

NON-PROFIT 501 (C) (3) STIPULATIONS

Structural

- A group must incorporate as a nonprofit in their state before they can obtain tax -exempt status under state and federal tax statutes

Nonprofit corporations must be established to accomplish one or more specific purposes that benefit either the 1) public at large, 2) a segment of the community, or 3) a particular membership.

The specific 501(c)3 designation means that the nonprofit corporation has been formed for religious, charitable, scientific, literary, and/or educational purposes; thus, it shall be operated exclusively for charitable, religious, scientific, and/or educational purposes.

- It is important that the nonprofit schedule an annual director meeting. At the director meeting, the Board of Directors and Officers are elected.
- Meetings, records, votes, deliberations, and other official actions may be available for public observation, participation, and/or inspection.
- Open records laws do not apply to private corporations.
- Minutes should be taken and kept on file. (Votes must be recorded.)

Legal

- The corporation is a legal entity that is separate from the people who work for it.
- The IRS holds the board accountable for operating under the regulations and limitations of Section 501(c) of the Internal Revenue Code. The board is potentially liable for actions the corporation takes that are not within IRS boundaries. This includes fiduciary liability with regard to financial matters.
- Formal corporate documents—the articles of incorporation, bylaws, and meeting minutes outline the purpose of the group and provide structure to the corporation.

Bylaws are considered a legal document that dictates how a corporation must be governed.

Financial

- Corporations designated as 501(c)3 are private entities that are tax-exempt under section 501(c)3 of the Internal Revenue Code.
- Corporations can attract and receive public and private grant funds.

- No part of the net earnings of the corporation may be paid to any member except reasonable compensation for services rendered to or for the benefit of the corporation affecting one or more of its purposes.
- The corporation shall not engage in any act of “self-dealing”.
- The corporation shall not retain any “excess business holdings”.
- The corporation shall not make any investments that would jeopardize conducting of any of the exempt purposes of the corporation.
- The corporation shall not make any “taxable expenditure,” so as to give rise to any liability for the tax imposed by section 4945 of the Internal Revenue Code.
- The corporation shall not participate or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

