

VVA Chapter Transition Strategy

RE: Guideline for Chapter Autonomy -501(c)(19) vs 501(c) (3) and Dissolution Steps.

Context

VVA has announced a plan to legally dissolve in 2 years and reorganize as a new non-profit corporation with a focus on national advocacy in Washington, D.C. In this restructuring, VVA National must, by law, transfer its assets and service programs for veterans and their families to the new organization. And will cease governance over local chapters. There are over 800 VVA chapters in all 50 states,(each a non-profit corporation), with approximately 100 thousand members nationwide.

Each chapter must now determine its own future, either by continuing or by dissolving. This is a difficult decision because it requires legal vision and determination by Chapter Directors on what to do with Chapter Assets, Chapter Property, Chapter Bank Accounts, Chapter Files, Chapter Furniture, etc., and perhaps most importantly, continuing Chapter Services to the community.

Legally, VVA chapters are organized as tax exempt, not for profit, 501(c)(19) veteran's corporations; this is an IRS Code. Up to now, chapters have operated as subordinated units under VVA's group tax exemption ruling. Once VVA ends the group tax exemption ends. Each chapter that decides to remain active will need to establish its own tax-exempt status. The General Counsel's office at VVA advises each chapter to engage a qualified nonprofit attorney in its own state for specific counsel on whether to become a new formed nonprofit 501(c)(3) or a 501(c)(19) or file for corporate dissolution. The General Counsel's office at National may provide direction, but once again, each chapter must govern its own decision on how to remain or to dissolve. We remain unified in purpose, even now, and our goals are to mitigate inconsistent legal practices while we honor the integrity of VVA's mission during this transition.

No chapter is like any other. There are rural chapters with a few members and big city chapters with hundreds of members. The services provided to the community and the assets held at each chapter vary. Chapters are unified in purpose to serve veterans and their families, but chapters have various models of leadership and direction based on the community they exist in.

The first question facing VVA chapters at this moment in time is not a legal question, it is a question of what to do with our bank account, our real property, our lease, our furniture, our wartime memorabilia, our proud flagpoles, our service to the community and our presence in our neighborhood schools and parades.

Further to VVA Chapter Transition Strategy the memorandum outlines the recommended legal strategy for chapters that choose to continue operating. The optimal strategy for VVA chapters post-national transition is legal independence, financial autonomy, mission continuity and strategic collaboration ensuring the preservation of VVA's core legacy and ongoing veteran support. The following guidelines are basic under federal law that chapters and their attorneys can adapt to their local requirements.

Dissolving a Chapter: Legal Strategy and Steps:

If a chapter determines that it does not wish to continue operations as an independent nonprofit corporation, the alternative is an orderly legal dissolution of the chapter corporation. Dissolution requires careful planning. Dissolution requires compliance with State \ nonprofit law and federal tax regulations. Below is a generalized pattern for chapter dissolution:

1. Chapter Decision and Authorization:

The chapter leadership, (BoD), should formerly decide to dissolve, typically through a resolution adopted by the BoD as required by most state laws and chapter bylaws. Most states require a membership vote of dissolution. VVA General Counsel recommends chapters consult their bylaws and state statutes with a corporate knowledgeable lawyer to assist with proper procedure authorizing dissolution, such as notice to all members, a meeting, a quorum and supermajority vote if mandated by chapter bylaws. This step creates the official corporate authority to dissolve the corporation.

2. Notify National:

As required duty and a professional courtesy chapters that choose to dissolve should notify National in writing of their decision to close-down. VVA itself is transitioning, as General Counsel I advise continued local and national record keeping for legal good order and tax consequences.

3. Plan of Dissolution and Asset Distribution:

A critical component of dissolution is how to handle the chapter's remaining assets and liabilities. **Federal and State Law prohibits non-profit assets from being distributed to individuals upon dissolution.** All funds must be used for exempt purposes or give to other nonprofit organizations. Specifically, because VVA chapters have been operating for veterans and their families and other veteran charitable purposes, any remaining funds or property should be transferred to another nonprofit organization with a similar mission or to a qualified like-minded charity. Each chapter should identify a suitable recipient, (or multiple recipients) for its assets.

A chapter may elect to give its assets to local veteran organizations, as long as they are structured to receive donations, i.e. Veteran homes and hospitals, The VFW, American Legion, or any 501(c) (3) charity that supports veterans and their families, The key is that **no asset can be pocketed by chapter members or used for anything other than legitimate charitable purposes**. A well-documented plan should state who gets what assets and for what use.

As well the chapter must pay off or resolve all liabilities. **Outstanding debts, vendor bills, lease obligations and employee compensation/benefits should be settled from chapter funds before anything else is given away**. If liabilities exceed assets, legal counsel should advise possible insolvency solutions, but most chapters report positive assets.

4. Legal Filings to Dissolve the Chapter:

All chapters that make the decision to dissolve must file Articles of Dissolution with the State Corporation Authority, often the Secretary of State. While there is a general uniform commercial code governing nonprofit corporations each state has its own process and form. Typically, you must certify that dissolution was properly authorized and that all debts were paid, and that all assets were distributed legally. New York, for instance requires court or Attorney General approval for nonprofit dissolving corporations, other states are less investigatory.

5. Notification and Final Filing with the IRS:

The Internal Revenue Service, IRS, must be notified in a timely manner, (usually, the 15th day of the 5th month or earlier), that the chapter has terminated its tax-exempt status.. The simplest step is to indicate on “Final Return Forms 990” that this filing is “Final Return/Terminated” and provide information regarding asset distribution on “Schedule N”. The final filing serves as notice to the IRS that the chapter no longer exists.

Note well, the above directions are only a primer for Chapter Dissolution Strategy with the IRS and State authorities. VVA National holds no obligation to correct tax filings nor any liability for chapter incorrect filings with state and federal tax authorities. VVA advises professional tax consulting when filing final state and federal returns.

6. Winding Up and Record Keeping:

Cancel all licenses, permits, close all bank accounts after transactions clear. Maintain records of filings and dissolution applications. Finally report to all members and their families that the chapter has dissolved and explain that the assets were used for the good of veterans and their families. Notify all partners and community recipients and other beneficiaries of the chapters services that the chapter closed in dignity and honor.

Continuing Operations-Chapters that Decide to Go On

Some chapters will decide to remain open and active as independent organizations. They are free to shape their own vision of nonprofit service to veterans. The critical questions for them are what form of nonprofit tax-exempt status they choose.

Here too, VVA National and the VVA General Counsel's office advise retaining the services of a corporation attorney versed in the benefits and burdens of transitioning to a new not-for-profit corporation. Two primary options exist for chapters that decide to remain active. Remain a 50(c)19 or convert to a 501(c) 3. Each option carries different eligibility criteria, benefits and limitations under federal law. Chapters should evaluate which model best fits their future mission and activities.

A) Option 1: Operating a 501(c)(19) Veteran's Organization

A 501(c) (19) Veterans Organization is a tax-exempt corporation. VVA chapters enjoy the status already, so continuing under this category may be a good option .Key considerations for a 501(c) (19)status include:

Membership Requirements; The IRS imposes specific membership rules for veteran chapters. At least 75% of members must be past or present U.S. Armed Forces members. At least 97.5% must be comprised of veterans, cadets, service academy students, spouses, widows/widowers or direct descendants. Chapters must maintain documentation of member's veteran status. Compliance with membership requirements is strictly enforced.

Permissible Activities and Purposes; 501(c)(19) offers broad exempt purposes tailored to veteran's organizations. Such a chapter may engage charitable activities and services for veterans and their families. Permitted services include, but are not limited to, assisting disabled and needy veterans and their dependents providing care and entertainment to veteran, memorializing deceased veterans, conducting and attending patriotic programs, and social and recreational activities or member of the chapter. As well a 501(c) (19) may provide insurance benefits to its members.

Tax-Deductibility of Donations; Contributions to a 501(c)(19) veterans nonprofit corporation are generally tax deductible for the donor. However, the organization must maintain proper membership status. If membership broadens it should preserve that veteran composition requirements are met.

Advocacy and Lobbying; Veterans organization organized under a 501(c)(19) are allowed to engage in advocacy and lobbying relevant to the mission of serving veterans and their families without the strict limits that apply not 501(c)(3) charities. He chapter can lawfully devote a substantial part of its activities to influencing legislation that effects veterans, and it may also participate in some political or policy campaigns, so long as the activity relates to activities relating to its exempt status. The 501(c)(19) status is a tax exemption for service to veterans and their families.

Use of Assets for Members; A 501(c) (19) veterans corporation can spend funds on member-focused benefits, such as chapter and recreational events, as well as on events in the community, so long as those activities fall under approved purposes. Social and recreational activitie are explicitly permitted. Some chapters may wish to continue a fraternal/post atmosphere for Vietnam Veterans-for example, (**providing a space for veterans to gather**). If so remaining a 501(c)(19) better suits that goal, since such activity is compatible with law. Chapters would need to take the following steps to continue as a 501©(19)

In Summary, For Chapters that want to preserve the traditional model of a VVA Chapter.

For those chapters wishing to remain a membership-based service organization offering camaraderie, advocacy and community service, a 501©(19) is likely the best legal strategy. This route allows continuity of mission and day-to-day functions with minimal change. Such chapters would need to take the following steps to continue as a 501(c)(19)...

Amend governance documents: Update the chapter's articles of incorporation and bylaws to remove references to VVA National. The chapter should legally state its independent purposes consistent with assisting veterans, conducting patriotic activities etc. as listed by the IRS.

Obtain IRS recognition: Once independent, the chapter must apply for its own recognition of tax-exempt status from the IRS because the old group exemption will no longer cover it. This involves filing Form 1024, (application for exemption for 501(c) organizations, other than 501©(3) with the IRS), and demonstrating that the chapter meets the membership requirement for a 501 c)(19). It is legally advisable to prepare membership rosters and evidence of veteran

service activities. Given that VVA chapters have formerly qualified the 501©(19) should be achievable.

Compliance going forward :The newly formed chapter will have to file annual IRS Form 990series returns under its own EIN # and maintain records tho show ongoing compliance with the tax codes and the law.

B) Option 2: Converting to a 501(c)(3) Charitable Organization

Alternatively, a VVA chapter may decide that its future is best served as a 501(c) (3) public charity. Such a corporation, although in service to Veterans and their families, does not have membership veteran only requirements.

Membership and Corporate Purpose; A charitable 501©(3) does not require that 75% of the members be Veterans. Members may be allowed to join in the 501© (3) who wish to serve veterans through educational projects and scholarship funding, veteran hospital visits, relief for poor and homeless vets, and generally assisting veterans and their families. Chapters that chose this option should engage the key legal points of an organization that serves veterans by persons who may-or may-not be veterans. To abide by the tax codes and the law this election of non-profit status requires drafting documents emphasizing charitable activities similar to a 501(c)(19) but accomplished by members who are not necessarily veterans. Essentially, this chapter would be reinventing itself with younger members who may wish to expand the services the chapter provides to veterans and their families.

Tax Advantages: The tax exemption is a powerful benefit to the chapter and to its potential donors. Many states offer certain state tax law advantages that can maximize funding opportunities, including, but not limited to, grants and government donations. However, neither VVA's Accounting Office nor General Counsel's Office can aid in a chapter's choice for structure. VVA advises and recommends retaining an attorney well versed in not-for-profit corporate law. There may be unintentional unlawful activities created by well-meaning 501©(3) leaders. Briefly stated, **the risk** of violation of such generous tax status may come from **Inurement**, where the organization's net earnings may not go to benefit a private individual or shareholder. The law states income or assets may not accrue to insiders; **Lobbying**, the law states the organization may not engage funding or activity designed to influence legislation; **Political Campaign Activity**, The law states the organization may not directly or indirectly participate in

any political campaign for elective office whether for or against the organization. Such restrictions along with such powerful benefit should be discussed during the chapter's decision making process.

Scope of Activities; A 501©(3)n chapter should carry on many of the community service activities it may already be doing as these fall under charitable or educational or service purposes. Its members are obligated to prioritize public service over member fellowship. The organizations programs and spending must be directed outward toward charitable purposes.

Application Process; To convert or establish anew as a 501©(3), the chapter would need to file IRS Form 1023 to gain recognition as a charitable organization. This is a thorough application requiring description of plans, programs, finances and organizing documents demonstrating the charitable nature of the group. The chapter may need to dissolve the old corporation and re-incorporate under new charitable purpose articles, or amend its current articles to the extent allowable to meet the IRS organization requirements.

In summary for chapters electing to Convert to 501©(3) Status:

Adopting 501©(3) Status might be the best strategy for chapters that intend to broaden their appeal and function purely as charitable organizations serving veterans and the public. This could be suitable for a chapter that has, for example, built a community outreach program and want to attract funding and volunteers beyond the original VVA chapter membership. For most chapters however, this represents a significant change. The General Counsel's baseline recommendation is that if a chapters primary identity will remain a veteran's membership organization, 501©(19) is preferable for continuity. If instead a chapter sees its future as a community charity "**for veterans**" rather than "**of veterans**" then pursuing a 501©(3) could be advantageous and such chapters should proceed with guidance from hired counsel to navigate the stricter regulatory law for charities.

Note: *There are other 501© statuses like 501© (4), social welfare, or 501©(7) social club that some veterans groups may wish to embrace. However, given VVA's history and the choices at hand, 501©(19) and 501©(3) are the two options. A 501©(4)veterans group would lose the special donor deductibility unless 90% veteran membership is met. And a 501©(7) would not permit charitable donation deductions at all. Thus, we recommend ©(19) vs ©(3) as optimal paths.*

REQUIREMENTS COMMON TO ALL CONTINUING CHAPTERS

Regardless of choosing 501©(19) or 501©(3), an autonomous chapter will need to:

Follow State Law For Autonomy: Amend its articles of incorporation with the state to remove any clauses tying it to the VVA National Corporation, and possibly to rename the organization if desired. State nonprofit law generally require a board vote to approve amendments to any name other than, visualize-' Vietnam Veterans of America, Chapter #1' If converting then you will merge or transfer all assets of the old chapter to the new one.

Update Bylaws: Draft new bylaws appropriate for the new organization. Without VVA National oversight chapters must establish their own governance policies. The concept of members and membership may change. Establish how directors are elected, duties of officers and membership criteria. Establish a vision and a mission statement.

Obtain New IRS Determination: As noted (supra), file the appropriate IRS exemption application well before VVA National dissolves to avoid any gap in recognized tax-exempt status. VVA will likely notify the IRS of the group chapter exemption termination at its dissolution, so my advise is proactive chapter action is crucial.

Insurance and Tax Registrations: Chapters will need to secure their own liability insurance, bonding etc. because they will no longer be covered under VVA's National policies. They should also confirm any state charitable registration or tax-exemption at the state/local level, (for example, some states require charities to register annually). Dissolving chapters are not relieved from state filing compliance. Thank you.

DOMINICK YEZZO

GC VVA National

Dated: October 12, 2025, Silver Spring MD