

# 501(c)(3) Overview Briefing

Scott E. Damon, 7 April 2022

# Certain Organizational Structure



- Articles of Incorporation
  - (Status under State Law)- Non-Profit Corporation is the most common

# Must Have By-laws



- By-laws define essential elements including board size, officer and directors' roles, basic rules, policies and procedures and other matters of organizational governance.
- Consider borrowing from other clubs
- Also must have conflict of interest policy

# Federal Identification Number



- An Employer Identification Number (EIN), or Federal Tax Identification Number (FTIN)- used by the federal government to identify a business entity
- A federal identification number can be obtained by either filing a Form SS-4 or completing the application online which is available at [www.irs.gov](http://www.irs.gov).

## Eligibility for 501(c)(3) Status



- The organization must be established as a non-profit corporation, trust, or unincorporated association (usually a non-profit corporation).
- A substantial portion of the organization's activities must further its exempt purpose.
- To be tax exempt, an organization must have one or more exempt purposes stated in its organizing documents.



## Types of 501(c)(3) Organizations



- USAFA Parent Associations fall under the subcategory of Charitable within Advancement of Education.



# Responsibilities of a 501(c)(3) Status



- Record Keeping
- Filing Requirements
- Disclosure Requirements

# Applications for 501(c)(3) Status



- Almost certainly your club will use 1023-EZ
  - User fee \$275. User fee must be paid through Pay.gov



# Applications for 501(c)(3) Status



- Most organizations must file one of these applications by the end of the 27th month after they are legally formed. [From the IRS: Generally, if you file Form 1023-EZ within 27 months after the end of the month in which you were legally formed, and we approve the application, the legal date of formation will be the effective date of your exempt status. If you do not file Form 1023-EZ within 27 months of formation, the effective date of your exempt status will be the date you filed Form 1023-EZ (submission date)].
- Application will be reviewed by an IRS tax specialist who may require additional information. Upon completion the IRS will issue a Determination Letter.



# Annual Federal Filing Requirement



- Typically Form 990-N (\$50,000.00 or less of annual gross receipts), this is basically an e-postcard.

# Organizational Compliance



- If annual federal filing is missed for three years there is an automatic loss of 501(c)(3) Status.
- The fiscal responsibility of Officers and Directors.
- Expenses paid to Individuals.
- The organization must refrain from political campaigns.
- There must be no benefit to any private stakeholder or individual.

# 501(c)(3) Helpful Links



- Application for Recognition of Exemption (master document to follow with further links and forms)
  - <https://www.irs.gov/charities-non-profits/application-for-recognition-of-exemption#:~:text=To%20apply%20for%20recognition%20by,includin%20the%20appropriate%20user%20fee.>
- About Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
  - <https://www.irs.gov/forms-pubs/about-form-1023>
- About Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
  - <https://www.irs.gov/forms-pubs/about-form-1023-ez>
- Instructions for Form 1023-EZ
  - <https://www.irs.gov/pub/irs-pdf/i1023ez.pdf>

# 501(c)(3) Helpful Links



- Application Process (Nonprofit Exemption from federal income taxation)(includes step-by-step computer form)
  - <https://www.irs.gov/charities-non-profits/application-process>
- Frequently Asked Questions about Applying for Tax Exemption
  - <https://www.irs.gov/charities-non-profits/frequently-asked-questions-about-applying-for-tax-exemption>
- Application for Employer Identification Number (EIN)
  - <https://www.irs.gov/pub/irs-pdf/iss4.pdf>

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**THANK YOU!**

