

Start A Nonprofit Organization

1) What is a nonprofit organization?

Nonprofit organizations can include charities, churches, foundations, schools, universities, and social welfare organizations to name a few. Typically, the nonprofit is also a corporation, but without shareholders. Some nonprofits are recognized as tax-exempt pursuant to § 501(c)(3) of the Internal Revenue Code, including but not limited to, corporations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes. However, not every nonprofit organization is a §501(c)(3) organization. For example, a chamber of commerce or trade association may generally be classified as a §501(c)(6) organization. Each type of nonprofit has different requirements and is subject to various requirements depending on its nature.

2) What are the steps required to form a nonprofit organization?

There are several steps involved in forming a nonprofit organization, which may vary depending on the type of organization. When we help clients form a nonprofit organization, our attorneys generally help with the following:

- Creating the corporate entity. In California, this is done by filing Articles of Incorporation with the State.
- Drafting Bylaws for the organization. The Bylaws specify how the organization will operate.
- Preparing documents for the first organizational meeting. The first organizational meeting is necessary to begin operations of the organization and normally entail appointing directors and officers, authorizing creation of bank accounts, and approving the Bylaws and a conflict of interest policy.
- Preparing other resolutions and minutes. These documents reflect and record actions taken at corporate meetings. As a corporation, it is necessary to observe corporate formalities, such as taking minutes for each meeting.
- Obtaining an EIN (Employer Identification Number).
- Applying to the IRS for federal tax-exempt status. The application typically filed with the IRS is Form 1023 or Form 1024, which may be many pages long when including required attachments. Some organizations are recognized as being tax-exempt without having to apply to the IRS; however, such an organization may want to apply to the IRS nonetheless for other reasons, such as to prevent any ambiguity about its tax-exempt status.
- Applying to the state for tax-exempt status and registering with the state attorney general, if required. These documents are specifically tailored to the client's individual needs and wants.

3) How much does it cost to form a nonprofit organization?

If the organization's average annual gross receipts have exceeded or will exceed \$10,000 annually over a four-year period, the Form 1023 filing fee is \$850. The state also charges a fee to create a corporation. These fees and forms are subject to change.

As far as legal fees, not one size fits all. Each organization has different objectives and levels of complexity. We custom-tailor our fees to make sure we are able to help each client accomplish its goals. Our attorneys strive to ensure each client is satisfied with their counsel.

4) How long does it take to obtain tax-exempt status?

It can take a month to a year depending on various factors. If one completes the application improperly, it can take even longer. However, in certain circumstances, the application process can be expedited if the organization has a compelling reason. If the IRS approves the application, the organization will obtain a determination letter from the IRS recognizing the organization's tax-exempt status.

5) How do I get started?

Call us at (626) 440-5200 or email: sommers@huntortmann.com to send us a message.

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