

Some Useful Advice about 501(c)3 Status

Do we have to be incorporated to get 501(c)3 status?

You can incorporate as a non-profit in your state without having to get 501(c)3 status.

501(c)3 or 501(c)4 status is a federal IRS status NOT a state incorporation issue. You do not have to be incorporated to become a 501(c)3.

New groups need to be quite clear about the difference between incorporation as a not-for-profit, which is a state function, and exemption from federal taxes, or 501(c)3 status. Other benefits that come from 501(c)3 status include eligibility for grants or philanthropic bequests and the ability of donors to request tax deductions for their donations.

It is possible to incorporate as a non-profit from the state and not go forward with an application for tax exempt status. But if the organization is going to have money, it probably will want to get the federal designation.

Where do we incorporate and/or file for 501 (c) 3 status?

For incorporation: the state corporation division of the Secretary of State's office.

For 501(c)3: Internal Revenue Services Charitable Organizations.

How do we know whether we should incorporate?

If your organization is going to actively raise money, enter into legal agreements,

How do we know whether we should file for tax-exempt status?

Our group has operated without being a 501.c.3 organization because we do not do enough fund-raising to justify the paperwork and fees that go along with getting and *keeping that designation*. The one time we did major fund-raising, we partnered with another group that already was 501(c)3, and they collected all the donations.

Go to the IRS website at <http://www.irs.gov/charities/charitable/> and go the Form and Publications section to download Package 1023 Application for Determination of Exemption to learn about how to file for tax exempt status. Organizations must file IRS form 8718 and pay a \$150 user determination fee for the IRS to examine your application. If the organization expects gross receipts averaging more than \$10,000 during its first four years, the determination fee is \$500.

Where can we seek more information and advice?

The Internet Non-Profit Center such as at <http://www.nonprofits.org/npofaq/02/04.html> has some ideas about incorporation. The Foundation Center also is a good resource:

<http://www.fdncenter.org/learn/faqs/samplearticles.html> or

<http://www.tgci.com/magazine/96summer/tobel.asp>

<http://www.nolo.com/index.cfm>