



Establishing Nonprofit & Tax Exempt Status

The best way for chapter leaders to protect themselves from future state and federal tax liability is to file as a nonprofit corporation in their respective state. Laws, regulations and processes vary from state-to-state. Please contact a financial and/or legal advisor in your state for appropriate guidance on how to file as a nonprofit corporation.

Forming a nonprofit corporation is much like creating a regular corporation, except that nonprofits must take the extra steps of applying for tax-exempt status with the IRS and their state tax division. Here is what you need to do:

To Incorporate as a Nonprofit:

- Choose an available business name that meets the requirements of state law.
- File formal paperwork, usually called articles of incorporation, and pay a small filing fee (typically under \$125). You will be provided with an EIN for your chapter.
- Create corporate bylaws, which set out the operating rules for your nonprofit corporation.
- Appoint the initial directors. (In some states, you must choose your initial directors before you file your articles, because you must list their names in the document.)
- Hold the first meeting of the board of directors.
- Obtain licenses and permits that may be required for your corporation.
- Incorporating will provide limited liability coverage for chapter leaders. Consult a local legal expert for additional information.

To File as a Nonprofit for Tax Exemption:

Once a nonprofit corporation has been created, filing as a 501(c)(3) nonprofit with your state and federal government is not required, but is recommended in order to avoid tax liability. For additional information, required forms and next steps, please refer to the following IRS publication: <http://www.irs.gov/pub/irs-pdf/p4220.pdf>. Consult a tax or financial professional in your state regarding local nonprofit filing requirements. Additional resources available at www.irs.gov/charities-non-profits.