

Forming a Non Profit

The first step begins with registration with the Washington Secretary of State's office. There are two applications they need to complete. One is an application to form a nonprofit corporation in the state of WA (fee is \$30.00) and the other is to register as a charitable organization (fee \$20.00) (Charitable Division's office). They need to be registered prior to conducting any fundraiser/solicitation and they need to be registered with the state prior to the application process for IRS tax exempt status. To contact the Secretary of State's office, the website is www.corps@secstate.wa.gov and the other one is www.charities@secstate.wa.gov. The phone # for the Charities division is 1-800-332-GIVE if you need to speak with someone. If you contact either one, they will help answer your questions.

For federal recognition as a 501(c) 3, they would need to obtain an Employer Identification Number, (and not use an individual's social security number). To apply use Form SS-4, Application for Employer Identification Number. They would also need to complete IRS Form 1023 - Application for Recognition of Exemption and IRS Form 8718 - The User Fee for Exempt Organizations. The cost to apply is either \$150.00 (gross receipts averaging not more than \$10,000 during its first 4 years) or \$500.00 (if gross receipts average more than \$10,000 during its first 4 years) These forms are available on the website at www.IRS.gov. (then click on the Charitable and Non-Profit organizations) The IRS will determine the organization's tax-exempt status after it reviews their application. This process has averaged about 6 weeks, but can take more if they need additional material from the organization.

A great resource informing a nonprofit is Liz Heath, with the Non-Profit Center at 253-272-5844. Their website is: www.npcenter.org. For a fee (approx. \$75.00-150.00), they can provide information and resources for nonprofit organizations

Once they decide upon becoming a recognized viable Booster club, this information may need to go before the school board to be officially recognized in your district.

Consideration for applying to the IRS (not required if gross revenues are less than \$5,000 annually)

Advantages

- Contributors can deduct donations
- Exemption from Federal unemployment taxes
- Income tax exemption
- State sales tax exemption
- Limited property, Business and Occupation, and other excise tax exemptions
- Foundation grants available

- Bulk mailing permit
- Gambling permits available

Disadvantages

- Provision for donor substantiation
- Obey disclosure laws
- Must fund raise
- No private benefits
- No political activities
- Reduced legislative activity

Fees associated with Non Profit Status

	1st year	2-5 years
IRS filing for 501c(3) status	\$150.00	\$00
Secretary of State	\$20.00	\$10.00
CPA for tax reporting	\$00	\$100.00
Annual insurance (approx)	\$500.00	\$500.00
Business license	<u>\$15.00</u>	<u>\$15.00</u>
Total	\$ 685.00	\$625.00

Sample Articles of Incorporation

Articles of Incorporation/Association of the undersigned, a majority of whom are citizens of the United States, desiring to form a Non - Profit Corporation/Association under the Non - Profit Corporation Law of _____, do hereby certify:

First: The name of the Corporation/Association shall be _____.

Second: The place in this state where the principal office of the Corporation/Association is to be located is the City of _____, _____ County.

Third: Said Corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c) (3) of the Internal Revenue Code, or the corresponding section of any future tax code.

Forth: The names and addresses of the persons who are the initial trustees of the corporation are as follows:

Name _____
Address _____

Fifth: No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Third hereof. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the

corporation shall not participate in, 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. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501 (c) (3) of the Internal Revenue Code, or the corresponding section of any future federal tax code or (b) by a corporation, contributions to which are deductible under section 170 (c) (2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

If reference to federal law in articles of incorporation imposes a limitation that is invalid in your state, you may wish to substitute the following for the last sentence of the preceding paragraph: "Notwithstanding any other provision of these articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation."

Sixth: Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c) (3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

In witness whereof, we have hereunto subscribed our names this _____ Day of _____ 20 _____.