

How to Become a 501(c)(3)

<http://www.irs.gov/instructions/i1023/index.html>

1) Who Is Eligible for Section 501(c)(3) Status?

Organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals are eligible to file Form 1023 to obtain recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Form 1023 not necessary. The following types of organizations may be considered tax exempt under section 501(c)(3) even if they do not file Form 1023.

- Churches, including synagogues, temples, and mosques.
- Integrated auxiliaries of churches and conventions or associations of churches.
- Any organization that has gross receipts in each taxable year of normally not more than \$5,000.

2) Qualification of a Section 501(c)(3) Organization

There are two key requirements for an organization to be exempt from federal income tax under section 501(c)(3). A 501(c)(3) organization must be organized and operated exclusively for one or more exempt purposes.

Organized: An organization must be organized as a corporation (including a limited liability company), trust, or unincorporated association. The organizing document (articles of incorporation if you are a corporation, articles of organization if you are a limited liability company, articles of association or constitution if you are an association, or trust agreement or declaration of trust if you are a trust) must limit the organization's purpose(s) and permanently dedicate its assets to exempt purposes.

Operated: An organization must be operated to further one or more of the exempt purposes stated in its organizing document. Certain other activities are prohibited or restricted, including, but not limited to, the following activities. A 501(c)(3) organization must:

- a. Absolutely refrain from participating in the political campaigns of candidates for local, state, or federal office.
- b. Absolutely ensure that its assets and earnings do not unjustly enrich board members, officers, key management employees, or other insiders.
- c. Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
- d. Not operate for the primary purpose of conducting a trade or business that is not related to its exempt purpose(s).
- e. Not engage in activities that are illegal or violate fundamental public policy.
- f. Restrict its legislative activities.

Legislative activity: An organization does not qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation.

3) Needed Documentation

Assembly of Application Package

To assist us in processing the application, documents should be submitted in the following order.

- User fee enclosed but not attached to the application form.
 - The law requires payment of a user fee with each application. Submit the appropriate user fee based on your average annual gross receipts as indicated on Form 1023. Enclose payment with your application. DO NOT STAPLE or otherwise attach your check or money order to your application.
- Form 1023 Checklist.
- Form 2848, Power of Attorney and Declaration of Representative (if needed).
- Form 8821, Tax Information Authorization (if needed).
- Expedite request (if needed).
- Application (Form 1023, Checklist, and Schedules A through H, as required).
 - <http://www.irs.gov/pub/irs-pdf/f1023.pdf>
- Organizing document.
- Amendments to organizing document in chronological order.
- Bylaws or other rules of operation and amendments.
- Documentation of nondiscriminatory policy for schools, as required by *Schedule B*.
- Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation (if filing).
- All other attachments, including explanations, financial data, and printed materials or publications.

Attachments

Attachments must be in English.

Use an attachment where there is insufficient space on the form for you to legibly and accurately respond to a question. For any attachments submitted with your Form 1023:

- Use 8½ x 11 inch paper.
- Provide your name and Employer Identification Number (EIN) at the top of each page.
- Identify the Part and line number to which the attachment relates.

Include any court decisions, rulings, opinions, or any other documents that will assist us in processing your Form 1023.

Generally, attachments in the form of tape, recordings or other electronic media are not acceptable unless accompanied by a transcript.

Send the completed Form 1023 application, with all required information, and the applicable user fee to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send the completed Form 1023 application, with all required information and user fee to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312

4) After You Submit Form 1023

We will acknowledge receiving your application in writing. You may expect to receive this notice within 21 days of the postmark date of the Form 1023. Read the notice thoroughly because it will provide further information about the processing of your Form 1023.

No additional information needed. If our initial review shows that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation.

Additional information needed. If the initial review shows that we need additional information or changes, we will assign Form 1023 to a specialist who will call or write you. Generally, we assign applications in the order we receive them. Unless the application is approved for expedited processing, it will be worked in the order received.

If the additional information indicates that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation. If we conclude that you do not qualify for exemption, we will send you a letter that explains our position and your appeal rights.