

Saginaw Faith-Based and Nonprofit Workshop

Office of Senator Carl Levin

RestoreHope Consulting

Department of Housing and Urban
Development



501-c3 Application Process and Information

Jeremy White

Founder and President,
RestoreHope Consulting

Saginaw, MI

June 24, 2011

Non-Profits: In Focus

- 1.5 million 501-c3 organizations in United States
- 31,000 charitable organizations in Michigan
- 275,000 organization had 501c-3 status revoked in 2011

Reporting Requirements

Congress passed the Pension Protection Act in 2006, requiring almost all tax-exempt organizations to file an annual information return or notice with the IRS(990).

Organizations are required to file each year whether they earn more than \$25,000 or not. Those not filing for the past three years can have their status revoked.

Stages of a New Nonprofit

1. Organizing Documents
2. Required Provisions
3. Sample Organizing Documents
4. Governance and related topics
5. Bylaws
6. State law requirements
7. Employer Identification Number
8. Application Form
9. Online EIN Application
10. Charitable Solicitation
11. Initial State Registration
12. Periodic State Reporting
13. State Charity Offices
14. Applying to IRS
15. Requirements for Exemption

Stages of a New Nonprofit

16. Application Forms

17. Exemption Application

18. Group exemption

19. User Fee \$450 <\$10,000 \$850 > \$10,000

20. Power of Attorney(if represented by 3rd party)

21. Disclosure of Applications

22. IRS Processing

23. Rulings and Determination Letters

IRS Exemption Requirements

- To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for **exempt purposes** set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

The exempt purposes set forth in section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

- Organizations described in section 501(c)(3) are commonly referred to as charitable organizations. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170.
- The organization must not be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization managers agreeing to the transaction.
- Section 501(c)(3) organizations are restricted in how much political and legislative (lobbying) activities they may conduct. For a detailed discussion, see Political and Lobbying Activities. For more information about lobbying activities by charities, see the article Lobbying Issues; for more information about political activities of charities, see the FY-2002 CPE topic Election Year Issues.

Internal Revenue Service Resources

- General Information

<http://www.irs.gov/charities/index.html>

- Required Forms

<http://www.irs.gov/charities/charitable/index.html>

- Application information

<http://www.irs.gov/charities/article/0,,id=96109,00.html>

Michigan Requirements and Resources

The Charitable Organizations and Solicitations Act, 1975 PA 169, as amended, MCL 400.271 et seq. requires an organization to register if it solicits or receives contributions in excess of \$25,000 in Michigan or if it compensates any person for fundraising services, including employees or independent contractors. COSA also requires professional fundraisers to be licensed and bonded before soliciting, planning, or carrying out a solicitation campaign in Michigan on behalf of a charitable organization.

<http://www.michigan.gov/ag/> (select charities link)

Contact Information

**RestoreHope Consulting
1425 K Street NW Suite 350
Washington, DC 20005
Ph.(202) 587-5624
Fx.(202) 587-5601**

www.restorehopeconsulting.com

E-mail: jwhite@restorehopeconsulting.com