

Setting up a 501(c)(3) public charity

A public charity is a 501(c)(3) organization that has active programs, such as churches, benevolence organizations, educational organizations and animal welfare agencies. To remain a public charity (rather than a private foundation), at least one-third of an organization's donated revenue must come from a fairly broad base of public support (individuals, companies and/or other public charities).

Public charities are required to maintain a governing body made up of independent, unrelated individuals – meaning the majority of board members cannot be related by blood, marriage or an outside business.

Here are the steps to set up a 501(c)(3) public charity.

1. DECIDE ON THE TYPE OF CHARITABLE ORGANIZATION

Determine the type of charitable organization that you want to create. There are various types of 501(c)(3) organizations, such as public charities, private foundations and private operating foundations.

2. CHOOSE A NAME

Choose a name for your organization that is not already in use by another nonprofit organization.

3. DRAFT ARTICLES OF INCORPORATION

Draft all required articles of incorporation that comply with the requirements of the Internal Revenue Service (IRS) for a 501(c)(3) organization. The articles should include the organization's purpose, structure and governance.

4. OBTAIN AN EMPLOYER IDENTIFICATION NUMBER (EIN)

Apply for an EIN from the IRS. This number is used to identify your organization and is required for tax purposes.

5. FILE FORM 1023 OR 1023-EZ

File form 1023 or 1023-EZ with the IRS to apply for tax-exempt status. This form requires detailed information about the organization, including its mission, activities and finances.

6. REGISTER WITH STATE AUTHORITIES

Register with state authorities to obtain a charitable solicitation license or exemption, if required by the state where your organization will operate.

7. ESTABLISH BYLAWS

Develop bylaws that outline the organization's governance, including board structure and decision-making processes.

8. APPLY FOR TAX EXEMPTIONS

Apply for any necessary state and local tax exemptions.

9. OBTAIN NECESSARY PERMITS

Obtain any necessary permits or licenses required to operate your organization.

10. MAINTAIN RECORDS

Maintain accurate records and financial statements, and file annual tax returns with the IRS.

To qualify for 501(c)(3) status, an organization must be operated exclusively for the purposes established in section 501(c)(3) of the Internal Revenue Code, which are: religious, charitable, scientific, testing for public safety, literary, educational, fostering amateur sports and the prevention of cruelty to animals and children.

Charitable organizations should seek the advice of a qualified attorney and accountant to ensure they comply with all legal and tax requirements.