

What's Your Status?

Obtaining 501c3 Tax Exempt Status

Key Speaker

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A Seminar By:



CharityNet  **USA**

Welcome!

- CharityNet USA: A “One-stop” resource center for nonprofit organizations nationwide!
- Key Speaker: Melanie Swift

Most Commonly Asked ?s

- Will the webinar slides be available for download?



Yes

- Will the webinar be recorded and available on-demand?

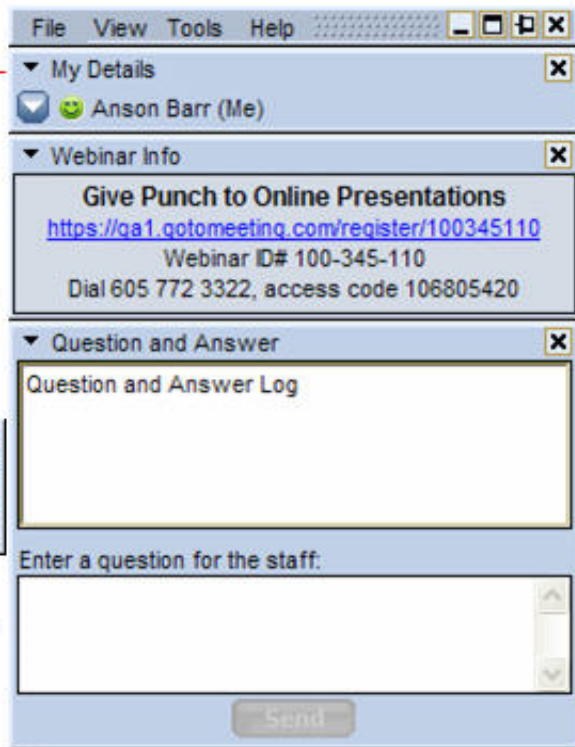


Yes

– Recorded Webinar Available At:

- <http://www.charitynetusa.com/webinararchive/index.php>

Ask Questions – Give Feedback!



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Dial 605 772 3322, access code 106805420

Question and Answer
Question and Answer Log

Enter a question for the staff.

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Tuesday, July 27, 2010 3:00 PM - 4:00 PM EDT

Survey Form

We would appreciate your feedback about our Webinar. Please complete the survey below.

The webinar had clear objectives and provided me with useful information.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

The speakers were prepared, knowledgeable and presented useful information?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

Because of the webinar I plan to take action.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree



Agenda

- What is 501(c)(3) & Why it is Important
- Requirements & Limitations
- Compliance & Regulation
- Next Steps

501(c)(3) Organizations

- Do not pay federal corporate income tax.
- In most cases, do not pay state corporate, franchise, excise, sales, and use taxes.
- Can offer individual and corporate donors a tax deduction for their contribution.



501(c)(3) Organizations

- Eligible to receive foundation grants.
- Eligible for lower postal rates.
- Viewed as a whole as reputable organizations.



Why 501(c)(3)?



Nonprofit
Does Not
Mean Tax
Exempt!

Why 501(c)(3)?

- Many types of organizations may qualify for exemption from federal income taxes, however that exemption is not automatic.
 - Applications must be filed with the IRS requesting the privilege of tax exemption for the organization.
 - In many states, separate application processes exist for exemption from state-level taxation.

Other Sections of IRC 501(c)

- Many of these sections provide different benefits.
- Some sections provide tax exemption but not donor deductibility.

Other Sections of IRC 501(c)



What Organizations Qualify 501(c)(3)?

- A nonprofit must prove that they are both **organized** & **operated** exclusively for allowable purposes.



Organizational Test



Operational Test

- An organization must be operated exclusively for one or more of the following purposes:
 - Religious
 - Charitable
 - Scientific
 - Testing for public safety
 - Literary
 - Educational
 - Fostering amateur sports
 - Prevention of cruelty to children or animals

Examples of Qualifying Organizations

- Homeless Shelters
- Soup Kitchens
- Churches
- Outreach Ministries
- Private Schools
- Daycares
- Museums
- Community Development Organizations
- Clothing Ministries
- Prison Ministries
- Foreign Assistance
- Art Schools/Centers
- Youth Organizations
- Little Leagues
- Low Income Housing
- Senior Housing
- Orphanages

Limitations for 501(c)(3)

- 501(c)(3) organizations are subject to limitations on some specific activities, including:
 - Private benefit/inurement
 - Lobbying
 - Political Campaign Activity
 - Unrelated Business



Unrelated Business Income

- Selling goods or services to generate income
- Not directly related to exempt purpose
- Reported and taxed on 990-T
- Certain exceptions apply
- If UBIT becomes a substantial portion of revenue, your organization will no longer be considered ***exclusively*** charitable



Department of the Treasury
Internal Revenue Service

Remaining In Compliance



APPROVED

Form 990



- Several versions of the Form 990 are currently in use.
 - 990N
 - 990EZ
 - 990
 - 990PF
 - 990T

Form 990

- Due dates apply for every organization.
- Penalties for late filing will apply, even when there is no tax obligation!
- If you have incorporated your nonprofit, but have not received 501 status, you still have a tax obligation!



Form 990 Exceptions

- Public Charities That Are Not Required to File:
 - Churches
 - Certain Organizations Affiliated With Government Entities
 - Organizations That File As Part of a Group Ruling

State Corporate & Franchise Tax Returns



Annual Reports

- Communicate not just your activities, but your accomplishments.
- Convince existing supporters that their funds are being well spent.
- Educate community leaders and influential decision makers about your work.
- Recognize special people including donors and volunteers.
- Serve as a historical record of your progress.

Charity Registration



Application Process

- **ABC's**
- Detailed written description of past, present, and future activities
- Development of financial projections for at least 3 years
- Filing Process

What are the Next Steps

- Develop Fundraising Plans
- Start Building Awareness of your Organization
- Begin Finding Grants
- Create a Strategic Plan



Upcoming Webinars

- **Successful Grant Development**
10-12-2011 3pm EST
- **Developing & Managing Your Fundraising Team**
10-26-2011 3pm EST
- Register for upcoming events at:
<http://www.charitynetusa.com/webinar/index.php>

Q & A

- CharityNet Nonprofit Services
 - 501c3 Prep
 - Grant Writing
 - Strategic Planning
 - Website Development
 - Graphic Design
 - Marketing
 - Bookkeeping & Accounting
 - Nonprofit Services

Q & A

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