Letter to Hazel Johnson regarding Chapter tax and insurance, November 2, 1987

Margaret Leary

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Ms. Hazel Johnson
Long, Aldridge & Norman
134 Peachtree Street
1900 Rhodes-Haverty Building
Atlanta, GA  30043-1863

Dear Hazel:

This is about the questions raised more than a year ago by the Council of
Chapter Presidents about tax, incorporation, and insurance matters related
to Chapters.

At the Council of Chapter Presidents' meeting in Chicago, I agreed to
follow up on this by sending each of you a "checklist" of the
recommendations of the Price Waterhouse report. When I tried to do that, I
realized that there were so many unanswered questions that I was
uncomfortable relaying conclusions. As I talked to some chapter
presidents, yet more questions arose. At the Board meeting in Chicago, the
Board also had questions.

So, we have no clear answers yet. Our Executive Director is presently
seeking advice from counsel about the Price Waterhouse report; enclosed is
a copy of my letter to Bill Jepson detailing some of the questions. My
goal is to have all these resolved BEFORE the Atlanta meeting, so that you
will have the clearest possible direction before any chapter meeting there.
I am not sure we will be able to give absolute answers, since some of these
matters are questions of individual states's laws and there is no one right
answer.

If you have questions that aren't included on the list in my letter to
Bill, feel free to jot them down and send them to me, or fax them to
313-936-3884 to my attention.

Sincerely,

Margaret A. Leary
Director

MAL:vrr
encl: Letter to Jepson
cc: Albert Brecht
November 2, 1987

Mr. Bill Jepson
Executive Director
American Association of Law Libraries
53 West Jackson Blvd., Ste.940
Chicago, IL 60604

Dear Bill:

Re: Legal Opinion on chapter insurance and tax status

As I talk to Chapter presidents, it becomes clearer to me that we can't do anything without further legal opinion and factual information than appears in the Price Waterhouse report. I know you have started looking for someone qualified to do that for us; as I think about the matter, I think we need to consider retaining counsel on a permanent basis (as well as an accounting firm) and I will be putting that on the Board agenda separately from this particular matter.

I thought it would help to tell you the questions we need answered. I enclose the pertinent page from our Board minutes of Saturday July 4, 1987. The questions I've identified so far are:

A. TAX ISSUES

1. Is Price Waterhouse's conclusion that AALL would have to "control" the chapters in order to file a group letter exemption for all chapters correct?

2. Why are chapters eligible for 501 c(6) and the national 501 c (3)? Many of the Price Waterhouse conclusions give this difference as a rationale, and we don't understand either why that precludes national filing for a group exemption, or whether either national or chapters could change from one section to the other, to "match."

B. INCORPORATION ISSUES

1. What is the relationship between incorporating and insurance? Is there any general conclusion about the relationship, or should each chapter really engage legal counsel because the law varies so much from state to state? Does incorporation eliminate personal liability of officers?
C. INSURANCE ISSUES

1. What is the basis for the Price Waterhouse conclusion on page 11 that "every member of every chapter would have to become a member of AALL"? Is this true of Donchin Hecht's policies only? What other options might there be, given the great cost difference between umbrella and individual policies?

2. Exactly what risks is an uninsured chapter running? How is that changed if the chapter is, or is not, incorporated? What is the relationship between insurance that might (or might not) be held by a) each of our primary employers--since membership in the professional associations chapter is work-related and often paid for by the employer; b) the institutions at which the meeting is taking place; c) the type of activities carried out by each chapter?

3. This is a question for Price Waterhouse: if it is true that "0" chapters have insurance (page 2), then why on page 3 (unnumbered page in Appendix A) shows under the first column "insurance coverage--alcoholic beverages" that all but 2 chapters answered "yes?"

GENERAL QUESTION FOR COUNSEL: What is their opinion of each of the Price Waterhouse recommendations and what are our options?

Sincerely,

Margaret A. Leary
Director

MAL:vrr
cc: Albert Brecht
encl.
Agenda Item #11: **Chapter Survey Report.**

**Guest Participant(s):**

**Issue(s) Presented:** The Price Waterhouse study of chapters' income tax status and related matters of organizational structure and insurance coverage.

**Discussion:** Mr. Jepson noted Price Waterhouse recommended we not put all chapters under the association's tax umbrella. Ms. Gasaway felt that Price Waterhouse made this recommendation based on administrative difficulty.

Ms. Gasaway questioned why AALL is a 501(c)(3) association while the chapters are 501(c)(6); she added that the chapters are not officially connected to AALL like SLA chapters are. She noted that this close affiliation could be optional to each chapter. She also noted that the SIS Council of Chapter Presidents hadn't yet seen the report.

Mr. Jepson remarked that if chapters came under AALL's umbrella AALL would exert more control over the chapters and chapters would have to change their accounting year. The association would be responsible for all tax reporting.

Ms. Gasaway felt that, should we pursue these issues, we should use an attorney familiar with nonprofit associations.

Mr. Kehoe questioned whether 501(c)(6) was inherently disadvantageous.

**Resolution/Action:** The report was referred without endorsement to the Council of Chapter Presidents, to be referred back to the Board in January 1988.
TO: Chairs - Special Interest Sections  
Chapter Presidents

SUBJECT: POLICY ON USE OF PUBLICATIONS AND MAILING LISTS RELATED TO ELECTIONS.

As we anticipate an election for the Association's Executive Board prior to the 1988 Atlanta Annual Meeting, I want to be sure that you are all aware of the following policy, adopted by the Executive Board on July 5, 1986:

"The use of all Association publications, including those published by the Special Interest Sections, for the promotion of candidates for election to the Executive Board, either by reference in an article or by means of paid advertising is prohibited. Neither shall the membership list of the Association or that of Special Interest Sections be sold or given to any individual or group or used by them for the promotion of candidates for election to the Executive Board."

When this policy was adopted, the Council of Chapter Presidents agreed that Chapters should also abide by it.

In order to insure accurate and equal coverage of all candidates for election to the 1988-89 Executive Board, the Newsletter will feature candidates' photographs, bibliographical sketches and personal statements prior to balloting by the membership.

You will want to be sure that those responsible for your publications and mailings are aware of this policy. If you want copies of this sent directly to others, let me know, and I will be happy to do so.

Cordially yours,

WILLIAM H. JEPSON
Executive Director

cc: The Executive Board
The Committee on Nominations
Chair - Special Interest Sections Council
Coordinator - Council of Chapter Presidents