



# COMMONWEALTH OF VIRGINIA JOINT LEADERSHIP COUNCIL OF VETERANS SERVICE ORGANIZATIONS

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RICHMOND, VA 23219

*Air Force Association  
American Legion  
AMVETS  
Association of the United  
States Army  
Disabled American  
Veterans  
Fleet Reserve Association  
Korean War Veterans  
Association  
Legion of Valor of the  
U.S., Inc.  
Marine Corps League  
Military Order of the  
Purple Heart  
Military Officers Association  
of America  
Military Order of the  
World Wars  
National Association for  
Uniformed Services  
Navy Seabee Veterans of  
America  
Non-Commissioned  
Officers Association  
Paralyzed Veterans of  
America  
Reserve Officers Association  
Roanoke Valley Veterans  
Council  
Veterans of Foreign Wars  
Vietnam Veterans of America  
Virginia Army/Air National  
Guard Enlisted  
Association  
Virginia National Guard  
Association  
Women Marines Association*

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## **Position Paper 2016-05**

### **Veterans Service Organizations and Virginia Tax Designation**

- 1. Objective:** To classify 501(c)(19) Veterans Service Organizations (VSOs) as charitable non-profit organizations under state law. Without this classification, VSOs are vulnerable to being considered as “for profit” entities and therefore subject to local taxes.
- 2. Background:** VSOs are not identified as charitable nonprofit organizations in the Virginia Tax Code as they are in the Federal Tax Code 501(c)(19). Therefore, VSOs are vulnerable to tax levies by local governments and municipalities. This threatens their financial ability to do charitable work to support Veterans and Virginia communities and in some instances the continued existence of VSO-owned facilities that have had a long-time presence in the community.
- 3. Discussion:**
  - a. Many VSOs are organized under 501(c)(19) of the Internal Revenue Code (IRC). This tax code was established by Congress in 1972 to provide special recognition to VSOs for their service to our nation.
  - b. Many states have already followed the example set in 1972 by Congress. This is not the case for the Commonwealth of Virginia.
  - c. By not recognizing VSOs as charitable non-profit organizations, the Code of Virginia permits counties, cities, and towns to tax VSOs organized under IRC 501(c)(19), treating VSOs like “for profit” businesses, when in fact VSOs are organized for fraternal and charitable purposes.
  - d. Local taxes include real estate taxes. One local post, in its current location for over 52 years, has recently been informed that it may owe such taxes.
  - e. Local VSOs often serve as centers of a local community. VSOs sponsor baseball teams, host community meetings at VSO-owned facilities, participate in fundraising drives and community events, and generally make a lasting and meaningful impact on the communities in which they are located.
  - f. Requiring VSOs to pay local taxes on VSO-owned facilities could mean the difference between these VSOs staying in operation, or having to close their doors and cease operations.
  - g. The exemptions provided for 501(c)(3) and 501(c)(4) organizations should be extended to 501(c)(19) Veterans Service Organizations because of their charitable and fraternal nature, and because of the vital role they serve in Virginia communities.
- 4. Recommendation:** That the Governor and General Assembly pass legislation to extend to 501(c)(19) Veterans Service Organizations the exemptions provided for 501(c)(3) and 501(c)(4) organizations.