

Starting a Home Blazing-fast: Charter, By-Laws and Tax Exemption

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1. Timeline Big Picture

Think It Through				
	Create and File Charter			
		By-Laws, Board, Officers, EIN, bank account, etc.		
			File for 501(c)(3)	
				File for State Exemption

2. About the Charter

- a. State law -- nonprofit corporation statutes
 - i. Charter is a document filed with Secretary of State
- b. Who can amend?
- c. Choosing a name (carefully)
 - i. State list of names already in use; Google search; US Trademark search > www.uspto.gov/trademark
- d. Required statements (State and Federal)
 - i. Statement of purpose (specific vs. general)
 - ii. Dedication to charitable purposes
- e. Meet "the Incorporator"

Charter Purpose Example #1 (too specific)	Charter Purpose Example #2 (just right?)
The purpose of this corporation is to create a six bedroom home in Altoona, California for persons on hospice who cannot afford home care or nursing home care.	The purpose of this corporation is to provide compassionate care in a home-like residential setting for persons at the end of their lives, to provide support for their families, and to carry on other related activities.

3. About the **by-laws** (rules governing board, officers, members)
 - a. The board of directors (aka, trustees)
 - i. How many? Who elects them? Terms of office? Staggered terms? Term limits? Compensation?
 - ii. Removal, resignation, attendance requirements
 - iii. Meeting rules (schedule, quorum, voting, action without meeting, etc.)
 - b. The officers
 - i. President/CEO, Treasurer/CFO, Secretary; Others?
 - ii. Responsibilities? Who elects them? Terms of office?
 - c. Who can amend the by-laws?
 - d. Designate fiscal year

4. About **Tax Exemption**
 - a. Why does it matter? (exemption from income taxes)
 - b. What's a 501(c)(3)? [about 71% of registered nonprofits]
 - i. All charities are nonprofits; not all nonprofits are charities.
 1. 34 IRS nonprofit registration categories; For 22 categories, NO charitable contribution deduction
 - c. Real property taxes and sales taxes are separate

5. More about **tax exemption and taxes**
 - a. Once incorporated, obtain EIN (employer identification number) from IRS
 - b. Obtaining IRC 501(c)(3) determination
 - i. IRS Form 1023-EZ (streamlined) eligibility worksheet -- if you answer "yes" to any question, 1023-EZ not available
 1. Question 1: Do you project that your annual gross receipts will exceed \$50,000 in any of the next 3 years? (includes this year)
 - ii. IRS Form 1023 (not EZ)
 1. Interactive version (online, with hints)
 2. Hardcore version (28 pages, 38 pages of instructions)
 - iii. IRS Publication 557 (Tax-Exempt Status of Your Organization)
 - c. State exemption is separate

6. **Bonus** stuff
 - a. Name: Avoid punctuation (& , . # !)
 - b. Can a donor deduct a contribution made to your organization before the 501(c)(3) determination is received?
 - i. Let's say the organization is **created/organized on August 1, 2017** and files for exemption on December 31, 2017. Receives its 501(c)(3) determination on October 1, 2018. Donation made on July 31, 2017, no deduction. Donation made on or after August 1, 2017, deduction available.

**Slides, handout and sample documents available at
YourCaringHouse.org/OHN2017**