

Starting a House Corporation

A House Corporation is the legal entity that would enter any long-term contracts, like a lease, loan, or purchase agreement. Its basic purpose is to look after the long-term assets and real estate interests that benefit the chapter.

Step-by-step

Step 1. Start a Future Housing Assessment – Because the house corporation will ultimately exist to benefit the student chapter, the chapter or colony must display a willingness and ability to support its own interests. Either through the dues structure itself or through a budget allocation, a per man future housing assessment should be levied or allocated each school term. The chapter by-laws should direct the allocation of funds to a designated account. These funds will help pay the costs associated with starting a house corporation and when the house corporation opens its own bank account, the money should then be contributed to the corporation. These assessments normally range from \$50 to \$100 per man per school term.

Step 2. Establish a Board - Find alumni that are interested in serving on the House Corporation board of directors. You may request a list of contact information for all of your chapter's alumni, and alumni from other chapters who live near the chapter, from Theta Chi Headquarters. Ideally, your board of directors would consist of at least 5 voting members. Ideal professional backgrounds include: attorney, banker, general contractor, architect, real estate broker, developer, property manager, university physical plant administrator.

Step 3. Gather Needed Forms and Information – Call the IRS (800- 829-4933) or visit their website at www.irs.gov and gather the forms listed below which are necessary for obtaining an employer identification number and nonprofit status with the Federal Government. You will also need to contact your state to get the instructions for starting a new corporation in your state. This is most commonly done through the Secretary of State's Office. You can find your Secretary of State's website by clicking [here](#). Make note of the questions that need to be answered on these various forms so that they may be addressed at the House Corporation's first meeting. Also, be aware of the costs associated with incorporating within your state so that you may address this issue at your House Corporation meeting.

For starting a nonprofit Corporation:

- Form SS-4: Application for Employer Identification Number (EIN)
- Publication 557: Tax exempt status for your organization
- Form 8718: User fee form to request tax exemption letter (\$300)
- Form 1024: Application for letter of tax exempt recognition

For filing the annual tax return for a nonprofit corporation

- Form 990: Annual income tax return form for tax exempt organizations
- Form 990-EZ: If applicable, abbreviated tax return for exempt organizations
- Publication 598: Unrelated business income tax for tax exempt organizations
- Form 990-T: Income tax return addendum for unrelated business income

Step 4. Hold the First Meeting of the House Corporation – At the first organizational meeting of your soon to be created house corporation, the following should be decided:

- Choose a name for the corporation. Please follow the guidelines below when choosing a name for the corporation.
- Complete the by-laws for your corporation. Sample by-laws can be downloaded [here](#).
- Elect Board Members. Although your state may not require all these positions, it is recommended that a house corporation have at least a President, Vice President, Secretary, and Treasurer.
- Appoint one person responsible for filling out and submitting the required paperwork. This is the person who will receive updates regarding the legal status of the corporation as well as tax information.
- Decide what your corporation's fiscal year will be, July 1st – June 30th is recommended.

Naming Guidelines- To make things a lot easier for your corporation, both at its inception and in the long term keep the following recommendations in mind when selecting a name for your corporation. Do not use the words "alumni", "building" or "property". In addition, to avoid confusion with the chapter and other Theta Chi entities, do not use the words "Theta Chi" or the chapter name within the corporate title. Be creative; think of other symbols or mascots of the Fraternity, chapter or university. Perhaps a geographical reference, unique to the local area, could be used in some way. For example: "The Bull Dog Garnet and Gold Society" or "Spring River House Corporation". Also be sure to choose a name that is not already in use. You may find a list of business names incorporated within your state at your local secretary of state's website.

Step 5. Obtain an Employer Identification Number (EIN) – IRS Form SS-4 is an application for an EIN. If you want more time to think about the answers to the questions you will be asked, you may file the application and submit it via fax or mail, or you may submit the application online. Applying online does provide immediate alert if the application is incomplete. Please remember that the house corporation is completely separate from the chapter. In no place on this form should any of the chapter's information be used. The Group Exemption Number does not apply to house corporations. Download online The most problematic questions on Form SS-4 are listed below with our recommended answers:

Question 8 – “Other nonprofit organization” specify “501(c)(7) Social Club”

Question 9 - “Started a new business” specify “Membership Association/ Social Club”

Question 13- Answer “0” and “yes”

Question 14- “Other” specify “Social Club”

Question 15- Answer “Club Membership”

Step 6. – Open a checking account under your corporation’s name and EIN - Do not obtain a bank account until you have obtained an EIN as one would have to use a personal social security number to open an account. The account should require two signatures on checks for any withdrawals.

Step 7. File Incorporation Papers with Your State - Submit forms, fees and information required for appropriately registering your corporation within the state. Every state has its own requirements for incorporating. Normally “Articles of Incorporation” or a “Corporate Charter” is required; and the required information in these documents varies by state. The corporation’s name and a description of the corporation’s purpose are common elements in such documents. It is very important to use the same sample language that is recommended in the sample by-laws; as the IRS will look for consistency in these documents when you apply for nonprofit status. If you choose to use a law firm to assist with this process, select a firm that has had experience with nonprofit corporations and then share this information with the attorney.

Step 8. – Apply for Non Profit Status - IRS Form 8718 is an application to file Form 1024 and 8718 must accompany form 1024 when submitted. There is a fee to apply for tax exempt status and it is indicated on Form 8718. The corporation should apply for nonprofit status under Section 501(c)(7) – Social Club. Answer the questions in Parts I, II, and III and then Schedule D of Form 1024; the last page of the Form contains a checklist of things to remember when filing. Do not be distracted by other types of non profit entities listed in Part I of Form 1024 that might sound more applicable. Your corporation should not be offering any form of stock. Your primary source of income should be from membership fees and dues. Although you hope to someday have considerable rental income, do not assume that it will occur unless you already have contractual agreements in place that will provide such income. Be sure to use the sample suggested language in the sample by-laws. The three big areas of attention will be: What is your corporation’s purpose; who composes your corporation’s membership; and what happens in the event of dissolution. Schedule D of Form 1024 directly relates to 501(c)(7) Social Clubs. Your corporation should not anticipate that there will be any non-member income, except nominal ancillary interest from checking, savings, or money market accounts. It is not intended that non-members be targeted or invited to use or benefit from any facility, function or activity of the organization. Other than the recruitment of a non-member for membership, any non-member benefit from such things would be unintended, coincidental, temporary, and limited caused only through someone’s personal association with an individual member. If you choose to use a Certified Public Accounting firm to assist with this process, select a firm that has had experience with nonprofit corporations and then share this information with the CPA.

Miscellaneous

Some states may require nonprofit corporations to apply for nonprofit status in the state after obtaining such status with the Federal Government. Also, be aware your state’s income tax filing requirements for nonprofits.

Although corporation officers may choose to start operations after creating a corporate name and obtaining an Employer Identification Number, there would likely be personal liable for contractual obligations if the entity is not incorporated. In addition, be sure to obtain non profit status prior to having to file the first year's tax return (IRS Form 990); failure to do so could result in penalties and other tax consequences with Federal and Sate governments.

--Courtesy of Pi Kappa Alpha