

Tax Exempt Status Basics

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Overview of Today's Session

- Introductions
- Nonprofit corporations
- Tax exempt status
- Form 1023
- Keeping your exempt status

Introductions



- Your Name/
- Your Title or Position in Organization
- Organization Name
- Bumper Sticker Mission
- Where you are in the process

Overview of Tax Exempt Status



- What is a nonprofit corporation
- Why some nonprofits seek tax exemption
- Eligibility for 501(c)(3) status

Nonprofit

Corporations formed under state law

Tax Exempt Status

Determined by the IRS

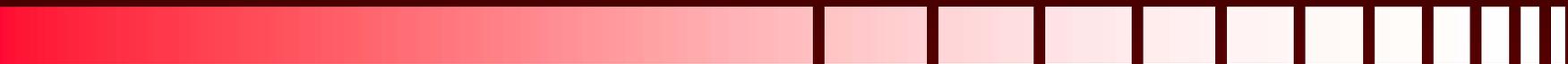
Exempt from federal corporate income tax

501(c)(3)

Type of tax exempt status. Donors to 501(c) (3) organizations may deduct contributions on their income tax returns

Most Foundations grant funds only to 501 (c)(3) organizations

To be eligible for 501(c)(3) status, a nonprofit must be:

- 
- Organized exclusively for exempt purposes
 - Operated exclusively for exempt purposes

Steps to get tax exempt status



- Incorporate as a nonprofit
- Put required language into Articles of Incorporation
- Adopt Bylaws
- Prepare financial projections

After Incorporation



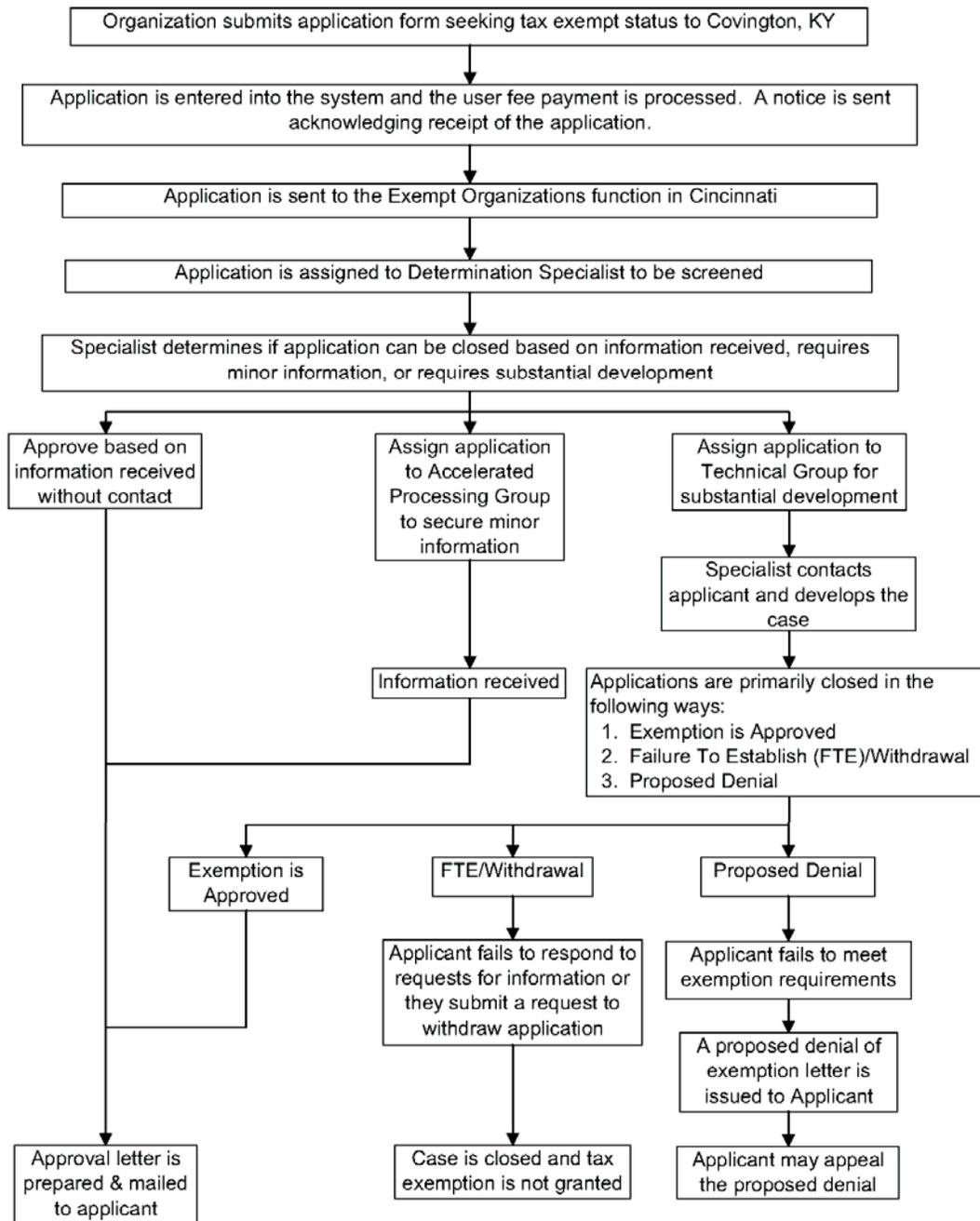
- Hold first Board meeting
- Elect Officers
- Adopt Bylaws
- Start a corporate records book for Board minutes and corporate documents

Federal Employer ID Number is Required



- Submit Form SS-4
 - Download, complete and send SS-4: www.irs.gov
> Forms and Publications > Form and Instruction Number > scroll down to Form number
 - Submit online: www.irs.gov/businesses > Employer ID Numbers
 - Call 800.829.4933

Exempt Organization Determination Process



Key Parts of Form 1023



- Narrative
- Financials
- Public Charity status
- Advance Ruling period

Narrative Tips



- Simple language
- Be very clear about tense. Distinguish what you have already done, from what you are doing now, and what you will do in the future.
- Have someone not involved in your group review the application for clarity

1023 Financial Information



- Project revenues and expenses for three years
- Focus on major sources and uses of funds
- Read the instructions to understand the IRS definitions of terms

Key Rules for 501 (c)(3) Organizations



- Lobbying is ok within limits
- Political activity is prohibited
- Conflict of Interest policies
- Transactions with insiders must protect the best interest of the nonprofit

Form 990 Annual Report



- Required for 501 (c)(3) organizations
- Due the 15th day of the 5th month after the close of the fiscal year
- Severe penalties for late filing
- Failure to file for three years results in revocation of tax exempt status

State Oversight of Charities



- Frequently handled by Attorney Generals
- IRS website includes lists of state regulators
- Many states require annual reports

Additional Resources



- **Resources for Applying for Tax Exempt Status**
 - IRS – www.irs.gov
 - Publication 557: *Tax Exempt Status for Your Organization*
 - Publication 4220: *Applying for 501(c)(3) Tax Exempt Status*
 - Online Tutorial: *Stay Exempt*
 - E-book – www.501c3book.com
 - How to Make the IRS *Love Your 501(c)(3) Application* (written by former IRS Agent, Sandy Deja)

Additional Resources



- Lobbying: Alliance for Justice
www.afj.org
- Center for Lobbying in the Public Interest www.clpi.org
- *The Oregon Nonprofit Corporation Handbook*, from TACS www.tacs.org