

(1) Sex, age, religion, race, color, national origin, or marital status;

(2) Lawful political affiliation;

(3) Labor organization membership; or

(4) Physical handicaps.

(b) POs will not discriminate in membership on the basis of race, color, sex, national origin, or religion. This does not preclude the existence of religious, cultural, or ethnic POs when—

(1) Their membership is not restricted or discriminatory;

(2) Similar religious, cultural, or ethnic POs are approved without preference.

(c) The installation commander may approve the operation of certain POs that restrict membership to one sex. One or more of the following must apply:

(1) The PO's purpose is philanthropic and, by tradition, its membership has been of one sex.

(2) The PO's purpose and function is to benefit one sex, and its membership is composed of that sex. (Examples are scouting organizations or women's and men's sports associations.)

(3) The PO has a specific purpose and function that restricts membership to one sex, but also has a counterpart organization with the same purpose and function. (Examples are women's and men's sports clubs, women's and men's civic associations, boy/girl scouting organizations.)

(d) PO membership campaigns and recruitment practices will neither involve nor give the appearance of involving compulsion, coercion, or influence. (See AR 600-50 and AR 600-20.) Prohibited activities include the following:

(1) Repeated petitions, orientations, or counseling of persons who have chosen not to join a PO.

(2) Use of membership statistics by supervisors to influence nonmembers.

(3) Compilation of by-name lists of nonmembers.

§ 556.10 Insurance.

(a) When appropriate, POs will obtain adequate insurance as protection against public liability claims, property damage claims, or other legal actions arising from activities of the PO,

or one or more of the PO's members acting on its behalf.

(b) Insurance will be appropriate when PO activities or functions expose the public to possible risk.

(c) Insurance (such as fidelity or fire insurance) of PO assets is the responsibility of each PO.

§ 556.11 Audit.

POs with gross annual revenue of \$1000 or more will be audited at least once every 2 years. The following provisions apply:

(a) POs using a double entry accounting system, regardless of source of income over \$1000, will be audited by a qualified auditor. (See definition in glossary.)

(b) POs using a single entry accounting system will be audited as follows:

(1) With income only from contributions dues, and assessments, by either a PO member who holds no office and is at least 18 years of age, or a qualified auditor.

(2) When they engage in resale or fundraising activities, by either an appointed committee of three PO members who hold no offices, or a qualified auditor.

(c) Type 2 POs with financial statements audited annually by their national headquarters may submit a copy of such an audit. If not audited by their national headquarters, the provisions of paragraphs (a) and (b) of this section.

§ 556.12 Taxes.

POs must comply with all Federal, State, and local tax laws. POs must seek private counsel or contact proper tax officials to ensure compliance with all tax laws. POs located overseas will obtain a statement of clarification from the local office of the Staff Judge Advocate (SJA).

(a) Federal income tax. Certain types of POs (for example, charitable, religious, educational, or scientific) may qualify for exemption from Federal income tax under section 501 of the Internal Revenue Code. Type 2 POs, in which national organizations control taxes for all local chapters, must provide a statement to this effect; it must be signed and notarized by the national headquarters. All other POs will obtain

a statement of their tax status from their Internal Revenue Service (IRS) district office.

(b) Federal income tax withholding for employees, Federal employee taxes, and reports on amounts paid. POs must comply with laws that apply and obtain guidance from private counsel or the IRS.

(c) State and local sales, income, occupation, and employer taxes. Local law will determine whether POs—

(1) Must comply with State and local tax requirements, or

(2) Are exempt from State and local tax requirements.

§ 556.13 PO compliance with State or local laws.

(a) Licensing, certification, or registration with State or local authorities may be required for POs engaging in certain activities such as raffles or insurance operations. In approving a permit to operate, the installation commander will decide whether the PO should request a written statement from State or local commissions as to how State laws, local laws, or other requirements apply. The commander will consult with the local SJA office in making this decision.

(b) POs are not exempt from State or local law because they operate on Federal property. This regulation does not require licensing, certification, or registration of PO activities unless specifically required by State or local authorities. The licensing requirement applies only in the State containing the Federal property in which the PO operates.

Subpart C—Requirements and Procedures for On-Post Operation

§ 556.14 Overview.

The following procedures apply to all POs subject to this regulation, except as discussed in §§ 556.15 and 556.16.

(a) *Operating permit.* All POs that operate on DA installations must have an operating permit. POs seeking a permit to operate on a DA installation must apply in writing to the installation commander.

(b) *Documentation.* (1) Application for a permit will include—

(i) A charter, articles of agreement, constitution, or bylaws. (See sample format at figure C-1 in § 556.15.) Private organizations not using one of these documents in the standard format must ensure that all required information is submitted to the installation commander; the PO may provide a separate document, in conjunction with a charter, articles of agreement, constitution, or bylaws, which completes all information required by this paragraph.

(ii) Any other documentation that states the PO's nature, functions, objectives (including planned use of funds), and activities.

(2) Application documentation will—
(i) Define membership eligibility. (The majority of membership will be composed of the DOD family.)

(ii) Set forth responsibilities for all management functions. These functions include accountability of assets, coverage and limitation of insurance, and disposition of remaining assets upon breakup of the PO.

(iii) Include a statement of the PO's liability if assets are not enough to cover all PO liabilities. The statement of liability will meet all State and jurisdictional laws; it will also address the extent of PO members' personal liability for debts of, or claims against, the PO. State laws governing the liability of national headquarters of type 2 POs generally apply to all local chapters unless specifically superseded by laws of States where local chapters are established.

(3) To operate on a DA installation, type 2 POs must meet the requirements of both their national headquarters and this regulation.

(c) *Revalidation.* All POs must have their operating permits revalidated every 2 years. Requests for revalidation of operating permits will be submitted to the installation commander 90 days before the current permit expires. The letter of application will request continued operation and will include any major changes in PO activities, objectives, organization, or changes in its constitution, bylaws, and so forth. If revalidation is not obtained, the current permit automatically expires 2 years from the date of last approval. Commanders will establish suspense