter recall date within which to file a Terminal Financial Report.***

Form LM-2 must be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your Local and disbursements are recorded when money is actually paid out by your Local.

Your specific attention is directed to the following items on the revised Form LM-2. The numbers given below correspond to the numbers on the report form.

2. "Period covered." The Local fiscal year is from October 1 through September\_30.
15. This question relates to the discovery of a possible loss or shortage of funds or other property since the date of the last financial report.
20. This question concerns your Local's Bond coverage. All Locals, by Constitutional mandate, must be covered by a fidelity bond. Therefore, you should enter the amount of your Local's Bond coverage. Please refer to Section 5.1 for Bond Coverage requirements.
22. This question relates to changes in your Local's bylaws from what was originally reported on Form LM-1 (UOPM Section 11.4). (Note: Bylaw amendments relating to dues rate changes are not to be reported since such changes do not relate to the practices and procedures of Locals.) If bylaw changes, other than the exception noted above, were made during the fiscal year just ended, check "yes" and submit an amended Form LM-1 (UOPM Section 11.4) with your financial report. The International Headquarters will be responsible for reporting any changes in the CWA Constitution.

**Schedule 1 - Loans Receivable:** The Department of Labor defines a loan as an amount in excess of \$250 which a Local may have advanced to an officer or member for the purpose of

conducting the business affairs of the Local. (This is not to be confused with funds maintained in a checking account for the payment of expenses such as rental of equipment, postage, etc.) Enter on line 5 the total of loans made to officers, employees, or members whose total individual loan indebtedness to your Local at any time during the reporting period did not exceed \$250; and all loans, regardless of amount, made to other individuals and entities. (See the instructions accompanying the Form LM-2 for specific exclusions on certain advances for travel expenses.)

**Schedule 9:** Your attention is directed to a notation at the end of the Schedule which states: "If any officer was not elected at a regular election in accordance with your Local's constitution and bylaws, explain in Item 75." Item 75 is the blank section on page 2 of the form which is used for providing additional information.

An example of an officer change that must be reported would be: A Local President resigns from his office. The Local's bylaws state that his position shall be filled by the Executive Vice President, until such time as the Local holds an election (regular or special). The Executive Vice President, who became President, was not elected to the position of President. He became President by virtue of the fact that the former President resigned and the Local's bylaws stated that the Executive Vice President would automatically succeed to the Local presidency.

Another example would be if the Local Executive Board were to appoint someone to fill a position on a temporary basis until an election could be held.

**Schedule 14 - Other Receipts:** Report all your Local's receipts for the reporting period other than those that must be reported elsewhere in Statement B, such as reimbursements from officers and employees for excess expense payments or travel advances not reported as loans in Schedule I; receipts from fund-raising activities such as raffles, bingo games, and dances; funds received from a parent body, other unions, or the public for strike fund assistance; and receipts from another labor organization which merged into your Local. These receipts must be described in Column (A) and may be classified by general groupings or bookkeeping categories if the descriptions are sufficient to identify their source. Do not describe any of these receipts as "Miscellaneous" since that classification is not sufficiently descriptive.

Enter in Column (B) the amount received for each general grouping and category listed in Column (A). Enter on line 16 the total from any additional pages. Add lines 1 through 16 and enter the total on line 17 and in item 54 of Statement B.

**Schedule 15 - Other Disbursements:** Report all your Local's disbursements for the reporting period other than those that must be reported elsewhere in Statement B, such as savings withheld from an officer's salary for payment into the officer's personal account in a financial institution, dues withheld from an employee's salary, or disbursements to third parties for the

account of affiliates. These disbursements must be described in Column (A) and may be classified by general groupings or bookkeeping categories if the descriptions are sufficient to identify their purpose. Do not describe any of these disbursements as "Miscellaneous" since that classification is not sufficiently descriptive.

Enter in Column (B) the amount disbursed for each general grouping and category listed in Column (A). Enter on line 16 the total from any additional pages. Add lines 1 through 16 and enter the total on line 16 and in item 73 of Statement B.

If Locals filing the revised LM-2 encounter problems with the form, it is recommended that they contact a representative of the Office of Labor-Management Standards for guidance.

Form LM-2 is **not** stocked at the International Headquarters office.

Section 11.5A(Pg 1 - 16)  
International/Local  
(04/01)

**SAMPLE – FORM LM-2**  
**LABOR ORGANIZATION INFORMATION REPORT**

## **LABOR ORGANIZATION ANNUAL FINANCIAL REPORT FORM LM-3**

The DOL will mail the necessary LM form within one month of the closing of the Local's reporting year, e.g., early September. It will be sent to the Locals that have filed a Form LM-3, in the previous year. This simplified annual form is an 8-page annual report that must be filed by Local unions having total annual receipts of less than \$200,000, if not in trusteeship.

*A new rule, makes several minor and technical revisions to the annual financial reporting form which Labor unions are required to file under the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). It also makes several technical amendments to the Department of Labor's regulations in which those reporting forms are prescribed. These changes are being made to enable the DOL to optically scan the reports and make them available on its' Internet Web site, and to make the reports more uniform. The effective date of these changes is January 1, 2000.*

If your Local fails to receive its copy, the form may be secured from any Office of Labor-Management Standards listed in UOPM Section 11.3. The DOL has redesigned Form LM-3 so that it can be optically scanned and made available on the Internet. The major changes to the form is in its' appearance. The most important of these changes are:

- (a) the reporting form is now landscape rather than portrait orientation,
- (b) it has pre-printed green boxes for entering information for most of the items, and
- (c) the spaces for entering information are larger and, consequently, the form has more pages (eight pages instead of four for the Form LM-3)

*The only Locals exempt from filing the LM financial report are those comprised entirely of state, county, federal or municipal employees. In addition, labor unions will have to file only one copy of the report rather than the two that are now required.*

Form LM-3 comes in a set of four copies. Two copies are to be filed with:

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
200 Constitution Ave., NW, Room (N-5616)  
Washington, DC 20210

Two copies should be retained by your Local and the remaining copy is to be forwarded to the International Headquarters office. The only change in the content of the Form LM-3 is that item #3 has been expanded . Currently, a labor unions are asked in item 3 to indicate whether the report is a terminal report. In a revised Form LM-3, labor unions are asked also to indicate whether this report is an amended report or a separate report for a subsidiary organization. This information will be used to facilitate the processing and scanning of the reports.

When you receive the forms from the DOL, two preprinted address labels (one on top of the other) are on the first copy. The top label should be peeled off and placed in the space provided on the second copy. One of the labeled copy's, is mailed to the DOL, if possible, use the envelope provided with the form.

Form LM-3 must be filed within ninety (90) days after the close of the Local fiscal year (September 30th). The deadline for filing the financial report is December 30<sup>th</sup>.

Locals who have had their charter recalled must file a Terminal financial report form LM-3, if the LM-3 is applicable. ***A Local has thirty (30) days from the charter recall date within which to file a Terminal financial report.***

Form LM-3 must be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your Local and disbursements are recorded when money is actually paid out by your Local.

Your specific attention is directed to the following items on the LM-3. The numbers given below correspond to the numbers on the report form:

- Item 2 "Period covered." The Local fiscal year is from October 1 through September 30. The only exception would be Locals chartered after the beginning of the fiscal year. The date the charter was issued would be shown as the beginning of the fiscal year. However, the closing date of September 30 remains the same.
- Item 15 This is a question relating to a possible loss or shortage of funds or other property since the date of the last financial report.
- Item 18 Check item 18 "Yes" if any officer, employee, or member owed your local, more than \$250 at any time during the reporting period; or if your Local made a loan, regardless of amount, to any business enterprise during the reporting period. Include any direct or indirect loans whether or not evidenced by a promissory note or secured by a mortgage. An example of an indirect loan is a disbursement by your Local to an educational institution for the tuition expense of an officer, employee, or member which must be repaid to your Local by that individual.

If item 18 is checked "Yes," report in item 56 the name of each individual and business enterprise, the amount each individual owed at the end of the reporting period, and the amount loaned to each business enterprise during the reporting period. Also report in item 56 the purpose, terms for repayment, and any security for each such loan.

*(Note: Advances, including salary advances, are considered loans and must be reported in Item 26 (Loans Receivable) and Item 53 (Loans Made). However, advances to officers and employees of your Local for travel expenses necessary for conducting official business are not considered loans under certain conditions as outlined in the OLMS Instruction Booklet for LM-3.)*

20. This question calls for information concerning your Local's Bond coverage. All Locals, by Constitutional mandate, must be covered by a fidelity bond. Therefore, you should enter the amount of your Local's Bond coverage.
  
21. This question relates to changes in your Local's bylaws from what was originally reported on Form LM-1 (UOPM Section 11.4). *(Note: Bylaw amendments relating to dues rate changes are not to be reported, since such changes do not relate to the practices and procedures of a Local.)* If bylaw changes, other than the exception noted above, were made during the fiscal year just ended, check "yes" and submit an amended Form LM-1 (UOPM Section 11.4) with your financial report. ***The International Headquarters will be responsible for reporting any changes in the CWA Constitution.***

If Locals filing the LM-3 encounter problems with the form, it is recommended that they contact a representative of the Office of Labor-Management Standards for guidance.  
Form LM-3 is not stocked at the International Headquarters.

**SAMPLE – FORM LM-3**  
**LABOR ORGANIZATION INFORMATION REPORT**

## **LABOR ORGANIZATION ANNUAL FINANCIAL REPORT FORM LM-4**

The DOL will mail the necessary LM form within one month of the closing of the Local's reporting year, e.g., early September. It will be sent to all Locals that have filed a Form LM-4, in the previous year. This simplified annual form is an 2-page annual report that must be filed by Local unions having total annual receipts of less than \$10,000, if not in trusteeship. Locals with total annual receipts of less than \$10,000 may file the abbreviated 1-page annual report Form LM-4. ***Locals with total annual receipts of \$10,000 or more cannot use Form LM-4.***

A new rule, makes several minor and technical revisions to the annual financial reporting form which Labor unions are required to file under the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) It also makes several technical amendments to the Department of Labor's regulations in which those reporting forms are prescribed. These changes are being made to enable the DOL to optically scan the reports and make them available on its' Internet Web site, and to make the reports more uniform. The effective date of these changes is January 1, 2000. ***The only Locals exempt from filing the LM financial report are those comprised entirely of state, county, federal or municipal employees.***

The DOL has redesigned Form LM-4 so that it can be optically scanned and made available on the Internet. The major changes to the form is in its' appearance. The most important of these changes are:

- (a) the reporting form is now landscape rather than portrait orientation,
- (b) it has pre-printed green boxes for entering information for most of the items, and
- (c) the spaces for entering information are larger and, consequently, the form has more pages (two pages instead of one for the Form LM-4)

Form LM-4 comes in a set of three copies.

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
200 Constitution Avenue, NW, Room (N-5616)  
Washington, DC 20210

One copy should be retained by your Local. A photostatic copy should be made and forwarded to the International Headquarters office. The only change in the content of the Form LM-4 is that item #3 has been expanded. Currently, a labor unions are asked in item 3 to indicate whether the report is a terminal report. In a revised Form LM-4, labor unions are asked also to indicate whether this report is an amended report or a separate report for a subsidiary organization. This information will be used to facilitate the processing and scanning of the reports.

When you receive the forms from the Department of Labor, two preprinted address labels (one on top of the other) are on the first copy. The top label should be peeled off and placed in the space provided on the second copy. One of the labeled copy's, is mailed to the DOL, if possible, use the envelope provided with the form.

Form LM-4 must be filed within ninety (90) days after the close of the Local fiscal year (September 30th). The deadline for filing the financial report is December 30th.

Locals who have had their charter recalled must file a Terminal financial report form LM-4, if the LM-4 is applicable. ***A Local has thirty (30) days from the charter recall date within which to file a Terminal financial report.***

Your specific attention is directed to the following items on the LM-4. The numbers given below correspond to the numbers on the report form:

2. "Period covered." The Local fiscal year is from October 1 through September 30. The only exception would be Locals chartered after the beginning of the fiscal year. The date the charter was issued would be shown as the beginning of the fiscal year. However, the closing date of September 30th remains the same.
  
9. This question relates to changes in your Local's bylaws from what was originally reported on Form LM-1 (UOPM Section 11.4). (*Note: Bylaw amendments relating to dues rate changes are not to be reported, since such changes do not relate to the practices and procedures of a Local.*) If bylaw changes, other than the exception noted above, were made during the fiscal year just ended, check "yes" and submit an amended Form LM-1 (UOPM Section 11.4) with your financial report. ***The International Headquarters will be responsible for reporting any changes in the CWA Constitution.***
  
11. This question relates to a possible loss or shortage of funds or other property since the date of the last financial report.
  
12. This question calls for information concerning your Local's Bond coverage. All Locals, by Constitutional mandate, must be covered by a fidelity bond. Therefore, you should check "yes" and enter the amount of your Local's Bond coverage.

If Locals filing the LM-4 encounter problems with the form, it is recommended that they contact a representative of the Office of Labor-Management Standards for guidance.

Form LM-4 is **not** stocked at the International Headquarters.

**SAMPLE – FORM LM-4**  
**LABOR ORGANIZATION INFORMATION REPORT**

## **FEDERAL AND STATE TAXES AND REPORTING GENERAL INFORMATION**

### **WITHHOLDING TAX**

In establishing a payroll system for the local, CWA and its affiliates have discovered that hiring an outside payroll service such as Paychex or ADP is probably the best route to take. These firms will, for a modest fee, calculate and prepare payroll checks, make payroll tax payments and file reports required by state, federal and even local agencies. This method is strongly recommended because it relieves the treasurer of a great deal of work, and virtually guarantees those payroll tax payments and government reports will be submitted on time, avoiding penalties and interest. Should the local decide to take on the payroll functions, the local should consider the following:

- a) Does it have sufficient experience in handling a payroll system, and
- b) There are a number of interest payments and penalty fees for incorrect or for the late filing of payroll taxes.

Locals are required to deduct withholding and FICA taxes from all salaries, wages and cash compensations paid to the employees from Local funds. A Local is considered the employer of any officer or member to whom it pays a salary or wages. If your Local pays any compensation to its officers that could be considered a salary, or makes payment for lost-time wages, you are required, by law, to withhold income and FICA taxes on all such salaries and wage payments.

### **GUIDANCE ON EMPLOYER-REIMBURSED BUSINESS EXPENSES**

A reimbursement or allowance arrangement is a system by which a local documents and pays the advances, reimbursements, and charges for employees' business expenses. The method that a local uses to report a reimbursement or allowance amount depends on whether it has an accountable or a non-accountable plan. If a single payment included both wages and an expense reimbursement, the local must specify the amount of the reimbursement. Amounts paid under an accountable plan are not wages and are not subject to income tax withholding or the payments of social security, medicare, and Federal unemployment (FUTA) taxes.

To have an accountable plan, a local reimbursement or allowance arrangement must require employees to meet all three of the following rules:

- a) They must have paid or incurred authorized expenses while performing services as employees
- b) They must adequately account, to the local, for these expenses within a reasonable period of time.
- c) They must return any amounts, in excess of expenses, within a reasonable period of time.

Under the Family Support Act of 1988, and effective January 1, 1989, -if the expenses covered by this arrangement are not documented, or those amounts in excess of expenses are not returned within a reasonable period of time, the entire amount is treated as compensation under a nonaccountable account. By the authority granted under the Family Support Act, the Department of the Treasury ruled that, this entire amount is subject to income tax withholding, the payment of social security, Medicare, and FUTA taxes for the first payroll period following the end of the reasonable period. These rules apply to all ordinary and necessary employee business expenses that would otherwise qualify for a deduction by the employee.

Allowances and reimbursements that are paid from an "accountable plan" are tax-free and are not reported on the Form W-2. Payments made from a nonaccountable plan are included as income, reported on the employee's Form W-2 and are subject to withholding (FITW and FICA) and employment tax (FICA and FUTA). These payments are subject to both employee withholdings (FITW & FICA) and employer employment tax (FICA & FUTA).

A plan is considered accountable when there is a plan or policy that includes certain requirements that employees must satisfy before expenses can be reimbursed. Specifically, the employer's policy must include the following requirements:

1. **Expenses have a business connection.** An expense has a business connection when it is incurred while the employee performs services on behalf of the employer.
2. **Expenses are substantiated.** An expense is properly substantiated when the employee submits documentation that includes (1) substantiation of the amount of the expense, (2) the purpose of the expense and (3) the time and place where the expense was incurred. Each element must be included. Broad references like "travel expense" or vague descriptions such as "miscellaneous business expenses" don't satisfy the substantiation requirements.
3. **Unsubstantiated amounts must be returned to the employer.** Payments to local employees, for travel and other necessary expenses of the local, under a nonaccountable plan are wages and are subject to income tax withholding, payment of social security, Medicare, and FUTA taxes. Local payments are treated as paid under a nonaccountable plan if:
  1. the local employee is not required to or does not substantiate timely those expenses to you with receipts or other documentation, or
  2. the local advances an amount to its' employee for business expenses and the employee is not required to, or does not return timely any amount not use for business expenses.

There is one exception to this rule, however. If an employee receives an advance for anticipated expenses and the advance exceeds the amount of expenses incurred by the employee, the excess amount need not be returned to the employer if it is used to pay for other business-related expenses.

A local may reimburse employees by travel days, or miles, or some other fixed allowance. Employees are considered to have adequately accounted if the payments do not exceed rates established by the Federal Government. Other than the amount of these expenses, local employees' business expenses must be substantiated ( for example, the business purpose of the travel or the travel or the number of business miles driven).

Another exception applies to payments made under a per diem or mileage allowance arrangement. If the per diem or mileage rate provided by the employer is higher than the IRS-approved rate, the employee isn't required to return the difference between the employer's rate and the IRS-approved rate (but the difference between the higher employer rate and the IRS-approved rate is taxable and subject to federal income tax withholding, FICA and FUTA). If the per diem or allowance paid exceeds the amounts specified, the local must report the excess amount as wages. This excess amount is subject to income tax withholding, and payments of social security, Medicare, and FUTA taxes. Show this amount, equal to the specified amount, in box 13 of Form W-2, using code L. This exception applies only if the allowance is reasonably calculated not to exceed the employee's anticipated expenses and the employee is required to return the portion of the allowance which relates to days or miles not substantiated.

4. Substantiation and the return of unsubstantiated amounts are required in a reasonable period of time. The individual is obligated to report on his individual tax return as income any difference received over actual expense incurred.

A reasonable period of time depends on the facts and circumstances. Generally, it is considered reasonable if the local's employees receives the:

- a) advance within thirty (30) days of the time that expense is incurred, and
- b) an adequate accounting has to be made within sixty (60) days after the expenses were paid or incurred, and
- c) the unexpended remainder must be returned within (120) days after the expense was paid or incurred.
- d) Also, it is considered reasonable for the local to give its' employees a periodic statement that asks them to either return or adequately account for amounts and they do so within 120 days.

§ Failure to abide by these rules will necessitate the entire advanced sum's treatment as compensation with Federal Income tax calculated @ 28%, and Social Security & Medicare tax @ 15.3%. Advances, if not repaid, will be reported as loans on the filings with the DOL on Form LM-2, LM-3, or LM-4 report's. The monetary limits of \$2,000 are imposed by Sec. 503 (a) of the LMRDA.

## WITHHOLDING AND FICA TAXES

CWA recommends that affiliates with employees, and especially those affiliates that do not have a professional accounting staff, should engage the services of a payroll service, like Paychex or ADP. This service will perform their payroll calculations and file their required reports. If you maintain your payroll system, you will need to establish a system that will provide cumulative records for each employee for each calendar year, and make regular (usually quarterly) reports to both the federal and state government. On the Internet either of these two services can be located at: [www.paycheck.com](http://www.paycheck.com) or [www.adp.com](http://www.adp.com)

Each quarter, all employers who pay wages subject to income tax withholding or social security and Medicare taxes must file Form 941, Employer's Quarterly Federal Tax Return. The local may be able to file Form 941 by phone. If the local receives TeleFile materials with the Form 941 package, check page TEL-1 of the 941TeleFile Instructions to see if the local qualifies for this method of filing. If the local has questions related to filing Form 941 using TeleFile, call the 941TeleFile call site at 901-546-2690. This phone number is for 941TeleFile information only and is not the number used to file the return.

For each whole or part month a return is not filed when required, there is a penalty of 5% of the unpaid tax due with that return. The maximum penalty is 25%. Also, for each whole or part month the tax is paid, a penalty of 0.5% of the amount of tax generally applies. The maximum for this penalty is also 25%. The penalties will not be charged if the local has a reasonable cause for failing to file or pay.

Use of a reporting agent or other third-party payroll service provider does not relieve an employer of the responsibility to ensure that tax returns are filed and all taxes are paid or deposited correctly and on time.

Do not file more than one Form 941 per quarter. Filing more than one return may result in processing delays and may require correspondence between you and the IRS. Do not report more than one calendar quarter on a return.

Use the pre-addressed form mailed to the local. If the local does not have the form, get one from the IRS in time to file the return when due. If the local uses a form that is not pre-addressed, show the local's name and EIN on it. See the instructions for Form 941 for information on preparing the form.

If the local is required to file a final Form 941, it is also required to furnish Form W-2 to its employees by the due date of the final Form 941.

File Forms W-2 and W-3 with the SSA by the last day of the month that follows the due date of the final Form 941. See the Instructions for Forms W-2 and W-3 for more information. In all cases, however, be sure to correctly fill out the "Date quarter ended" section at the top of the form. Only taxes and withholding properly reported on Form W-2 should be reported on Form 941.

Reconciling forms W-2, W-3, and 941. When there are discrepancies between Forms 941 filed with the IRS and Forms W-2 and W-3 filed with the SSA, the IRS must contact the local to resolve the discrepancies.

To help reduce discrepancies-

- a) Report both social security and Medicare wages and taxes separately on Forms W-2, W-3, and 941.
- b) Report social security taxes on Form W-2 in the box for social security tax withheld, not as medicare wages.
- c) Report Medicare taxes on Form W-2 in the box for Medicare tax withheld, not as Medicare wages.
- d) Make sure the social security wage amount for each employee does not exceed the annual social security wage base limit.

To reduce the discrepancies between amounts reported on Forms W-2, W3, and 941-

- a) Insure the amounts on Form W-3 are the total amounts from Forms W-2.
- b) Reconcile Form W-3 with the four quarterly forms 941 by comparing amounts reported for-
  - 1) Income tax withholding.
  - 2) Social security and Medicare taxes.
  - 3) The amounts shown on the four quarterly Forms 941, including current year adjustments, should be approximately twice the amounts shown on Form W-3.
  - 4) This is because Form 941 includes both the employer and employee shares of social security and Medicare taxes.

Amounts reported on Forms W-2, W-3, and 941 may not match for valid reasons. If they do not match, it should be determined that the reasons are valid. Keep the reconciliation so the local will have a record of why amounts did not match in case there are inquiries from the IRS or the SSA.

The employer identification, sometimes called a taxpayer identification number, is a unique, nine-digit number assigned by the Internal Revenue Service (IRS) to identify a business or organization. It is required even if the union has no employees. The EIN is obtained from the IRS using form SS-4.

To obtain an Employer Identification Number (EIN), complete an Internal Revenue Service (IRS) Form SS-4 and submit it to the (IRS). Before applying, first verify that the local does not already have an EIN. This can be done by checking the local's bank statement for an EIN. Then check with the CWA financial services department to see if the local already has a number on file. The local may wish to look at a sample IRS Form SS-4 before starting. Follow the instructions on the second page (or back) of the form. An EIN can be gotten immediately by calling the Tele-TIN number for the service center serving the state. Remember the local must then send the SS-4 by mail or fax within 24 hours to the state's Tele-TIN service center. See where to apply on page 2 of the IRS's SS-4 for phone numbers and addresses. Mail the completed form to the IRS. The local should receive formal notification of its number within several weeks. Never use a social security number in the place of an EIN, because this could lead to unpleasant tax consequences for any officer involved.

A single remittance, made payable to the bank holding such deposits, covering the amount of taxes to be deposited (withholding and FICA) should be taken to any commercial bank qualified to act as a depository for federal taxes or to a federal reserve bank.

## **IRS FORM 990**

All CWA affiliates are exempt from federal income tax under the provisions of Section 501(c)(5) of the Internal Revenue Code (IRS). This exemption applies to only income taxes. CWA affiliates are not exempt from sales tax, payroll taxes or personal property taxes. When a local is chartered, the name of the local was submitted to the IRS to be placed on the roster identifying CWA affiliates. The CWA Group Exemption Number (GEN) is 1102. There is no need for a local to apply for exempt status. Locals do, however, need to apply for an Employer Identification Number (EIN) and indicate the Group Exemption Number (1102) in the appropriate location on IRS Form 990. Several locals have been contacted by the IRS questioning their exempt status. If a local receive such a query from the IRS, they should supply the IRS with the information above. Besides saving volumes of paperwork, the local will be spared the \$300 "User Fee" that the IRS is now charging to process applications for exemption. The primary reason for the IRS not having up-to-date information about all CWA locals is that many locals have not supplied CWA with their EIN. Please make sure that the CWA is notified of that number when the local receives it so that CWA can include it on the roster sent to the IRS. While state governments generally exempt not-for-profit organizations from income taxes based upon the IRS exemption, some states require additional reports from not-for-profit organizations. Simply stated, this means that neither CWA nor its Locals are required to pay any income tax on per capita dues receipts. However, the IRS can revoke this tax-exempt status from any Local should the Local fail to comply with regulations that call for filing of the IRS Form 990. (It should be noted that some Locals will be sent a Form **990T** which does not differ substantially from the more general Form **990**.)

IRS Form 990 is an annual financial return required of tax-exempt organizations with more than \$25,000 in total receipts for the year. It is used by the IRS to verify that the organization is engaged primarily in tax-exempt activities. Should your local perform significant business

activities not related to the organization's tax-exempt purpose, you may be required to prepare payment by filing Form 990T - Exempt Organization.

Forms are sent to all Locals on an automatic basis by the IRS. However, should your Local fail to receive its copy, these forms may also be obtained from your nearest IRS office.

Instructions for the proper completion of the Form 990 and 990-T are mailed with the forms. Certain additional information necessary for the completion of these forms may also be found in Section 11.9 of your Manual.

The IRS has the ability to cross-check all of its records. Experience has indicated that if your Local fails to file any required forms an inquiry will be forthcoming from the Internal Revenue Service. There are penalties for late filing or failure to file Form 990 or 990-EZ. As an officer, the maximum penalty is \$10 per day for every day that the report is late, to a maximum of \$5,000. The local can additionally be fined twice as harsh, \$20 per day up to 5% of gross yearly receipts. Should an officer or the local be fined, contact the CWA financial services department before paying the fine. Failure to produce a copy of any of these forms which would indicate that they were filed on a timely basis with IRS can cause a fine to be levied upon your Local. In addition, your Local may also lose its tax-exempt status.

Should you find it necessary to obtain an extension, you will need to submit IRS Form 2758 which must be mailed on or before the due date of the Form 990. This form must be signed by an officer of the local, a CPA, or a person enrolled to practice before the IRS. This second extension is ONLY granted in cases of undue hardship and will only give the local 90 additional days to file. Each extension must be filed before the close of the last. A maximum of up to six (6) months is all that will be granted.

## **FEDERAL UNEMPLOYMENT TAXES**

The Federal Unemployment Tax Act (FUTA), with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. Only the employer pays FUTA tax; it is not deducted from the employee's wages. For more information, see the Instructions for Form 940. Lost-time wages are also subject to the unemployment tax.

The local is subject to FUTA tax on the wages it pays employees who are in the current or preceding calendar year:

- a. The local paid wages of \$1,500 or more in any calendar quarter in 1999 or 2000, or
- b. The local had one or more employees for at least some part of a day in any 20 or more different weeks in 1999 or 20 or more different weeks in 2000.

Computing FUTA tax. For 1999 and 2000, the FUTA tax rate is 6.2%. The tax applies to the first \$7,000 is the Federal wage base. The state wage base may be different. Generally, a local can take a credit against its FUTA tax for amounts it paid into state unemployment funds. This credit cannot be more than 5.4% of taxable wages. If the local is entitled to the maximum 5.4% credit, the FUTA tax rate after the credit is .8%

For deposit purposes, figure FUTA tax quarterly. Determine the local's FUTA tax liability by multiplying the amount of wages paid during the quarter by .008 (.8%). Stop depositing FUTA tax on an employee's wages when it reaches \$7,000 in wages for the calendar year. If any part of the wages subject to FUTA are exempt from state unemployment tax, you may have to deposit more than the tax using the .008 rate. For example, in certain states, wages paid to corporate officers, certain payments of sick pay by unions, and certain fringe benefits, are exempt from state unemployment tax.

If the local's FUTA tax liability for a quarter is \$100 or less, it does not have to deposit the tax. Instead, the local may carry it forward and add it to the liability figured in the next quarter to see if it must make a deposit. If the local's FUTA tax liability for any calendar quarter in 2000 is over \$100 (including any FUTA tax carried forward from an earlier quarter), the local must deposit the tax by electronic funds transfer (EFTPS) or in an authorized financial institution using Form 8109, Federal Tax Deposit Coupon.

Deposit the FUTA tax by the last day of the first month after the quarter ends. If the local's liability for the fourth quarter, plus any undeposited amount from any earlier quarter, is over \$100, deposit the entire amount by the due date of Form 940 or Form 940-EZ (January 31). If it is \$100 or less, the local can either make a deposit or pay the tax with IRS Form 940 or 940-EZ by January 31.

Use Form 940 or 940-EZ, Employer's Annual Federal Unemployment (FUTA) Tax Return, to report this tax. The IRS will mail a preaddressed Form 940 or 940-EZ to the local if it filed a return the year before. If the local does not receive Form 940 or 940-EZ, it can get the form by calling 1-800-TAX-FORM (1-800-829-3676).

A local may be able to use Form 940-EZ instead of Form 940 if:

- a) a local paid unemployment taxes ("contributions") to only one state, and
- b) a local paid state unemployment taxes by the due date of Form 940 or 940-EZ, and
- c) all wages that were taxable for FUTA tax purposes were also taxable for the local's state unemployment tax. For example, if the local paid wages to officers, these wages are subject to FUTA tax, in a state that exempts these wages from its unemployment taxes, the local cannot use Form 940-EZ.

These taxes are reported on Form 940. It should be noted that certain tax credits are considered when reporting unemployment taxes. A Local financial officer unfamiliar with this tax report should consult with a qualified CPA or IRS agent before attempting to file the 940. (See Section 11.17 for further instructions.)

## **PROPERTY TAX**

Most small Locals will not be required to pay this state tax. However, many of the larger Locals maintaining offices will probably be required to pay personal property tax on the assessed value of their office equipment, if the state in which they are located imposes such a tax. If your Local maintains an office, it is suggested that you contact your state assessor to obtain whatever information and forms you may require.

## **STATE TAXES, WITHHOLDING, UNEMPLOYMENT, ETC.**

These taxes vary in every state, as do the rules and regulations concerning such taxes. Contact your State Unemployment Commission or assessor's office for further information and guidance as to whether your Local may be liable for any such taxes.

## **CITIES AND MUNICIPALITIES**

In many cities and municipalities, there are also tax requirements. You should contact your local government agencies with respect to necessary requirements in this regard.

## **GENERAL**

Federal tax information will be sent your Local automatically once an Employer Identification Number has been assigned by the IRS. This number is obtained for all Locals by CWA and must be used when reporting withheld income, FICA (Social Security) and other federal taxes. When IRS has assigned your Local an Employer Identification Number, a record should be made of that number and maintained in a safe place. This number is essential to all your federal report forms. It is also on file at the International Headquarters office should you be unable to locate such a number in your records.

Once this number is on file with the IRS, your Local will automatically be sent the aforementioned federal tax reporting forms which must be completed and filed with IRS regardless of whether or not your Local has paid any wages.

Information pertaining to the reporting of state and federal income taxes and the filing of tax forms can be obtained from your nearest Internal Revenue Service office for federal and for state, the tax bureau, commission or whatever may be the proper name of the agency in your state.

Tax forms should be prepared according to the instructions printed on the federal or state forms. It is incumbent upon the Local to acquaint themselves with any state regulations regarding the reporting of taxes withheld.

Tax payments should be paid when due, since most tax agencies impose penalties and interest charges for any report not filed on a timely basis.

**SAMPLE – FORM 941**  
**EMPLOYER'S QUARTERLY FEDERAL TAX RETURN**

Section 11.8B  
International/Local  
(04/01)

**SAMPLE – FORM 940**  
**EMPLOYER’S ANNUAL FEDERAL**  
**UNEMPLOYMENT (FUTA) TAAS RETURN**

## **INTERNAL REVENUE SERVICE FORMS 990 AND 990-T GENERAL INFORMATION**

No attempt will be made to furnish you with specific instructions concerning the annual filing of IRS Form 990. However, the following is pertinent information of which each Local should be aware.

Any Local whose annual gross receipts do not exceed \$25,000 is not required to file IRS Form 990. However, should you receive a 990 from the IRS, the following information must be completed and the form returned to the IRS regardless of the amount of the Local's receipts.

Attach the mailing label or complete the name and address information at the top of the form. In Box C give your Local's Employer Identification Number and check the top box in item number 4. Sign and date the form and return it to the IRS.

If, as a result of computer error, you continue to receive the 990, the procedure outlined above is to be continued.

Should your Local's annual receipts exceed \$25,000 at some point in the future, you will then have to file Form 990.

Locals which are required to file the 990 have until February 15 to meet the IRS deadline. This is the 15th day of the fifth month following the close of the Local fiscal year on September 30. Failure to file by the deadline can result in a fine of \$20.00 for each day the form is late, with a maximum penalty of \$10,000.

IRS automatically mails form 990 to each Local having an Employer Identification Number. Should your Local fail to receive the form and it is necessary that the Local file, it may be obtained from your nearest IRS office.

Some Locals may also be required to file IRS Form 990-T. This determination can be made by reading the instructions accompanying Form 990. If in doubt, contact your nearest IRS office.

The International Union does not file a group return on behalf of its subordinate Locals. Each Local is responsible for filing its own IRS return.

Part I, Page 1 of Form 990 must be completed in full by Locals whose gross annual receipts exceed \$25,000. Those Locals reporting a total revenue, on Line 12 of Part 1, of \$25,000 or less, are required to complete only Column A of Part II on the 990 report copy for IRS. This may vary, as to state requirements, for those Locals required to file a Form 990 with one or

more state reports. Parts III and IV concern "Program Service Activities" and their revenue. Part V is a balance sheet of the Local's financial records. Part VI is a record of the Local's officers. Part VII is a questionnaire of varied information.

Part I of Form 990 must be completed in full. In lieu of completing Part II, the financial portion of the 990, your Local may substitute a copy of the LM-2 or LM-3. A copy of your auditor's report is not considered an acceptable substitute.

The IRS has stated, "We will continue to accept Form LM-2 or LM-3 . . . as a substitute for Part II of Form 990 only when the information required by Part II is included on Form LM-2 or LM-3. If the information . . . does not completely satisfy the requirements of Part II of Form 990, the additional information must be entered in Part II."

The attached sample of Form 990 is only a guide and may be changed from time to time by the IRS. Current forms and instruction sheets should be obtained from the closest office of IRS. However, your attention is specifically directed to the following numbered items appearing on the attached sample:

1. The fiscal year for CWA Locals is October 1 to September 30. The only exception would be those Locals chartered after the October 1 date. These Locals would show their charter date as the beginning of the fiscal year. However, they would still reflect the year-ending date as September 30. After that, on subsequent reports, these Locals would enter their fiscal year as October 1 through September 30.
2. "Name of Organization" is your Local number, i.e., "Local 00000 - Communications Workers of America." The address would reflect the Local office address or the address of the Local's financial officer.
3. The Employer Identification Number assigned each Local by the IRS consists of nine (9) digits and is not to be confused with your LM reporting number. Should you be unable to locate your EIN number, it may be obtained from the International Headquarters office. If your Local was recently chartered and has not received its Employer Identification Number, insert "applied for."
4. The section above Part I which begins with "NOTE" relates to your Local's gross receipts and is self-explanatory. The preceding paragraphs outline steps to be taken by Locals having less than \$25,000 in gross receipts.
5. For those Locals required to file a Form 990 to satisfy the reporting requirements of one or more states, this space will reflect the registration number assigned by the state to which you are reporting. This applies only when the state will accept a copy of your 990 report in lieu of the regular state report.
6. A changed address refers to the address shown in number 2 above.

7. Each Local is exempt under IRS Code 501(c) per exemption letter dated October 26, 1951 on file at the International office.
8. Check "no." Group return does not apply to the International or any of its Locals.
9. Check "yes" since all Locals are covered by CWA's exemption letter.
10. CWA's group exemption number (GEN) is 1102.
11. If your Local has amended its bylaws during the fiscal year just ended, check "yes" and attach a copy of each amendment.
12. Name, address and telephone number of the Local's financial officer.
13. The form is to be dated and signed by an officer of the Local, preferably the financial officer or President.
14. To be signed only when the form is completed by a CPA, independent auditing firm or someone not associated with the Local.

It is strongly recommended that Form 990 be filed with IRS when your Local files its LM report with the Labor Department. This will ensure an early filing and preclude the possibility of incurring a fine for late filing.

**NOTE:** Any Local whose charter is recalled must file a terminal Form 990 with IRS, sending a copy to the International Headquarters. This report would reflect a year-ending date as the date the charter was recalled and a notation should be made at the top of the form that this is a "Terminal Report."

IRS Form 990 is **not** stocked at the International Headquarters. It may be obtained from your nearest IRS field office.

**SAMPLE – FORM 990**  
**RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX**

**SAMPLE – FORM 990-T**  
**EMEPT ORGANIZATION BUSINESS INCOME TAX RETURN**  
**(and proxy tax under section 6033(e))**

## **IRS FORMS 1096 AND 1099 - INSTRUCTIONS ANNUAL SUMMARY AND TRANSMITTAL OF U.S. INFORMATION RETURNS**

Exact copies of Internal Revenue Service Forms 1096 and 1099 are shown on the following pages.

A supply of these forms may be obtained from your nearest Director of Internal Revenue.

The IRS has ruled that if strike benefits furnished a member were in an aggregate amount of less than \$600 per year, no forms are required to be filed. Only fixed amount strike benefits of \$600 or more are to be reported to the member on Form 1099 and to IRS on 1099 and 1096.

Food, clothing, rent and insurance payments furnished as strike benefits by a Labor Union to needy workers participating in a strike may be considered gifts and are not reportable.

Attached is a copy of this IRS ruling as it was originally published in IRS Bull. 68-32.

Whereas Locals are not required to report strike benefits of less than \$600, these payments are includible in the gross income of the recipients in the year received.

In the IRS publication "Your Federal Income Tax," it states: "Strike and lock-out benefits paid by a Union from union dues, including both cash and their fair market value of goods received, are includible in income unless the facts clearly show that such benefits were intended as a gift."

However, we are advised by legal counsel, ". . . payments to members from the CWA Defense Fund during times of strike are not taxable income and such payments should be excluded from income for Federal tax purposes."

If your Local received and distributed Defense Fund strike monies to members, you should advise them of the foregoing.

Should any Local member request information as to the total amount of benefits he received during the calendar year, your Local is obligated to furnish that information. This need not be given on the Form 1099.

Form 1099 is furnished in triplicate with indications as to who receives each copy. Complete the form according to the instructions and sample shown; separate and distribute as follows:

Copy A -- will be attached to Form 1096 for mailing to IRS at the address shown on the reverse side of Form 1096.

Copy B -- is mailed to the individual named on the form.

Copy C -- is retained for the Local's records.

You will note Form 1099 calls for "taxpayer identifying number." This is your *Employer Identification Number* which is issued by your nearest Director of Internal Revenue. If your Local does not know its number, it is on file in the International Headquarters office.

Form 1096 is solely for the purpose of transmitting to the Internal Revenue Service their copy of the 1099.

**SAMPLE – FORM 1099-MISC**  
**MISCELLANEOUS INCOME**

**SAMPLE – FORM 1096**  
**ANNUAL SUMMARY AND TRANSMITTAL**  
**OF U.S. INFORMATION FUNDS**

## CHECKLIST OF FEDERAL GOVERNMENT REQUIRED FORMS AND REPORTS

REPORT/FORM	WHO MUST FILE	LOCAL OFFICER RESPONSIBLE	GOVERNMENT FILING DEADLINE	WHERE TO FILE
<b>Report LM-1</b> <i>(See UOPM Section 11.4)</i>	All newly chartered labor organizations	Treasurer	90 days from date of charter.	OLMS US Dept of Labor Washington, D.C. 20210
<b>Report LM-1A</b> <i>(See UOPM Sections 11.4 and 11.5)</i>	Any labor organization with changes in either their Constitution and Bylaws and/or practices and procedures.	Secretary and President	Attached to and filed with LM-2 or LM-3.	Same as Above
<b>Report LM-2</b> <i>(See UOPM Section 11.6)</i>	Labor organizations with total receipts over \$100,000 per year. Must attach Bylaw amendments.	Treasurer and President	Within 90 days after the end of the fiscal year.	Same as Above
<b>Report LM-3</b> <i>(See UOPM Section 11.7)</i>	Labor organizations with total receipts under \$100,000 per year. Must attach Bylaw Amendments.	Treasurer and President	Same as Above	Same as Above
<b>Form 940</b> Federal Unemployment Tax Return <i>(See UOPM Section 11.8B)</i>	Labor organizations with full-time or part-time employees or paying lost time.	Treasurer	Form 940 must be filed by the following January 31. Taxes will be paid using Form 8109.	Your nearest IRS Center.
<b>Form 941</b> Employer's Federal Tax Return <i>(See UOPM Section 11.8A)</i>	Locals with full-time or part-time employees or paying lost wages.	Treasurer	Due quarterly: April 30, July 31, October 31, January 31.	Your nearest IRS Center.
<b>Form 990</b> Return of Organizations Exempt From Income Tax <i>(See UOPM Section 11.9)</i>	All Locals with annual receipts over \$25,000.	Treasurer	On or before the 15th day of the 5th month following the close of the Local's fiscal year.	Your nearest IRS Center.
<b>Form 990-T</b> <i>(See UOPM Section 11.9)</i>	Any Local with unrelated business or trade income of \$1,000 or more. For example: rental income.	Treasurer	15th day of the 5th month after the end of the tax year.	Your nearest IRS Center.
<b>Form 1096</b> <i>(See UOPM Section 11.10)</i>	Used solely for purpose of transmitting Form 1099 to the IRS.	Treasurer	Date Due to IRS February 28.	Your nearest IRS Center.
<b>Form 1099</b> Statement for Recipients of Miscellaneous Income <i>(See UOPM Section 11.10)</i>	Payments (including strike benefits) for services performed for a trade or business by people not treated as its employees.	Treasurer	Must give form to individual by January 31.	Your nearest IRS Center.

## CHECKLIST OF FEDERAL GOVERNMENT REQUIRED FORMS AND REPORTS

REPORT/FORM	WHO MUST FILE	LOCAL OFFICER RESPONSIBLE	GOVERNMENT FILING DEADLINE	WHERE TO FILE
<b>Form 1120-POL*</b> <i>(See UOPM Section 11.18)</i>	Any Local with a Political Action Committee that invests the PAC money and earns from the investments more than \$100 a year.	Treasurer	March 15	Your nearest IRS Center.
<b>Form 8109</b> Federal Deposit Tax Coupon	Labor organizations which withhold federal taxes and social security taxes from employee's salary. This deposit would also include Federal Unemployment taxes which, if the payment is \$100 or more at the end of the quarter, must be paid quarterly. Otherwise, it can be filed by the following January 31.	Treasurer	If taxes are owed: 1) Less than \$500 at end of quarter, must deposit by end of the next month. 2) Less than \$500 at end of month, no deposit due. Carry taxes over to next month. 3) \$500 or more, but less than \$3,000 at end of month, deposit taxes within 15 days after end of month. 4) \$3,000 or more, on the 3rd, 7th, 11th, 15th, 19th, 22nd, 25th or last day of month, deposit taxes within 3 banking days.	Mail or deliver each deposit coupon and a single payment covering the taxes to be deposited to a financial institution qualified as a depository for federal taxes or to the Federal Reserve Bank serving your geographical area.
<b>Form I-9</b> Employment Verification <i>(See UOPM Section 18.5)</i>	All new employees must complete at time of hiring.		Retain I-9 form for three years from date of hiring or one year after date of termination, whichever is later.	
<b>Form W-2</b> Wage and Tax Statement	All Locals who have paid wages within the calendar year.		Due to employees by January 31. Due to the Social Security Administration by February 28.	Regional Social Security Office.
<b>Form W-3</b> Transmittal of Income Tax Statement	All Locals required to file W-2.		February 28.	Regional Social Security Office. Address for each state is on the front of the W-3.
<b>Form W-4</b> Employee's Withholding Certificate <i>(See UOPM Section 18.5)</i>	All employees.		Retain unless employee claims more than 10 Federal exemptions or, if an employee claims exemption from all Federal taxes and can be expected to earn more than \$200 per week, then a copy of the W-4 must be filed with the next quarter's Form 941.	Your nearest IRS Center. (If necessary, as explained under Filing Deadline.)

\* Transfers to CWA-COPE or CWA-COPE PCC do not qualify as a political contribution and are exempt from consideration of this tax.

## **INTERNAL REVENUE SERVICE GROUP EXEMPTION REQUEST**

Under the procedures set forth by the Internal Revenue Service, the International Secretary-Treasurer has secured a ruling from IRS which exempts CWA and its subordinate organizations (Locals) from the payment of any Federal income tax.

In order to retain this exemption, CWA is required to file with IRS, on an annual basis, a list of certain Locals, as follows:

- A. All Locals/Councils newly chartered from the date of our last report.
- B. A list of all Locals/Councils who have had their charter recalled within the same period.
- C. A list of Locals/Councils who have had a change of address for the principal officer during this period.

In conjunction with the three categories above, CWA is required to furnish the IRS with the Employer Identification Number for each one of these Locals/Councils.

The International Secretary-Treasurer must also certify that each of the newly chartered Locals has requested to be added to the group exemption roster.

At the time a Local or Council is chartered by the Communications Workers of America, the Local/Council must file with the Internal Revenue Service an application for an Employer Identification Number, Form SS-4. This can be done online at [www.irs.gov](http://www.irs.gov)

Once the form has been processed and a number has been assigned, the Local/Council should supply the Communications Workers of America with the number so it can be added to the IRS exemption roster filed annually with the IRS. This number is to be used by all Locals/Councils when filing their IRS Form 990, as well as when they file any official documents with the IRS District Director.

By law, every local labor union is required to have an Employer Identification Number whether or not they report taxes for any full- or part-time employees they may have now or in the future on the Local payroll.

At the time the Headquarters office files our annual report with IRS requesting an extension of this tax exempt status, we must also certify to them that any Locals who have been chartered since the date of our last report have requested, in writing, that they be added to the group exemption roster.

In this connection, at the time the Application for Local Charter is made, one of the officers of the new unit will be required to execute a form letter similar to the one shown in Section 11.12A.

DATE \_\_\_\_\_

INTERNATIONAL SECRETARY-TREASURER  
COMMUNICATIONS WORKERS OF AMERICA  
501 Third Street, Northwest  
Washington, D.C. 20001

In accordance with the regulations of the Internal Revenue Service, dated March 18, 1968, this is to request that you add our Local/Council to the group exemption roster.

Our IRS Employer Identification Number is \_\_\_\_\_.

Sincerely and fraternally,

Name \_\_\_\_\_

Title \_\_\_\_\_

Local/Council \_\_\_\_\_

Original - International  
Copy - Vice President's Office  
Copy - Local/Council Files

MLO-106 (rev. 07/07)

**EQUAL EMPLOYMENT OPPORTUNITY COMMISSION EEOC FORM 274,  
LOCAL UNION REPORT (EEO-3)**

This report must be completed in full and filed by or on behalf of only referral local unions subject to Title VII of the Civil Rights Act of 1964, as amended, which have had 100 or more members at any time since December 31 of the preceding year.

"Referral Union" is a term which describes unions under whose normal methods of operation individuals customarily and regularly seek or gain employment through the union, or an agent of the union.

For the purposes of this report, a local union will be considered to be a Referral Union only if it:

- (a) Operates a hiring hall or hiring office (on its own behalf or through a joint council or other referral agent), or
- (b) Has an arrangement under which one or more employers are required to consider or hire persons referred by the union or its agent, or
- (c) Has ten percent or more of its members employed by employers which customarily and regularly look to the union, or any agent of the union, for employees to be hired on a casual or temporary basis, for a specified period of time, or for the duration of a specified job.

The union will not be considered a Referral Union where there are only occasional referrals to an employer who relies on sources other than the union, or an agent of the union, for a substantial portion of all hires. Thus the fact that a union representative in an industrial plant occasionally recommends persons for a job at the employer's request would not in itself result in the classification of that union as a **Referral Union**.

Accordingly, this new policy should relieve most CWA Locals of the requirements of filing EEO-3 Reports.

However, should your Local be required to file Report EEO-3, you must submit the original and one copy no later than February 28 to:

Union Reporting Program  
Equal Employment Opportunity Commission  
1801 L Street, N.W.  
Washington, D.C. 20507

**SAMPLE – EEOC FORM 274**  
**EQUAL EMPLOYMENT OPPORTUNITY**  
**LOCAL UNION REPORT EE0-3**

## **COMBINED JOURNAL LEDGER**

In an effort to assist Locals in compiling the financial data needed to complete OLMS Form LM-3, a combined Journal-Ledger workbook has been devised.

This book contains fifteen double pages, imprinted on both sides on ledger paper and bound in a soft cover.

Enclosed with the Journal-Ledger is an example of how it can be used in assembling the data required for the OLMS Form LM-3, together with a facsimile of this form and certain specific instructions taken from the U.S. Department of Labor instruction folder which accompanies the LM-3.

This is the short form used by all Locals whose total receipts were less than \$100,000 during the fiscal year.

Each combined Journal-Ledger should last the average Local two fiscal years.

Copies of the Journal-Ledger, accompanied by the example and instructions, may be acquired free of charge, by directing a request to the CWA Secretary-Treasurer, 501 Third Street, N.W., Washington, D. C. 20001-2797.

## TRUSTEESHIPS - REQUIRED REPORTS - ADMINISTRATORS

The CWA Constitution states, in Article XIII, Section 8(b):

"The Executive Board may appoint a temporary administrator to temporarily conduct the affairs of a Local after receiving a request from the officers or membership of a Local for such action."

As defined in the "Labor-Management Reporting and Disclosure Act, as Amended," Section 408.1(b):

"Trusteeship' means any receivership, trusteeship or other method of supervision or control whereby a labor organization suspends the autonomy otherwise available to a subordinate body under its constitution or bylaws."

Part 408 of the Act specifies the report forms which the National must file periodically whenever an administratorship is established.

They are:

LM-15	Trusteeship Report
LM-15A	Schedule on Selection of Delegates and Officers
LM-2	Labor Organization Annual (Financial) Report
LM-1A	Report of Current Status: Labor Organization Information Supplement
LM-6	Information and Signature Sheet
LM-16	Terminal Trusteeship Information Report

Following is an outline of the above forms.

Instructions covering the transmittal of each of these forms are given at the end of this Section.

### LM-15 TRUSTEESHIP REPORT (UOPM Section 11.15A)

This section is a sample of pages 1 and 2 of this form. The numbers given below coincide with the numbers on Form LM-15.

2. File No. This is the LM file number which has been previously assigned to the Local by the Labor Department.
- 7A. The **initial** report must state the reason for the establishment of the administratorship. The **six-month** report must state the reason(s) for its continuation.
- 7B. The CWA Constitution article providing for the establishment of the trusteeship is Article XIII, Section 8(b).

8. Please refer to the instructions accompanying the LM-15. The Administrator must give a **detailed** statement explaining the reasons for the establishment of the administratorship.
- 9A. Conventions and Other Policy-Determining Bodies. Check "yes" if any of the following groups met during the report period: CWA Convention; District, State or Area meetings; any meeting of a **group of delegates** which would formulate a policy that might affect "conditions of employment." Form LM-15A (discussed below) would then have to be filed.

### *Verification and Signatures*

The form must be signed by: (1) the International President; (2) the International Secretary-Treasurer and (3) the Local Administrator. The Administrator's signature appears in the section at the bottom of the form where it states: "Signature of trustee of subordinate labor organization."

### *Statement of Assets and Liabilities*

This section (page 2) of the LM-15 is completed for the initial report only. The instructions accompanying Form LM-15 detail the financial information that must be supplied.

## **LM-15A SCHEDULE OF SELECTION OF DELEGATES AND OFFICERS (UOPM Section 11.15B)**

This form is filed in conjunction with Form LM-15, LM-2 (and LM-16, if applicable) if any of the following meetings were held during the reporting period covered:

CWA Convention.  
Bargaining Council meeting.  
District, State or Area meeting.  
Any meeting of a **group of delegates** which formulates policies concerning  
"conditions of employment."

There are two parts to Form LM-15A. Part A relates to the election of delegates to any of the above-mentioned meetings. Part B specifically relates to the election of International (not Local) officers.

The instructions accompanying the LM-15A are self-explanatory with the exception of Item 2. If this form is filed in conjunction with a Terminal Report (LM-16), the period covered would be **from** the date of the last LM-15 filed to the date the administratorship was terminated. This may not necessarily be a six-month period.

Note that no signatures are required on the LM-15A.

\* \* \* \* \*

## **LM-2 LABOR ORGANIZATION ANNUAL (FINANCIAL) REPORT**

Regardless of the size of the Local over which an administratorship has been established, financial Report Form LM-2 (long form) must be used.

The financial report must be filed **within 90 days** from the date of the termination of the administratorship.

The LM-2 must also be filed if the administratorship of the Local extends past the end of the Local fiscal year, June 30.

In addition to the instructions accompanying Form LM-2, information can also be found in UOPM Section 11.6.

### ***Signatures***

Form LM-2 must be signed by the International President, International Secretary-Treasurer and Administrator. Since there is insufficient space on the form for all three signatures, the Administrator should sign on a separate sheet of paper, following the format shown on the bottom of page 1 of the form.

\* \* \* \* \*

## **LM-1A REPORT OF CURRENT STATUS; LABOR ORGANIZATION INFORMATION SUPPLEMENT**

If you are filing an LM-2 as a fiscal year report, then Form LM-1A may also have to be filed. The same rule applies for a trustee Local as for any other CWA Local. Namely, if a bylaw amendment was passed during the fiscal year ended, which affects the practices and procedures of the Local, the LM-1A must be filed together with the LM-2.

See UOPM Sections 11.4, 11.5 and 11.6 for additional instructions on the completion of this form.

The instructions published with the form are silent as to whether the Administrator must sign this form. It is suggested the same procedure as set forth above for the LM-2 be used by the Administrator.

\* \* \* \* \*

## **LM-6 INFORMATION AND SIGNATURE SHEET (Section 11.15C)**

This form is submitted in conjunction with the LM-2 financial report when that report is filed either at the end of the Local fiscal year or upon the termination of the administratorship.

The LM-6 is completely self-explanatory. The signatures of the International President, Secretary-Treasurer and Administrator are required.

## **LM-16 TERMINAL TRUSTEESHIP INFORMATION (Section 11.15D)**

Upon termination of the Administratorship, the LM-16 must be filed together with the LM-2, LM-6 and, if applicable, the LM-1A and LM-15A.

The form is self-explanatory. It must be signed by the International President, International Secretary-Treasurer and Administrator.

\* \* \* \* \*

Following is a breakdown of the forms discussed above and their filing dates:

### LM-15

- a. Initial (within 30 days)
- b. Every six months

### LM-15A --(with LM-15 or LM-2)

- a. CWA Convention
- b. Bargaining Council meeting
- c. District, State, Area meetings

### LM-2

- a. Fiscal year ending 6/30 within 90 days
- b. Termination of Trusteeship (within 90 days)

### LM-1A -- (with LM-2)

### LM-6

- a. with LM-2 (Local fiscal year)
- b. with LM-2 (terminal report)

### LM-16 -- (with LM-2 at termination of trusteeship)

\* \* \* \* \*

## **INTERNAL REVENUE SERVICE FORM IRS-990**

The Administrator is responsible for filing this IRS form, if the trusteeship extends beyond the end of the Local fiscal year. Instructions for its completion may be found in UOPM Section 11.9.

The Administrator's signature is the only one required. Therefore, the form may be filed directly with the IRS. However, a copy of the IRS-990 must be forwarded to the International Headquarters for the official files.

***Record Retention***

Once the administratorship over a Local has been terminated, all records of the Local that may be in the possession of the Administrator revert back to the Local. The Administrator may, at his discretion, retain a copy of any material he feels necessary for his own personal records. However, all permanent records or "hard copies" become the property of the Local.

According to Labor Department regulations, "such records shall be kept available for examination for a period of not less than five years after the filing of the documents based on the information which they contain."

An example of the supporting material to be retained would be documents such as vouchers, receipts, bank statements, membership records, Local dues summary sheets, etc.

\* \* \* \* \*

Four copies must be completed of each of the above forms. These may either be an original and three carbons or an original and three photostats.

All four copies are to be forwarded to the International Secretary-Treasurer's office after the Local Administrator has signed the form(s). The International Secretary-Treasurer's office will secure the additional officer signatures and transmit two copies of each form (with attachments as required) to the Labor Department. One copy will be retained for the official Headquarters files and one copy will be returned to the Local Administrator.

The International Secretary-Treasurer's office maintains a follow-up file on Locals under the administratorship. This office will contact the Administrator in advance of the due date of the LM forms and furnish that individual with the necessary sets of any forms to be filed.

If there are any questions or problems associated with the foregoing or in administering the affairs of the Local under trusteeship, please contact the International Secretary-Treasurer's office for assistance.

**SAMPLE – FORM 15**  
**TRUSTEESHIP REPORT**

**SAMPLE – FORM LM-15A**  
**REPORT ON SELECTION OF**  
**DELEGATES AND OFFICERS**

Section 11.15C  
International/Local  
04/01

**SAMPLE – FORM LM-16**  
**TERMINAL TRUSTEESHIP REPORT**

## CWA CITY COUNCILS

In 1971 the U. S. Department of Labor ruled that CWA "City Councils are labor organizations subject to the reporting requirements" of the Labor-Management Reporting and Disclosure Act.

That section of the Act affecting CWA City Councils was cited as follows:

"Labor organization' means a labor organization engaged in an industry affecting commerce and includes any organization of any kind, any agency, or employee representation committee, group, association, or plan so engaged in which employees participate and which exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rate of pay, hours, or other terms or conditions of employment, and any conference, general committee, joint or system board, or joint council so engaged which is subordinate to a national or international labor organization, other than a state or local central body.

"Regardless of whether it deals with employers concerning terms and conditions of employment and regardless of whether it is composed of employees, any conference, general committee, joint or system board, or joint council engaged in an industry affecting commerce and which is subordinate to a national or international labor organization is a 'labor organization' for the purposes of the Act."

It has been determined by the Labor Department that CWA City Councils "function between the International and local levels of CWA and they have a separate existence as evidenced in part by the fact that they have their own treasuries, collect assessments from affiliated locals, and elect their own officers."

Each City Council is to follow the same OLMS reporting procedure as for CWA Locals. Newly formed Councils are to file a preliminary OLMS Information Report Form LM-1 (UOPM Section 11.4). A copy of this form is to be furnished the International Secretary-Treasurer.

Further, within ninety (90) days following the end of the Council's fiscal year, financial Report Form LM-2 or LM-3, as appropriate, must be filed with the Labor Department. (UOPM Sections 11.6 and 11.7)

A copy of this form is also to be furnished the International Secretary-Treasurer.

**All report forms are to be forwarded through the lines of organization established in each District.**

In addition, each Council is to keep the International currently advised as to the names and addresses of the principal officers.

Should you encounter any problems with respect to the above, the Vice President of your District or the International Secretary-Treasurer may be of assistance.

## **EMPLOYER'S ANNUAL FEDERAL UNEMPLOYMENT TAX RETURN - FORM 940**

No attempt will be made to set forth an explanation as to how the Employer's Annual Federal Unemployment Tax Return Form 940 should be completed.

However, CWA Locals are not exempt from filing this form with the Internal Revenue Service.

**All** chartered Locals are required to file.

Any Local having paid wages to temporary, full-time, part-time or occasional employees will, in all probability, have to file Form 940 and pay an Unemployment Tax.

When determining who is considered an "employee," the Local must also take into account members who are reimbursed for "lost time" pay.

Unlike other financial reports filed by CWA Locals, which are basically statements of income and expense, Form 940 applies differently to each Local.

Consideration must be given not only to salaries paid, but also to any credits for unemployment taxes paid in the state in which your Local is located.

Unless your local uses the services of a professional bookkeeper or a C.P.A., your financial officers should not attempt to complete and file Form 940 without qualified assistance.

In this connection, the Internal Revenue Service urges the Local financial officer to contact the nearest IRS office for such help.

An appointment should be made with an IRS agent familiar with the Unemployment Tax.

The Local officer will probably be requested to bring with him the financial records and books for the current fiscal year.

At the meeting with the IRS agent, he will receive detailed instructions for completing Form 940 as it relates to his particular Local.

It is not recommended that one financial officer attempt to instruct an officer of another Local in the mechanics involved in the computation of the Unemployment Tax.

Normally, Form 940 is automatically mailed to Locals who have paid unemployment taxes in the past.

However, no Local should rely on receiving the form on an automatic basis from the IRS.

Your Local's financial officer should contact the nearest IRS office and secure blank copies of Form 940 from them.

This form is not stocked at the International Headquarters office.

## **CWA POLICY - IRS SECTION 527 - REPORTS**

CWA Locals that make contributions or expenditures beyond union household members for the purpose of influencing the selection, nomination, election or appointment of any individual to federal, state or local office may incur tax liability under Internal Revenue Code Section 527. Section 527 imposes a tax at 35% on the lesser of the taxable spending described above or the Local's net investment income (interest, rents, royalties, dividends and capital gains). If a Local incurs this tax, it must file IRS Form 1120-POL by the 15<sup>th</sup> day of the third month after the end of the Local's tax year.

Union expenditures for membership communications, nonpartisan registration and get-out-the-vote drives, ballot measure contributions and advocacy, and establishing a separate segregated political fund (also called a "Section 527 account"), are *not* subject to this tax. Also, transfers of voluntary contributions to CWA-COPE PCC, CWA's federal PAC, do not qualify as taxable political expenditures, even if the Local's general treasury acts as the "collecting agent" for those contributions on behalf of CWA COPE PCC.

In no event may dues income be used to make contributions to candidates for federal office, national political party committees, or other federal political committees, including the federal accounts of state party committees.

If your Local receives investment income *and* it contemplates political spending that might be subject to tax under Section 527, it should establish a separate Section 527 account for this purpose. If that account is non-interest bearing and does not otherwise earn investment income, it will have no tax liability under Section 527. If the account does earn investment income, the net amount earned in excess of \$100 will be subject to tax. (We recommend that Section 527 accounts do earn interest.)

Transfers of funds by your Local to its separate segregated fund may be treated as taxable expenditures by the Local. In order to avoid this, the Local should deposit dues income or voluntary contributions directly into the Section 527 account, before it earns any interest for the Local's general fund itself.

A Section 527 account that anticipates gross annual receipts of at least \$25,000 must register with the Internal Revenue Service within 24 hours of its establishment by filing Form 8871. The account will also have to file periodic reports (generally, quarterly during even years and semi-annually during odd years) of its receipts and spending on Form 8872, unless it is exempt because it is already registered and reports comparable information as a state or local PAC. And, the account will have to file an annual information return on either Form 990 or Form 990EZ, depending on the amounts of its receipts and assets, by the 15<sup>th</sup> day of the fifth month after the end of the account's tax year.

Finally, if the account earns more than \$100 in interest, it will have to pay tax and file Form 1120-POL by the 15<sup>th</sup> day of the third month after the end of the account's tax year.