

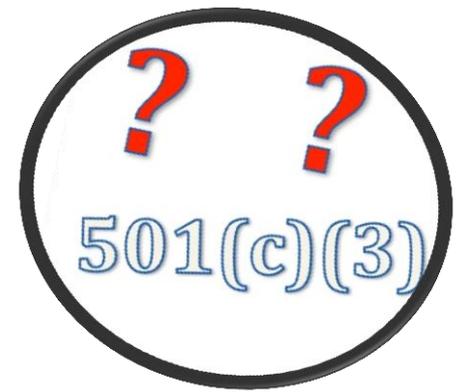
Applying for the 501 © 3 Tax Exempt Status

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Objectives

- Define 501(c)(3)
 - Purpose/Reason for 501(c)(3)
 - The eligibility for 501(c)(3)
 - The responsibility of 501(c)(3)
 - The maintenance of 501(c)(3)
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What is 501 ©3 TES?



- ▶ Tax benefit provided by the federal law to nonprofit organizations to exempt taxes
- ▶ Requires most organizations to apply to the Internal Revenue service (IRS)



Why apply for 501 ©3?

- ▶ Exemption from federal income tax
- ▶ Eligibility to receive tax deductible charitable contributions
- ▶ Some organizations may be exempt from certain employment taxes



Who is Eligible for 501 © 3 Status?



Three Components

- ▶ Organized O
- ▶ Operated O
- ▶ Exempt E

Organized

- ▶ Must be organized as a corporation, trust or unincorporated association. The documents or organization must:
 - Limit the purposes to what is described in section 501 (s) 3 of the Internal Revenue Code (IRC);
 - Permit must not express activities that are unrelated to your organization
 - Permanent dedication the assets to exempt purposes



Operated



- ▶ MUST NOT participate in political campaigns of candidates locally, state or federal office;
- ▶ MUST restrict lobbying activities to an insubstantial part of total activities;
- ▶ MUST ensure that earnings do not benefit private/ individual shareholders;
- ▶ MUST NOT operate for primary purpose, conducting trade-offs or illegal activities

Exempt Purpose

- ▶ Must have one or more exempt purposes;
 - Charitable;
 - Educational
 - Religious
 - Scientific
 - Prevention (cruelty to animals and children)
 - Testing for public safety

Schools • Churches
Non-Profits
Scouts • Businesses

Most common types:

- ▶ Charitable
- ▶ Educational
- ▶ Religious



Responsibilities that accompany 501 © 3 status



responsibility

Responsible for:



- ▶ Recordkeeping
 - Keep books and records detailing all activities

Responsible for:

- ▶ Filing Requirements:
 - File an annual information return–
 - Form 990,
 - Form 990–EZ,
 - 990–N, or
 - Form 990–PF.

Form 990	Return
Department of the Treasury Internal Revenue Service	Under section: ▶ The organizatic
A For the 2012 calendar year, or tax year	
B Check if applicable:	C Name of organization
<input type="checkbox"/> Address change	Doing Business As
<input type="checkbox"/> Name change	Number and street (or l
<input type="checkbox"/> Initial return	City, town or post offic
<input type="checkbox"/> Terminated	
<input type="checkbox"/> Amended return	
<input type="checkbox"/> Application pending	F Name and address of p

Responsible for:



- ▶ **Annual Electronic Notice–**
 - Gross 50,000.00 or less may choose to submit annual Form 990–N or;
 - **E–Notice– E Postcard** is for Tax Exempt Organizations that are not required to file form 990 or 990EZ;
 - **Unrelated business Income Tax–** file Form 990 along with Form 990–T if it has 1,000.00 or more of gross income from a business

How to apply?



Form SS-4

- To receive an Employer Identification Number (EIN)

Form 1023/EZ or 1023– Application for Recognition of Exemption under 501 ©3 IRC (Difference– 1023 EZ is streamlined and filed electronically).

Form 2848– Power of Attorney if someone is to represent you other than your director

Form 8821 –Tax Information Authorization–IRS to provide information about your application.

After you file:

- ▶ Determination letter– to inform you that all information is pertinent and your organization is recognized as exempt status;
 - ▶ While your application is pending– you can operate but contributions can not be received until approval is complete...
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Maintenance of the 501 c3

- ▶ To maintain the 501 c3 status you must file taxes annually–
 - ▶ BUT---if you miss filing taxes three consecutive years...you WILL lose your 501 c3 status....
 - ▶ If you are not active and have no exemptions to file– you MUST contact the IRS and inform them.
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Questions



References

- ▶ Exempt Organizations:
www.irs.gov/Charities.
- ▶ Web-based Training Modules
www.stayexempt.irs.gov

Choices for Change (C4C)
www.choicesforchange.webs.com