

Tax Exempt Organizations From Start to Finish



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Presenters (Cont.)

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Submitted by David K. Easlick Jr.

OUTLINE INCORPORATION PROCESS

I. INCORPORATION AND APPROVAL

- A. The incorporation and approval of nonprofit corporations is governed by the Michigan Nonprofit Corporation Act (“the Act”), Mich. Comp. Laws Ann. § 450.2101 et seq.
- B. The Act applies to domestic corporations formed under the Act for purposes for which a corporation might be formed under the Act, as well as to foreign corporations authorized to do business in Michigan, except as otherwise provided. *Id.* § 450.2121.
- C. One or more persons may be incorporators of a nonprofit corporation by signing and filing the articles of incorporation for the corporation. *Id.* § 450.2201(1).
- D. A corporation may be formed under the Act for any lawful purposes not involving pecuniary gain or profit for its officers, directors, shareholders, or members. *Id.* § 450.2251(1).
- E. Unless reserved in the articles of incorporation exclusively to the corporation’s shareholders, members, or board, the initial bylaws of the corporation shall be adopted by the incorporators, the shareholders, the members, or the board. *Id.* § 450.2231(1)(a). The shareholders, the members, or the board may amend or repeal the bylaws or adopt new bylaws. *Id.* § 450.2231(1)(b). The shareholders or members may prescribe in the bylaws that any bylaw adopted by them shall not be amended or repealed by the board. *Id.* § 450.2231(1)(c). The bylaws may contain any provision for the regulation and management of the affairs of the corporation not inconsistent with law or the articles of incorporation. *Id.* § 450.2231(2).
- F. A “nonprofit corporation” is defined by the Act as “a corporation incorporated to carry out any lawful purpose or purposes that does not involve pecuniary profit or gain for its directors, officers, shareholders, or members.” *Id.* § 450.2108(2).

- G. A “charitable purpose corporation” is a domestic corporation that meets any of the following:
1. is recognized by the United States Internal Revenue Service as exempt or qualifies for exemption under § 501(c)(3) of the Internal Revenue Code;
 2. is a corporation whose purposes, structure, and activities are exclusively those that are described in § 501(c)(3) of the Internal Revenue Code; or
 3. is a corporation organized or held out to be organized exclusively for one or more charitable purposes.

Id. § 450.2106(1).

II. ARTICLES OF INCORPORATION

- A. A nonprofit corporation’s articles of incorporation may contain any provision that is not inconsistent with the Act and not expressly prohibited by any other statute. *Id.* § 450.2209(1). Such provisions may include a provision for the management of the business and the conduct of the affairs of the corporation, or a provision creating, defining, limiting, or regulating the powers of the corporation, its directors, officers, members, or shareholders, or a class of directors, shareholders, or members. *Id.* § 450.2209(1)(a).
- B. The articles of incorporation must contain certain information, including the purposes for which the corporation is formed, the aggregate number of shares the corporation has the authority to issue, a designation of each class of stock, if applicable, with a statement of the relative rights, preferences, and limitations of the shares of each class, and, if the corporation is formed on a nonstock basis, a description and statement of the value of any assets of the corporation that are classified as real and personal property and the terms of the general scheme of financing the corporation, as well as a statement that the corporation is formed on a membership basis or a directorship basis. *Id.* § 450.2202(b)-(f).

- C. The corporate existence of a nonprofit corporation begins on the effective date of the articles of incorporation. *Id.* § 450.2221. Filing of the articles of incorporation is conclusive evidence that all conditions precedent required to be performed under the Act have been fulfilled and that the corporation has been formed under the Act. *Id.*

III. ANNUAL REPORT

- A. A nonprofit corporation must prepare an annual financial report and distribute that report to each shareholder or member, or present the report at the annual meeting of the shareholders or members, or, if the corporation is organized on a directorship basis, at the annual meeting of the board. *Id.* § 450.2901(1).
- B. In addition to the annual report to the shareholders, members, and directors, a nonprofit corporation must file an annual report containing specified information with the director of the department of licensing and regulatory affairs. *Id.* § 450.2911(1).
- C. If a corporation fails to file the required report with the director of the department of licensing and regulatory affairs for a period of two years from the date on which the report was due, the corporation is automatically dissolved 60 days after expiration of the two-year period. *Id.* § 450.2922(1).

IV. CHARITABLE SOLICITATION PROVISIONS

- A. The Nonprofit Corporation Act provides that it does not modify the requirements of the Charitable Organizations and Solicitations Act. *Id.* § 450.2124(1)(c).
- B. The Charitable Organizations and Solicitations Act defines a “charitable organization” as “a benevolent, educational, philanthropic, humane, patriotic, or eleemosynary organization of persons that solicits or obtains contributions solicited from the public for charitable purposes.” Mich. Comp. Laws Ann. § 400.272(a). A charitable organization does not include a duly constituted religious organization or a group affiliated with and forming an integral part of a

religious organization, if none of its net income inures to the direct benefit of any individual and if it has received a declaration of current tax exempt status from the United States if it is a religious organization or it or its parent or principal organization has obtained tax exempt status if it is an affiliated group. *Id.* § 400.272(a)(i).

- C. The Charitable Organizations and Solicitations Act requires registration of a charitable organization before the organization makes a solicitation. *Id.* § 400.273.
- D. The registration and reporting requirements of the Charitable Organizations and Solicitations Act do not apply to several types of organizations, including a charitable organization that does not intend to solicit and receive, and does not actually solicit and receive, contributions of more than \$25,000 during any 12-month period if all of its fund-raising functions are carried on by persons that are unpaid for their services; a charitable organization that does not invite the general public to become a member of the organization; and a nonprofit service organization that is exempt from taxation under a provision of the Internal Revenue Code other than § 501(c)(3), whose principal purpose is not charitable but that solicits from time to time funds for a charitable purpose by members of the organization that are not paid for the solicitation. *Id.* § 400.283.
- E. The Charitable Organizations and Solicitations Act establishes a number of offenses punishable by fines, imprisonment, or both, including knowingly misrepresenting or misleading a person to believe that a person on whose behalf a solicitation effort is made is a charitable organization or that the proceeds of a solicitation effort are for charitable purposes, or knowingly diverting or misdirecting contributions to a purpose or organization other than that for which the funds were contributed or solicited. *Id.* § 400.293.

V. MEMBERSHIP OR DIRECTORSHIP CORPORATION

A. The Nonprofit Corporation Act provides that a nonprofit corporation may be established as a membership corporation. Mich. Comp. Laws Ann. § 450.2304. The

articles of incorporation of a membership corporation may prescribe the number, voting rights, qualifications, liquidation rights, preferences, and limitations, as well as other rights, preferences, and limitations of or on the members of the corporation. *Id.* § 450.2304(1). A nonprofit corporation organized on a membership basis may have one or more classes of members with different rights and limitations. *Id.* § 450.2304(2). A corporation may adopt rules of qualification and government of its members, including rules of admission to, retention of, and expulsion from membership under its articles of incorporation or bylaws. *Id.* § 450.2304(7).

- B. The Act also provides that a corporation may be organized on a directorship basis. *Id.* § 450.2305(1). A directorship corporation may or may not have members. *Id.* If it does have members, the members are not entitled to notice of or to vote on any matter. *Id.*
- C. As to selection of the board of directors, the Act provides that before or after filing the articles of incorporation, a majority of the incorporators must select a board and may adopt bylaws. *Id.* § 450.2223. A member of the board may call the first meeting of the board. *Id.* At the first meeting, the board may adopt bylaws, elect officer, and transaction such other business as may come before the meeting. *Id.*
- D. Under a directorship corporation, the business and affairs of the corporation shall be managed by or under the direction of the board, except as otherwise provided in the Act or in the articles of incorporation. *Id.* 450.2501(1). A director is not required to be a shareholder or member of the corporation unless the articles of incorporation or the bylaws so require. The articles of incorporation or bylaws may prescribe qualifications for directors. *Id.*

VI. MEETINGS

A. Meetings of shareholders or members may be held at a place within or without the state as provided in the bylaws. *Id.* § 450.2401. A corporation is required to hold an annual meeting of its shareholders or members in order to elect directors and to conduct any other business that may come

before the meeting. *Id.* § 450.2402. The meeting must be held on the date designated in the bylaws. *Id.* In the event of a failure to hold the annual meeting for 90 days after the date designated, or, if no date is designated, for 15 months after the formation of the corporation, a court, upon application of a shareholder or member, may summarily order the corporation to hold the meeting. *Id.*

- B. Notice of the time, place, and purposes of any meeting of shareholders or members must be given in accordance with the Act. *Id.* § 450.2404(1). Notice may be given personally, by mail or electronic transmission, or in a newspaper or other periodical that is regularly published at least semiannually by or on behalf of the corporation *Id.* § 450.2404(1)(a), (b). Notice of a meeting is not required if the meeting is for a purpose that does not involve the election of directors or the taking of other actions involving control or governance of the corporation for which a vote of the shareholders or members is required. *Id.* § 450.2404(8).
- C. Unless otherwise restricted by the articles of incorporation or bylaws a shareholder, member, or proxy holder may participate in a meeting of shareholder or members by a conference telephone or other means of remote communication that permits all persons that participate in the meeting to communicate with all the other participants. *Id.* § 450.2405(1). The Act also means by which a person attending remotely may vote at the meeting. *Id.* § 450.2405(4).
- D. The articles of incorporation may provide that any action the shareholders or members are required or permitted to take at an annual or special meeting may be taken without a meeting, without prior notice, and without a vote if written consents setting forth the action taken are signed and dated by the holders of outstanding shares or members or their proxies that have not less than the minimum number of votes necessary to authorize or take the action at a meeting at which all shares or members entitled to vote on the action were present and voted. *Id.* § 450.2407(1).

- E. Unless a greater or lesser quorum is provided in the articles of incorporation, in a bylaw, or in the Act, shares or members entitled to cast a majority of the votes at a meeting constitute a quorum at the meeting. *Id.* § 450.2415(1).

VII. VOTING

- A. The officer or agent responsible for the shareholder or membership records of a nonprofit corporation must make and certify a complete list of the shareholders or members entitled to vote at a meeting or any adjourned meeting of the shareholders or members. *Id.* § 450.2413(1). The list is open to any shareholder or member during the meeting. *Id.* § 450.2413(1)(c). The list is prima facie evidence of which shareholders or members are entitled to examine the list or to vote at the meeting. *Id.* § 450.2413(1)(d).
- B. Each outstanding share or member is entitled to one vote on each matter submitted to a vote. *Id.* § 450.2441(1).
- C. If an action, other than the election of directors, is submitted for a vote of the shareholders or members, it is approved or authorized if it receives the affirmative vote of the majority of votes cast by the holders of shares or members entitled to vote, unless a higher vote is required in the articles of incorporation or the Act. *Id.* § 450.2441(2).
- D. The articles of incorporation or the bylaws may provide that a class of shares or members shall vote as a class to authorize any action. *Id.* § 450.2442(1). If voting as a class is required by the Act to authorize an action, it is authorized if it receives the affirmative vote of a majority of the votes cast by the shareholders or members of each class entitled to vote on that action, unless a higher vote is required in the articles of incorporation or under another section of the Act. *Id.* § 450.2442(2).
- E. A corporation may provide in its articles of incorporation or in bylaws that are approved by the shareholders or members that any action the shareholders or members are required or permitted to take at an annual or special meeting, including the election of directors, may be taken without a meeting if the corporation provides a ballot to each shareholder or

member that is entitled to vote on the action. *Id.* § 450.2408(1).

- F. As to voting for directors, the Act provides that the articles of incorporation of a corporation that is organized on a stock or membership basis may provide that a shareholder or member that is entitled to vote at an election for directors any vote, in person, by proxy, or by ballot, for as many individuals as there are to be elected, or to cumulate votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of votes held by the shareholder or member, or by distributing the votes of the shareholder or member on the same principle among any number of candidates. *Id.* § 450.2451(1). The same principle may be adopted by the articles of incorporation of a corporation organized on a directorship basis. *Id.* § 450.2451(2).

VIII. MISSION STATEMENT

- A. See NTEN nonprofithub.org/starting-a-nonprofit/nonprofit-mission-statements-good-and-bad-examples

IX. USE OF L3C FOR NONPROFITS

- 1. See Michigan Business Law Journal Article attached.

INCORPORATION PROCESS – APPENDIX

- SS4
- ARTICLES OF INCORPORATION FORM
- LARA
- COMMON SENSE FOUNDATION EXAMPLE
- MICH ELF
- The Michigan Low-Profit Limited Liability Company—Encouraging Investment in Socially Beneficial Enterprises

OUTLINE

LIABILITY OF DIRECTORS AND OFFICERS

I. INDEMNIFICATION

- A. Initially, it may be noted that, unless otherwise provided in the articles of incorporation, a person that is a shareholder or member of a corporation is not personally liable for the acts or debts of the corporation, except that the person may become personally liable by reason of the person's own acts or conduct. *Id.* § 450.2317(4).
- B. Unless otherwise provided by law or the articles of incorporation or bylaws of the corporation, a corporation has the power to indemnify a person that was or is a party or is threatened to be made a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that that person was a director, officer, employee, nondirector volunteer, or agent of the corporation, or was serving at the request of the corporation in a similar capacity. *Id.* § 450.2561. The corporation may indemnify the person for expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit, or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders or members, and, with respect to a criminal action or proceeding, if the person had no reasonable cause to believe that the conduct was unlawful. *Id.*
- C. Indemnification may also be provided to the person in an action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee, nondirector volunteer, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, nondirector volunteer, or agent of another foreign or domestic corporation, business corporation, partnership, joint venture, trust, or other enterprise, whether for profit or

not, for expenses, including attorneys' fees and amounts paid in settlement actually and reasonably incurred by the person in connection with the action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders or members. *Id.* § 2562. A corporation may not indemnify a person for a claim, issue, or matter in which the person is found liable to the corporation, except as authorized by the Act. *Id.*

- D. Indemnification is mandatory for a director, officer, or nondirector volunteer of a corporation who is successful on the merits or otherwise in defense of an action or proceeding against such person, or who has established that the corporation is required to assume the person's liabilities under § 450.2209(1)(d) or (e) (discussed below). *Id.* § 450.2563. The mandatory indemnification is for actual and reasonable expenses, including attorney's fees incurred in connection with the action. *Id.* § 450.2563.

II. VOLUNTEER IMMUNITY

- A. The Act defines a "volunteer" as "an individual who performs services for a corporation, other than services as a volunteer director, who does not receive compensation or any other type of consideration for the services other than reimbursement for expenses actually incurred." *Id.* § 450.2110(1). A "volunteer director" is "a director who does not receive anything of more than nominal value from the corporation for serving as a director other than reasonable per diem compensation and reimbursement for actual, reasonable, and necessary expenses incurred by a director in his or her capacity as a director." *Id.* § 450.2110(2).
- B. The articles of incorporation of a nonprofit corporation may include a provision that eliminates or limits a director's or volunteer officer's liability to the corporation, its shareholders, or its members for money damages for any action taken or any failure to take any action as a director or volunteer officer. *Id.* § 450.2209(1)(c). Exceptions exist for the amount of a financial benefit to which the director or volunteer officer was not entitled; intentional infliction of

harm to the corporation, its shareholders, or members; or a violation of the section of the Act making directors liable for declaring a share dividend or distribution to shareholders or members that is contrary to the Act or contrary to any restriction in the articles of incorporation or bylaws, making a distribution to shareholders or members during or after dissolution of the corporation without paying or providing for debts, obligations, and liabilities of the corporation as required by the Act, or making a loan to a director, officer, or employee of the corporation or a subsidiary of the corporation that is contrary to the Act. *Id.* § 450.2209(1)(c).

C. The articles of incorporation may also provide that, as to a § 501(c)(3) corporation, the corporation assumes all liability to any person other than the corporation, its shareholders, or its members for all acts or omissions of a volunteer director incurred in the good faith performance of his or her duties. *Id.* § 450.2209(1)(d).

D. Finally, the articles of incorporation may provide that the corporation assumes liability for all acts or omissions of a volunteer director, volunteer officer, or other volunteer provided that all of the following are met: (i) the volunteer was acting or reasonably believed he or she was acting within the scope of his or her authority, (ii) the volunteer was acting in good faith, (iii) the volunteer's conduct did not amount to gross negligence or willful and wanton misconduct, (iv) the volunteer's conduct was not an intentional tort, and (v) The volunteer's conduct was not a tort arising out of the ownership, maintenance, or use of a motor vehicle for which tort liability may be imposed under § 3135 of the Insurance Code, Mich. Comp. Laws Ann. § 500.3135. Mich. Comp. Laws Ann. § 450.2209(1)(e).

E. If the articles of incorporation contain a provision authorized under § 450.2209(1)(e), then a claim for monetary damages for a volunteer director, volunteer officer, or other volunteer's acts or omissions shall not be brought or maintained against such a person. *Id.* § 450.2556. The claim shall be brought and maintained against the corporation. *Id.*

III. FIDUCIARY DUTIES AND INDEMNIFICATION

- A. A person shall discharge his or her duties as a director or officer of a nonprofit corporation in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner he or she reasonably believes is in the best interests of the corporation. *Id.* § 450.2541(1). If the articles of incorporation contain a provision authorized under § 450.2209(1)(c), a director is only personally liable for monetary damages for a breach of fiduciary duty as a director the corporation, its shareholders, or its members to the extent set forth in the provision. *Id.* § 450.2541(5). If the corporation's articles of incorporation contain a provision authorized under § 450.2209(1)(d), a claim for monetary damages for breach of a volunteer director's duty to any person other than the corporation, its shareholders, or its members shall not be brought or maintained against the volunteer director. *Id.* § 450.2541(6).
- B. The court in *Baughman v. Western Golf & Country Club, Inc.*, No. 279426, 2009 WL 1607531 (Mich. Ct. App. June 9, 2009), held that the directors of a nonprofit corporation, which was a country club, did not breach their fiduciary duty of loyalty to its life members when it increased their dues at a higher rate than Class A members, even though the board was made up of only Class A members, when difficult economic times necessitated increased dues, and, after the increase, Class A members still paid at a much higher rate than life members, and the change did not radically and disproportionately shift the financial burden of the club onto the life members.
- C. The fiduciary duties of the directors and officers of a nonprofit corporation are also evidenced in the provision of the Act addressing director or officer interests in a transaction involving the corporation. *See* Mich. Comp. Laws Ann. § 450.2545a. A transaction in which a director or officer is determined to have an interest shall not be enjoined, set aside, or give rise to an award of damages or other sanctions because of the interest, in a proceeding by a shareholder, a member, or a director of a corporation that is organized on a directorship basis or a proceeding by or in the right of the corporation, if the person interested in the transaction

establishes any of the following: (a) the transaction was fair to the corporation at the time it was entered into, (b) the material facts of the transaction and the director's or officer's interest were disclosed or known to the board or an executive committee of the board and the board or executive committee authorized, approved, or ratified the transaction, or (c) the material facts of the transaction and the director's or officer's interest were disclosed or known to the shareholders or members who are entitled to vote and they authorized, approved, or ratified the transaction. *Id.* § 450.2545a(1).

- D. Satisfying the requirements of § 450.2545a(1) does not preclude other claims relating to a transaction in which a director or officer is determined to have an interest. *Id.* § 2545a(4). Such claims must be evaluated under principles applicable to a transaction in which a director or officer does not have an interest. *Id.*

IV. PRIVATE INUREMENT/PRIVATE BENEFIT

- A. Section 501(c)(3) of the Internal Revenue Code provides an exemption from tax on “corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes . . . or for the prevention of cruelty to children or animals, *no part of the net earnings of which inures to the benefit of any private shareholder or individual*, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office. 26 U.S.C. § 501(c)(3). (Emphasis added.)
- B. In *Harding Hospital, Inc. v. United States*, 505 F.2d 1068 (6th Cir. 1974), the United States Court of Appeals for the Sixth Circuit held that a hospital was not entitled to tax-exempt status under § 502(c)(3) on the theory that it had been organized and operated exclusively for charitable purposes and that no part of its net earnings inured to the benefit of

private individuals, when the hospital did not hold itself out to public as a charitable institution, it did not have a specific policy for treating charity patients, an association leased office space, equipment, and business office services from the hospital at rentals that did not adequately compensate the hospital, and the hospital paid an annual salary to the association for hospital supervision.

- C. The Sixth Circuit similarly held that a corporation that charged a fee for providing a service enabling farm retailers to comply with governmental regulations was not entitled to tax-exempt status under § 501(c)(3), when the corporation continued the same operations as its for-profit predecessor, it failed to meet its burden of proving that profits from its fee-based services did not inure to the benefit of private individuals or shareholders, most of the corporation's clients received services as part of fee-based membership agreements, and the corporation expected its commercial profits to be the main source of income sustaining its ongoing operations. *See Asmark Institute, Inc. v. C.I.R.*, 486 F. App'x 566 (6th Cir. 2012).

V. EXCESS BENEFIT TRANSACTIONS

- A. The Act provides that, unless the compensation is prohibited by the articles of incorporation or the bylaws, the board may, irrespective of any personal interest of any of them and subject to any limitations in the articles of incorporation or the bylaws, establish reasonable compensation of directors for services to the corporation as directors or officers, but approval of the shareholders or members is required if the articles of incorporation, bylaws, or other provisions of the Act require such approval. Mich. Comp. Laws Ann. § 450.2545a(5). Transactions pertaining to the compensation of directors for services to the corporation as directors or officers shall not be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a shareholder or member or by or in the right of the corporation unless it is shown that the compensation was unreasonable at the time it was established or exceeded amounts permitted under the articles of incorporation or bylaws. *Id.*

- B. In an action by a minority shareholder of a close corporation against corporate officers and directors to recover allegedly excessive compensation paid to officers and directors, the burden is in the minority shareholder to establish that the compensation was unreasonable, when each director/officer abstained from voting on his own compensation at corporate board meetings. *See Miller v. Magline, Inc.*, 75 Mich. App. 284, 256 N.W.2d 761 (1977).
- C. In *International Union, Automobile, Aerospace & Agricultural Implement Workers of America v. Aguirre*, 410 F.3d 297 (6th Cir. 2005), the court held that the corporate veil could not be pierced in an action against a corporate employer alleging violation of three federal statutes, since the principals observed standard corporate formalities and did not cause the corporation to be undercapitalized, and the principals' allegedly excessive salaries and director fees were authorized in good faith by an informed board.

INCORPORATION PROCESS – APPENDIX

- SS4
- ARTICLES OF INCORPORATION FORM
- LARA
- COMMON SENSE FOUNDATION EXAMPLE
- MICH ELF
- The Michigan Low-Profit Limited Liability Company—Encouraging Investment in Socially Beneficial Enterprises

Note: Form SS-4 begins on the next page of this document.

Change to Domestic Employer Identification Number (EIN) Assignment by Toll-Free Phones

Beginning January 6, 2014, the IRS will refer all domestic EIN requests received by toll-free phones to the EIN Online Assistant. You can access the Assistant by going to www.irs.gov, entering "EIN" in the "Search" feature and following instructions for applying for an EIN online.

Attention Limit of one (1) Employer Identification Number (EIN) Issuance per Business Day

Effective May 21, 2012, to ensure fair and equitable treatment for all taxpayers, the Internal Revenue Service (IRS) will limit Employer Identification Number (EIN) issuance to one per responsible party per day. For trusts, the limitation is applied to the grantor, owner, or trustor. For estates, the limitation is applied to the decedent (decedent estate) or the debtor (bankruptcy estate). This limitation is applicable to all requests for EINs whether online or by phone, fax or mail. We apologize for any inconvenience this may cause.

Change to Where to File Address and Fax-TIN Number

There is a change to the Instructions for Form SS-4 (Rev. January 2011). On page 2, under the "Where to File or Fax" table, the address and Fax-TIN number have changed. If you are applying for an Employer Identification Number (EIN), and you have no legal residence, principal place of business, or principal office or agency in any state or the District of Columbia, file or fax your application to:

Internal Revenue Service Center
Attn: EIN International Operation
Cincinnati, OH 45999
Fax-TIN: 859-669-5987

This change will be included in the next revision of the Instructions for Form SS-4.

Application for Employer Identification Number

OMB No. 1545-0003

Department of the Treasury
Internal Revenue Service

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

EIN _____

▶ See separate instructions for each line. ▶ Keep a copy for your records.

Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested _____				
	2 Trade name of business (if different from name on line 1) _____	3 Executor, administrator, trustee, "care of" name _____			
	4a Mailing address (room, apt., suite no. and street, or P.O. box) _____	5a Street address (if different) (Do not enter a P.O. box.) _____			
	4b City, state, and ZIP code (if foreign, see instructions) _____	5b City, state, and ZIP code (if foreign, see instructions) _____			
	6 County and state where principal business is located _____				
	7a Name of responsible party _____	7b SSN, ITIN, or EIN _____			
8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No	8b If 8a is "Yes," enter the number of LLC members _____ ▶				
8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No					
9a Type of entity (check only one box). Caution. If 8a is "Yes," see the instructions for the correct box to check.					
<input type="checkbox"/> Sole proprietor (SSN) _____ <input type="checkbox"/> Estate (SSN of decedent) _____ <input type="checkbox"/> Partnership _____ <input type="checkbox"/> Plan administrator (TIN) _____ <input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____ <input type="checkbox"/> Trust (TIN of grantor) _____ <input type="checkbox"/> Personal service corporation _____ <input type="checkbox"/> National Guard <input type="checkbox"/> State/local government <input type="checkbox"/> Church or church-controlled organization _____ <input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military <input type="checkbox"/> Other nonprofit organization (specify) ▶ _____ <input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises <input type="checkbox"/> Other (specify) ▶ _____ <input type="checkbox"/> Group Exemption Number (GEN) if any ▶ _____					
9b If a corporation, name the state or foreign country (if applicable) where incorporated	State _____	Foreign country _____			
10 Reason for applying (check only one box)					
<input type="checkbox"/> Started new business (specify type) ▶ _____ <input type="checkbox"/> Banking purpose (specify purpose) ▶ _____ <input type="checkbox"/> Hired employees (Check the box and see line 13.) <input type="checkbox"/> Changed type of organization (specify new type) ▶ _____ <input type="checkbox"/> Compliance with IRS withholding regulations <input type="checkbox"/> Purchased going business <input type="checkbox"/> Other (specify) ▶ _____ <input type="checkbox"/> Created a trust (specify type) ▶ _____ <input type="checkbox"/> Other (specify) ▶ _____ <input type="checkbox"/> Created a pension plan (specify type) ▶ _____					
11 Date business started or acquired (month, day, year). See instructions.	12 Closing month of accounting year _____				
13 Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.	14 If you expect your employment tax liability to be \$1,000 or less in a full calendar year and want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. <input type="checkbox"/>				
<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%; text-align:center;">Agricultural</td> <td style="width:33%; text-align:center;">Household</td> <td style="width:33%; text-align:center;">Other</td> </tr> </table>			Agricultural	Household	Other
Agricultural	Household	Other			
15 First date wages or annuities were paid (month, day, year). Note. If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) ▶					
16 Check one box that best describes the principal activity of your business.					
<input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Wholesale-agent/broker <input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance <input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail <input type="checkbox"/> Other (specify) _____					
17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.					
18 Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No					
If "Yes," write previous EIN here ▶ _____					

Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.	
Third Party Designee	Designee's name _____
	Designee's telephone number (include area code) () _____
	Address and ZIP code _____
	Designee's fax number (include area code) () _____
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.	
Name and title (type or print clearly) ▶ _____	
Applicant's telephone number (include area code) () _____	
Applicant's fax number (include area code) () _____	
Signature ▶ _____	Date ▶ _____

Do I Need an EIN?

File Form SS-4 if the applicant entity does not already have an EIN but is required to show an EIN on any return, statement, or other document.¹ See also the separate instructions for each line on Form SS-4.

IF the applicant...	AND...	THEN...
Started a new business	Does not currently have (nor expect to have) employees	Complete lines 1, 2, 4a-8a, 8b-c (if applicable), 9a, 9b (if applicable), and 10-14 and 16-18.
Hired (or will hire) employees, including household employees	Does not already have an EIN	Complete lines 1, 2, 4a-6, 7a-b (if applicable), 8a, 8b-c (if applicable), 9a, 9b (if applicable), 10-18.
Opened a bank account	Needs an EIN for banking purposes only	Complete lines 1-5b, 7a-b (if applicable), 8a, 8b-c (if applicable), 9a, 9b (if applicable), 10, and 18.
Changed type of organization	Either the legal character of the organization or its ownership changed (for example, you incorporate a sole proprietorship or form a partnership) ²	Complete lines 1-18 (as applicable).
Purchased a going business ³	Does not already have an EIN	Complete lines 1-18 (as applicable).
Created a trust	The trust is other than a grantor trust or an IRA trust ⁴	Complete lines 1-18 (as applicable).
Created a pension plan as a plan administrator ⁵	Needs an EIN for reporting purposes	Complete lines 1, 3, 4a-5b, 9a, 10, and 18.
Is a foreign person needing an EIN to comply with IRS withholding regulations	Needs an EIN to complete a Form W-8 (other than Form W-8ECI), avoid withholding on portfolio assets, or claim tax treaty benefits ⁶	Complete lines 1-5b, 7a-b (SSN or ITIN optional), 8a, 8b-c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is administering an estate	Needs an EIN to report estate income on Form 1041	Complete lines 1-6, 9a, 10-12, 13-17 (if applicable), and 18.
Is a withholding agent for taxes on non-wage income paid to an alien (i.e., individual, corporation, or partnership, etc.)	Is an agent, broker, fiduciary, manager, tenant, or spouse who is required to file Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	Complete lines 1, 2, 3 (if applicable), 4a-5b, 7a-b (if applicable), 8a, 8b-c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is a state or local agency	Serves as a tax reporting agent for public assistance recipients under Rev. Proc. 80-4, 1980-1 C.B. 581 ⁷	Complete lines 1, 2, 4a-5b, 9a, 10, and 18.
Is a single-member LLC	Needs an EIN to file Form 8832, Classification Election, for filing employment tax returns and excise tax returns, or for state reporting purposes ⁸	Complete lines 1-18 (as applicable).
Is an S corporation	Needs an EIN to file Form 2553, Election by a Small Business Corporation ⁹	Complete lines 1-18 (as applicable).

¹ For example, a sole proprietorship or self-employed farmer who establishes a qualified retirement plan, or is required to file excise, employment, alcohol, tobacco, or firearms returns, must have an EIN. A partnership, corporation, REMIC (real estate mortgage investment conduit), nonprofit organization (church, club, etc.), or farmers' cooperative must use an EIN for any tax-related purpose even if the entity does not have employees.

² However, do not apply for a new EIN if the existing entity only (a) changed its business name, (b) elected on Form 8832 to change the way it is taxed (or is covered by the default rules), or (c) terminated its partnership status because at least 50% of the total interests in partnership capital and profits were sold or exchanged within a 12-month period. The EIN of the terminated partnership should continue to be used. See Regulations section 301.6109-1(d)(2)(iii).

³ Do not use the EIN of the prior business unless you became the "owner" of a corporation by acquiring its stock.

⁴ However, grantor trusts that do not file using Optional Method 1 and IRA trusts that are required to file Form 990-T, Exempt Organization Business Income Tax Return, must have an EIN. For more information on grantor trusts, see the Instructions for Form 1041.

⁵ A plan administrator is the person or group of persons specified as the administrator by the instrument under which the plan is operated.

⁶ Entities applying to be a Qualified Intermediary (QI) need a QI-EIN even if they already have an EIN. See Rev. Proc. 2000-12.

⁷ See also *Household employer* on page 4 of the instructions. **Note.** State or local agencies may need an EIN for other reasons, for example, hired employees.

⁸ See *Disregarded entities* on page 4 of the instructions for details on completing Form SS-4 for an LLC.

⁹ An existing corporation that is electing or revoking S corporation status should use its previously-assigned EIN.

**MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

Date Received

This document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.

Name

Address

City

State

ZIP Code

EFFECTIVE DATE:



Document will be returned to the name and address you enter above.
If left blank, document will be returned to the registered office.



[Empty rectangular box for effective date]

**ARTICLES OF INCORPORATION
For use by Domestic Nonprofit Corporations**
(Please read information and instructions on the last page)

Pursuant to the provisions of Act 162, Public Acts of 1982, the undersigned corporation executes the following Articles:

ARTICLE I

The name of the corporation is:

ARTICLE II

The purpose or purposes for which the corporation is formed are:

ARTICLE III

1. The corporation is formed upon a _____ basis.
(Stock or Nonstock)

2. If formed on a stock basis, the total number of shares the corporation has authority to issue is _____. If the shares are or are to be divided into classes, the designation of each class, the number of shares in each class, and the relative rights, preferences and limitations of the shares of each class to the extent that the designations, numbers, relative rights, preferences, and limitations have been determined are as follows:

Use space below for additional Articles or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

I, (We), the incorporator(s) sign my (our) name(s) this _____ day of _____, _____

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Preparer's Name _____

Business Telephone Number (_____) _____

INFORMATION AND INSTRUCTIONS

1. This form may be used to draft your Articles of Incorporation. A document required or permitted to be filed under the act cannot be filed unless it contains the minimum information required by the act. The format provided contains only the minimal information required to make the document fileable and may not meet your needs. This is a legal document and agency staff cannot provide legal advice.
2. Submit one original of this document. Upon filing, the document will be added to the records of the Corporations, Securities & Commercial Licensing Bureau. The original will be returned to your registered office address, unless you enter a different address in the box on the front of this document.

Since this document will be maintained on electronic format, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.
3. This document is to be used pursuant to the provisions of Act 162, P.A. of 1982, by one or more persons for the purpose of forming a domestic nonprofit corporation.
4. Article II - The purpose for which the corporation is formed must be included. It is not sufficient to state that the corporation may engage in any activity within the purpose for which corporations may be formed under the Act.
5. Article III - The corporation must be formed on a stock or nonstock basis. Complete Article III(2) or III(3) as appropriate, but not both. Real property assets are items such as land and buildings. Personal property assets are items such as cash, equipment, fixtures, etc. The dollar value and description must be included. If there is no real and/or personal property, write in "none".
6. A domestic nonprofit corporation may be formed on either a membership or directorship basis. A membership corporation entitles the members to vote in determining corporate action. If formed on a directorship basis, the corporation may have members but they may not vote and corporate action is determined by the Board of Directors.
7. Article IV - A post office box may not be designated as the address of the registered office.
8. Article V - The Act requires one or more incorporators. Educational corporations are required to have at least three (3) incorporators. The address(es) should include a street number and name (or other designation), city and state.
9. This document is effective on the date endorsed "filed" by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated as an additional article.
10. The Articles must be signed in ink by each incorporator listed in Article V. However, if there are 3 or more incorporators, they may, by resolution adopted at the organizational meeting by a written instrument, designate one of them to sign the Articles of Incorporation on behalf of all of them. In such event, these Articles of Incorporation must be accompanied by a copy of the resolution duly certified by the acting secretary at the organizational meeting and a statement must be placed in the articles incorporating that resolution into them.
11. **FEES:** Make remittance payable to the State of Michigan. Include corporation name on check or money order.
 FILING AND FRANCHISE FEE.....**\$20.00**

Submit with check or money order by mail:

Michigan Department of Licensing and Regulatory Affairs
 Corporations, Securities & Commercial Licensing Bureau
 Corporations Division
 P.O. Box 30054
 Lansing, MI 48909

To submit in person:

2501 Woodlake Circle
 Okemos, MI
 Telephone: (517) 241-6470

Fees may be paid by check, money order, VISA, Mastercard or Discover when delivered in person to our office.

MICH-ELF (Michigan Electronic Filing System):

First Time Users: Call (517) 241-6470, or visit our website at <http://www.michigan.gov/corporations>
 Customer with MICH-ELF Filer Account: Send document to (517) 636-6437

LARA is an equal opportunity employer/program. Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

Optional expedited service.

Expedited review and filing, if fileable, is available for all documents for profit corporations, limited liability companies, limited partnerships and nonprofit corporations.

The nonrefundable expedited service fee is in addition to the regular fees applicable to the specific document.

Please complete a separate CSCL/CD-272 form for expedited service for each document submitted in person, by mail or MICH-ELF.

24-hour service - \$50 for formation documents and applications for certificate of authority.

24-hour service - \$100 for any document concerning an existing entity.

Same day service

- **Same day - \$100 for formation documents and applications for certificate of authority.**

- **Same day - \$200 for any document concerning an existing entity.**

Review completed on day of receipt. Document and request for same day expedited service must be received by 1 p.m. EST OR EDT.

- **Two hour - \$500**

Review completed within two hours on day of receipt. Document and request for two hour expedited service must be received by 3 p.m. EST OR EDT.

- **One hour - \$1000**

Review completed within one hour on day of receipt. Document and request for 1 hour expedited service must be received by 4 p.m. EST OR EDT.

First time MICH-ELF user requesting expedited service must obtain a MICH-ELF filer number prior to submitting a document for expedited service. CSCL/CD-901.

Changes to information on MICH-ELF user's account must be submitted before requesting expedited service. CSCL/CD-901.

Documents submitted by mail are delivered to a remote location for receipts processing and are then forwarded to the Corporations Division for review. Day of receipt for mailed expedited service requests is the day the Corporations Division receives the request.



LARA
/ CORPORATIONS, SECURITIES & COMMERCIAL
LICENSING
/ CORPORATIONS DIVISION / CORPORATIONS

Domestic Nonprofit Corporation

Agency: Licensing and Regulatory Affairs

Nonprofit corporations are those formed in which members may not receive any profits of the corporation. A nonprofit corporation is formed under the Michigan Nonprofit Corporation Act. Some purposes for which nonprofit corporations are commonly formed are those involving religious, educational and charitable activities.

Nonprofit Corporation Information

File nonprofit Articles of Incorporation with the Michigan Department of Licensing & Regulatory Affairs, Corporations Division at 517-241-6470 to determine name availability and to request forms. Forms are also available on this website under the link Corporations.

Contact the Internal Revenue Service at 800-829-4933 to obtain the publication "Tax-Exempt Status for your Organization" (Publication 557) and the accompanying package "Application for Recognition of Exemption" (Form 1023).

The Michigan Department of Treasury no longer has an application process for tax exemption from Michigan Sales and Use Tax for nonprofit organizations. Organizations exempted by statute, organizations granted exemption from Federal income tax under the Internal Revenue Code section 501(c)(3) or 501(c)(4) or organizations that had

previously received an exemption letter from the Michigan Dept. of Treasury are entitled to sales and use tax exemption. A copy of the federal exemption letter or a letter previously issued by the Michigan Dept. of Treasury must accompany a completed Michigan Sales and Use Tax Certificate of Exemption, form 3372.

Any questions, please contact the Michigan Department of Treasury, Sales, Use and Withholding Tax office, 517-636-4730.

Most charitable nonprofits must also file with the Attorney General's Charitable Trust Section. Forms and instructions are available at the Attorney General's website. Call 517-373-1152 if you have questions or need forms mailed to you.

LARA Contacts

Contact LARA
Map & Driving Directions
Media
Submit Comments, Suggestions, Questions
Technical Support

Featured Services

Business Entity Search
Online Liquor Ordering
Verify a License/Registration for a Health Care Licensee

Our Performance



Corporations, Securities & Commercial Licensing Bureau
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Transparency State Web Sites

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Michigan.gov Home

ADA

Michigan News

Policies

Michigan Department of Licensing and Regulatory Affairs

Filing Endorsement

This is to Certify that the ARTICLES OF INCORPORATION - NONPROFIT

for

COMMON SENSE FOUNDATION

ID NUMBER: 71128U

received by facsimile transmission on June 16, 2011 is hereby endorsed

Filed on June 16, 2011 by the Administrator.

The document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.



In testimony whereof, I have hereunto set my hand and affixed the Seal of the Department, in the City of Lansing, this 16TH day of June, 2011.

A handwritten signature in black ink, appearing to read "Schefke".

Director

Bureau of Commercial Services

MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH BUREAU OF COMMERCIAL SERVICES										
Date Received	(FOR BUREAU USE ONLY)									
This document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.										
<table border="1" style="width: 100%;"> <tr> <td colspan="3">Name Common Sense Foundation</td> </tr> <tr> <td colspan="3">Address 39555 Orchard Hill Place, Ste 600 PMB 6135</td> </tr> <tr> <td>City Novi</td> <td>State MI</td> <td>Zip Code 48375</td> </tr> </table>		Name Common Sense Foundation			Address 39555 Orchard Hill Place, Ste 600 PMB 6135			City Novi	State MI	Zip Code 48375
Name Common Sense Foundation										
Address 39555 Orchard Hill Place, Ste 600 PMB 6135										
City Novi	State MI	Zip Code 48375								
EFFECTIVE DATE:										

Document will be returned to the name and address you enter above.
If left blank document will be mailed to the registered office.

ARTICLES OF INCORPORATION
For use by Domestic Nonprofit Corporations
 (Please read information and instructions on the last page)

Pursuant to the provisions of Act 162, Public Acts of 1982, the undersigned corporation executes the following Articles:

ARTICLE I

The name of the corporation is:	Common Sense Foundation
---------------------------------	--------------------------------

ARTICLE II

The purpose or purposes for which the corporation is organized are:	Attachment A
---	---------------------

ARTICLE III

1. The corporation is organized upon a <u>Nonstock</u> basis.	(Stock or Nonstock)
2. If organized on a stock basis, the total number of shares which the corporation has authority to issue is _____.	
If the shares are, or are to be, divided into classes, the designation of each class, the number of shares in each class, and the relative rights, preferences and limitations of the shares of each class are as follows:	

06/16/2011 10:54AM (GMT-04:00)

ARTICLE III (cont.)

3. a. If organized on a nonstock basis, the description and value of its real property assets are: (if none, insert "none")
none

b. The description and value of its personal property assets are: (if none, insert "none")
none

c. The corporation is to be financed under the following general plan:
solicitations

d. The corporation is organized on a Directorship basis.
(Membership or Directorship)

ARTICLE IV

1. The address of the registered office is:
39555 Orchard Hill Pl, Ste 600 PMB 6135 Novi, Michigan 48375
(StreetAddress) (City) (ZIP Code)

2. The mailing address of the registered office, if different than above:
_____, Michigan _____
(Street Address or P.O. Box) (City) (ZIP Code)

3. The name of the resident agent at the registered office is:
David K. Easlick, Jr.

ARTICLE V

The name(s) and address(es) of the incorporator(s) is (are) as follows:

Name	Residence or Business Address
David K. Easlick, Jr.	<u>39555 ORCHARD HILL PL, Ste 600 PMB 6135</u> <u>NOVI, MI 48375</u>

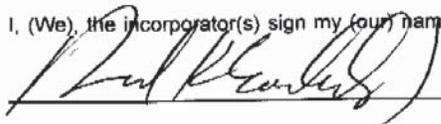
06/16/2011 10:54AM (GMT-04:00)

Use space below for additional Articles or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

Attachment A:

Article VI and VII

I, (We), the incorporator(s) sign my (our) name(s) this 13 day of June, 2011.



06/16/2011 10:54AM (GMT-04:00)

Common Sense Foundation Attachment A

Article II

CORPORATE PURPOSES: The purposes for which this corporation is formed are exclusively charitable, educational and scientific and consist of the following:

1. This corporation is formed exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986 or the corresponding provision of any future United States Internal Revenue law, to receive and administer funds relating to lecturing, publishing, educating and informing potential students, students, alumni, parents and educational institutions concerning the advantages and perils of joining Greek letter membership organizations at colleges and universities, including combating hazing and the dangers of substance abuse associated with membership.
2. To do any and all lawful activities which may be necessary, useful, or desirable for the furtherance, accomplishment, fostering, or attaining of the foregoing purposes, either directly or indirectly, and either alone or in conjunction or cooperation with others, whether such others be persons or organizations of any kind or nature, such as corporations, firms, association, trusts, institution, foundations, or governmental bureaus, departments or agencies.
3. To take and hold, in full, qualified or conditional ownership or subject to encumbrance or charge, by bequest, devise, gift, purchase or lease, either absolutely or in trust, for the objects and purposes set forth in subparagraph 1, above or any of them, any property, real, personal or mixed, or any interest therein, without limitation as to amount or value, except such limitations, if any, as may be imposed by law; to sell, convey and dispose of any such property and to invest and reinvest the principal and income thereof, and deal with and expend the principal and income therefrom for any of the beforementioned purposes, without limitation, except such imitations, if any, as may be contained in the instrument under which such property is received.
4. To receive any property, real, personal or mixed or any interest therein, in trust, under the terms of any will, deed of trust, or other trust instrument for the foregoing purposes or any of them (but for no other purposes), and in administering the same to carry out the directions and exercise the powers contained in the trust instrument under which the property is received, including the expenditures of the principal, as well as the income, for one or more of such purposes, if authorized or directed in the trust instrument under which it is received; to receive, take title to, hold and use the proceeds and income of stocks, bonds, leases, obligations or other securities of any corporation or corporations, domestic or foreign, but only for the foregoing purposes, or any of them.
5. To borrow or raise moneys for any of the purposes of the corporation and from time to time, without limit as to amount and whether or not as evidence of and security for moneys so borrowed or raised or as payment for the purchase price of any assets acquired by the corporation or other lawful engagements of the corporation, to draw, make, accept, endorse, execute and issue promissory

06/16/2011 10:54AM (GMT-04:00)

notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable and non-negotiable instruments and evidences of indebtedness and secure the payment thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignments in trust or otherwise of the whole or any part of the property of the corporation, real or personal, including the contract right or rights of interest or dividends, whether at the time owned or thereafter acquired and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

6. The purposes specified in the foregoing clauses of this Article II shall, except where otherwise expressed in this article, be in nowise limited or restricted by reference to or inferences from the terms of any other clause and be regarded as independent purposes and shall be construed as powers or as purposes.
7. All of the foregoing purposes shall be exercised exclusively charitable and educational purposes in such a manner that the Corporation will qualify as an exempt organization under section 501 (c)(3) of the Internal Revenue Code of 1986 or the corresponding provision of any future United States Internal Revenue law.

Article VI

501(c)(3) LIMITATIONS

1. **CORPORATE PURPOSES:** Notwithstanding any other provision of these articles, this organization shall not carry on any other activities not permitted to be carried on by an organization exempt from Federal and state income tax under section 501 (c)(3) of the Internal Revenue Code of 1986 or the corresponding provision of any future United States Internal Revenue law.
2. **EXCLUSIVITY:** The Corporation is organized exclusively for charitable and educational purposes.
3. **NO PRIVATE INUREMENT:** The Corporation is not organized nor shall it be operated for the primary purpose of generating pecuniary gain or profit. The Corporation shall not distribute any gains, profits or dividends to the Directors, Officers, or Members thereof, or to any individual, except as reasonable compensation for services actually performed in carrying out the Corporation's charitable and educational purposes. The property, assets, profits and net income of the Corporation are irrevocably dedicated to charitable and educational purposes no part of which shall inure to the benefit of any individual.
4. **LOBBYING AND POLITICAL CAMPAIGNS:** No substantial part of the activities of the corporation shall consist of the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

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5. DISSOLUTION: Upon winding up and dissolution of the Corporation, the assets of the Corporation remaining after payment of all debts and liabilities shall be distributed to an organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code of 1986 to be used exclusively for charitable and educational purposes. If the Corporation holds any assets in trust, such assets shall be disposed of in such a manner as may be directed by decree of the Circuit Court of the district in which the Corporation's principal office is located, upon petition thereof by the Attorney General or by any person concerned in the liquidation.

6. "PRIVATE FOUNDATION" PROVISIONS: In the event this Corporation is considered to be a "Private Foundation" by the U.S. Internal Revenue Service under provisions of the United States Code the following provisions apply:

a.) The Corporation will distribute its income for each tax year at a time and in a manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Internal Revenue Code, or the corresponding section of any future federal tax code.

b.) The Corporation will not engage in any act of self-dealing as defined in section 4941(d) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

c.) The Corporation will not retain any excess business holdings as defined in section 4943(c) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

d.) The Corporation will not make any investments in a manner as to subject it to tax under section 4944 of the Internal Revenue Code, or the corresponding section of any future federal tax code.

e.) The Corporation will not make any taxable expenditures as defined in section 4945(d) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Article VII

INDEMNIFICATION - Any person (and the heirs, executors and administrators of such person) made or threatened to be made a party to any action, suit or proceeding by reason of the fact that he is or was a Director or Officer of the Corporation shall be indemnified by the Corporation against any and all liability and the reasonable expenses, including attorney's fees and disbursements, incurred by him (or by his heirs, executors or administrators) in connection with the defense or settlement of such action, suit or proceeding, or in connection with any appearance therein, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Director or Officer is liable for negligence or misconduct in the performance of his duties. Such right of indemnification shall not be deemed exclusive of any other rights to which such Director or Officer (or such heirs, executors or administrators) may be entitled apart from this Article.

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STATE OF MICHIGAN

HOW TO USE MICH-ELF

**Michigan Department of
Labor & Economic Growth
Bureau of Commercial Services**

Corporation Division
www.michigan.gov/corporations



General Telephone Numbers
www.michigan.gov/corporations

Michigan Department of Labor & Economic Growth

General DLEG Information..... (517) 373-1820
611 West Ottawa
Lansing, Michigan

Corporation Division, Bureau of Commercial Services

P.O. Box 30054
Lansing, Michigan 48909-7554

General Information (517) 241-6470
MICH-ELF (Fax) (517) 636-6437
If you have questions about this program (517) 241-6470
 Fax - Orders for Certificates and Copies (517) 241-0538
 Fax - Information Requests (517) 241-0538
Document Review Section (517) 241-6470
Business Services Section (517) 241-6470
Annual Reports (517) 241-6470
Trademark/Service Mark Information (517) 241-6470

Michigan Department of Treasury

General Information (517) 373-3200
430 West Allegan
Treasury Building
Lansing, Michigan
Tax Clearance Section..... (517) 636-5260
Business Tax Registration (517) 636-4660

What is MICH-ELF?

MICH-ELF is the electronic filing system for the Corporation Division of the Bureau of Commercial Services. MICH-ELF is a paperless system for the filing of corporation, limited partnership, and limited liability company documents other than annual reports. A list of the documents that may be filed can be found on the back of this brochure. Delivery to the Bureau through the MICH-ELF filing system can be made 24 hours a day, seven days a week at **(517) 636-6437**. Documents are reviewed during regular hours, 8:00 a.m. to 5:00 p.m. EST or EDT Monday - Friday excluding state holidays.

How does MICH-ELF work?

MICH-ELF is a paperless electronic filing system. The customer sends their document by fax and it is received at the Bureau through a fax gateway and is transferred through our computer system. The document is processed and stored electronically. If the document is illegible or requires modification or adjustment the customer submits a replacement document. MICH-ELF documents must be sent using a high resolution of 200 DPI (Dots Per Inch) vertical and horizontal resolution and the document should have a ½ inch border on the right hand margin and on the bottom.

How do I register to use MICH-ELF?

To use the MICH-ELF service, you must provide us certain information. It is not mandatory that the MICH-ELF application ([BCS/CD-901](#)) be used. A letter or other format that contains all of the required information, is sufficient. First time MICH-ELF users requesting expedited service must obtain a MICH-ELF filer number prior to submitting a document for expedited service. For non expedited documents, you may submit documents at the same time as you submit your application. To obtain a MICH-ELF application, visit our website at www.michigan.gov/corporations. You may also call (517) 241-6470 or fax your form requests to (517) 241-0538. In the application, or comparable document, you must provide the following information:

1. Name, address and phone number of MICH-ELF applicant.
2. Fax number for return of the document.
3. Type of credit card (VISA or MasterCard).
4. Credit card number, expiration date, name of cardholder, billing street address and zip code.
5. Contact person, phone and fax number if other than applicant.

If you have any questions please contact us at (517) 241-6470.

What happens after my application has been received?

After your filer application has been received, you are assigned a MICH-ELF filer number by the Bureau. Your MICH-ELF filer number will be faxed back to the contact person given on the application. Any fees associated with the document will be charged to your credit card and receipt of filing faxed to the number provided on the application. Once your application has been filed, you may submit any of the documents listed on the back of this brochure. This filer number should be used when you submit a document via MICH-ELF

How do I file using MICH-ELF?

Filing documents using MICH-ELF is a relatively easy process, but certain guidelines should be followed to guarantee the quick and accurate filing of your document. First, send the document to **(517) 636-6437** and, second, include a cover a cover sheet with the following information:

1. Your MICH-ELF filer number.
2. The name and ID number of your business entity.
3. The title of the document.
4. The number of pages you are faxing.
5. The expected fee.

6. Any special filing instructions such as your request for certified copies or a certificate of good standing.
7. If expedited service is requested, include the type of service requested (24 hour, Same Day, 2 hour, or 1 hour) and use the Expedited Service request form, [BCS/CD-272](#).

A standardized MICH-ELF cover sheet (form [BCS/CD-900](#)) is available on our website from the Bureau to help avoid errors that may be caused by an illegible cover sheet. Third, the document must be ten pages or less. Most documents submitted through MICH-ELF are two or three pages. Documents over ten pages may be mailed or brought in person to the Bureau at 2501 Woodlake Circle, Okemos, Michigan. Documents are reviewed during regular hours, 8:00 a.m. to 5:00 p.m. EST or EDT Monday - Friday excluding state holidays.

What is the cost?

Besides the standard fees associated with filing a document, there is no additional fee for using the MICH-ELF filing system. All filing fees, copy fees, and expedited service fees, if requested, will be collected at the time of receipt and your credit card will be charged accordingly.

What if I only want to file one time?

If you only want to use the MICH-ELF filing service once, you still need a filer number, and should submit a MICH-ELF application or comparable document that contains the following:

1. Name, address and phone number of MICH-ELF applicant.
2. Fax number for return of the document.
3. Type of credit card (VISA or MasterCard).
4. Credit card number, expiration date, name of cardholder, billing street address and zip code.
5. Contact person, phone and fax number if other than applicant.
6. Any special filing instructions

A standardized MICH-ELF cover sheet (form [BCS/CD-900](#)) is available on our website or from the Bureau.

How do I contact the Bureau?

The staff at the Corporation Division of the Bureau of Commercial Services is available to answer questions regarding filing requirements. We want this process to be as convenient as possible for you. To try to facilitate this filing process the Bureau offers many different ways to contact us for assistance.

Website (www.michigan.gov/corporations)

The website contains document images and database information for corporations, limited liability companies and limited partnerships. Copies of documents and reports can be viewed and/or printed at no charge. The website also contains forms, general information, frequently asked questions, procedure manuals and a business entity search feature. In addition, questions may be submitted by email.

Telephone Services

Information about specific entities including officers and directors is available at (517) 241-6470, Monday through Friday from 8 a.m. - 5 p.m. EST. Copies of documents, certificates of good standing or other certificates may be ordered at the same number and information about filing requirements is also available.

Records: Inquiries about filing requirements for documents or annual reports and requests for information about specific entities may be faxed to (517) 241-0538.

Certificates and Copies: Orders for copies of annual reports or documents and certificates of good

standing or other certificates can be placed at (517) 241-6470 and may be scheduled to fax within an hour. Requests may also be faxed to (517) 241-0538. You may draft a letter or use Form [BCS/CD-274](#) Certification and Copies Request to submit your request. These orders will be delivered to customers by mail or fax.

FILEOnline (web/email submissions)

FILEOnline is a new service offered by the Michigan Corporation Division that allows business entities to file annual reports and annual statements from our website.

The service also allow users to submit document to our electronic filing system (MICH-ELF) from an email link

For more information, please see [FILEOnline](#) on our website.

Mail Services: Orders for copies or certificates, requests for information about document filing requirements, requests for information about annual report filing requirements, general information questions, requests for information on a specific entity or name availability inquiries, or documents being submitted for filing may be mailed to:

Department of Labor & Economic Growth
Bureau of Commercial Services
Corporation Division
PO Box 30054
Lansing, MI 48909-7554

In Person: The Corporation Division of the Bureau of Commercial Services is located at 2501 Woodlake Circle, Okemos Michigan and the Bureau is open Monday through Friday from 8 a.m. - 5 p.m. EST. Computer terminals are available for customer use to view documents or to search records on the database, free of charge. Forms are also available. Documents and reports may be submitted for review, and copy and/or certificate requests can also be ordered.

24-HOUR, SAME DAY, 2-HOUR, AND 1-HOUR EXPEDITED SERVICE FOR DOCUMENTS

Public Acts 217-220, effective January 1, 2006, signed by Governor Granholm on November 21, 2005, follows Delaware and permits the customer to obtain review and filing of their document, if fileable, within the time frame that best suits the customer's needs. Expedited service is available for all documents for profit corporations, limited liability companies, limited partnerships and nonprofit corporations. First time MICH-ELF user requesting expedited service must obtain a MICH-ELF filer number prior to submitting a document for expedited service.

Complete a separate Expedited Service Request, form [BCS/CD 272](#), for each document for which expedited service is being requested.

24-hour service: Any document concerning an existing entity \$100
Formation documents and applications for certificate of authority.....\$50

Same day, other than 1 or 2 hour, must be received by 1 p.m. EST or EDT
Existing domestic entity or qualified foreign entity \$200
Formation documents and applications for certificate of authority..... \$100

2 hour on same day as request, must be received by 3 p.m. EST or EDT .. \$500

1 hour on same day as request, must be received by 4 p.m. EST or EDT\$1000

Frequently Asked Questions about MICH-ELF.

Customers have asked us many questions about this service. We have included some of them here.

I have faxed my document to Michigan's Electronic Filing System (MICH-ELF) and the phone rings but does not pick up. Why can't I get through?

MICH-ELF has one main phone line (517) 636-6437 which trunks to a twelve line fax system. If all lines are busy, the call may ring and appear to not be answered. In these cases, try again or wait a few minutes. If difficulties persist, call (517) 241-6470.

I faxed my document and want to determine if it has been received. What should I do?

Documents received through MICH-ELF are not received at a freestanding fax machine but are received electronically and the image is converted to our database for viewing. Customers will hear back from us in two ways:

- The filed document will be returned by fax within the expedited service period requested or within 10 days for non-expedited documents.
- An examiner will call or fax notice within the expedited service period requested, or within 10 days for non-expedited documents if the document cannot be filed.

You may contact (517) 241-6470 four hours after your transmission to check on the status of your filing.

We have several lawyers at our firm. Can we have more than one filer number?

You can have as many filer numbers as you want. It is usually easier to track credit card charges if each filer keeps their own records. When the filing is completed, a cover sheet is returned with each document with the filer's name and the fee charged. It is helpful to keep this information so that when the credit card statement comes, fees can be easily identified.

Is my corporation ID number the filer number which I insert on the MICH-ELF application?

No. A filer number is a separate number that is assigned by the Bureau to each MICH-ELF applicant. By using the filer number, you can submit documents without having to resubmit the credit card information or a MICH-ELF application. We notify you of your filer number within a few hours after submitting an application for a filer number. This number must be affixed to the MICH-ELF cover sheet with each transmission or included in a cover letter.

Is it necessary to call in and obtain a filer number before I file through MICH-ELF?

First time MICH-ELF users requesting expedited service must obtain a MICH-ELF filer number prior to submitting a document for expedited service. To use Michigan's electronic filing system, it is necessary to give us enough information to build a filer account. That can be accomplished by completing a [BCS/CD-901](#) (MICH-ELF application) or by submitting the following information in letter form:

- Account name and address
- Credit card number and expiration date (at present only VISA and MasterCard are used)
- Cardholders' name and billing address
- Name of a contact person and phone number
- Fax number where documents will be returned once filed
- This information can be sent separately or when submitting your document (for non-expedited requests only)

What do I do with my MICH-ELF application once I have faxed it in?

Once you have been issued a filer number, the application can be discarded.

Do I need to mail my document after I fax it in?

No, we will process and review the facsimile transmission as the original. You may want to keep the paper copy until the filing has been returned to you with the endorsement of filing. Otherwise, it can be discarded.

I received my faxed document but there is no 'filed' stamp on it. My bank wants to see a filed date and ID number. What should I do?

For MICH-ELF filed documents, the customer receives a cover page, endorsement page and document. Since the MICH-ELF system is paperless, we do not have a paper document to place a 'filed' stamp on. Instead we created an endorsement page which contains the same information including the received date, file date and ID number. Statute provides that when filed by facsimile transmission the document "shall be considered an original for all purposes and is admissible in evidence in like manner as an original."

CHECKLIST FOR MICH-ELF USERS

- If you have a concern prior to submitting, check our WEBSITE at (www.michigan.gov/corporations) for forms, statutes, procedures and policies, or call us at (517) 241-6470 to speak with an examiner.
- If you have been assigned a filer number, include the number with each MICH-ELF filing.
- If you are a first time user of MICH-ELF and requesting expedited service, you must obtain a MICH-ELF filer number prior to submitting a request for expedited service on a document.
- Changes to information on MICH-ELF user's account must be submitted before requesting expedited service.

- The credit card will be charged for filing or copy fees on all documents submitted and any applicable expedited fees. Standard fees for copies and certificates on MICH-ELF are:

- Fee for certificates is \$10.00

- Fee for copies is \$1.00 per page, \$6.00 minimum

- To determine fee for certified copy add certificate fee and copy fee together.

For example:

- Good standing certificate - \$10.00

- Copy of 4 page Articles - \$6.00

- Certified copy of Articles - \$16.00

An expedited service fee of 25% is added to the fee for certificates or copies ordered in person or via MICH-ELF, in accordance with the fee schedule approved by the State Administrative Board.

For assistance with computing fees, please contact Document Review at (517) 241-6470 prior to submission or give us permission, on the fax cover sheet, to collect fees "up to" a specified amount.

- When filing a document for an existing entity we verify 2 identifiers; name and ID number. To verify this information, contact (517) 241-6470, fax your inquiry to (517)-241-0538, or check our website at www.michigan.gov/corporations.
- Include the title of the appropriate officer or authorized agent on line below signature.
- Check name availability and spelling before document is submitted. To verify availability contact (517) 241-6470, or fax your name availability inquiry to (517) 241-0538.
- Documents delivered will be processed and stored electronically. If a document is illegible or requires adjustment, the document will need to be replaced.
- When sending a replacement, include your MICH-ELF filer number and examiner's name on the first page of the transmission.

CORPORATION DIVISION FORMS

MICH-ELF FORMS

BCS/CD-900	MICH-ELF Cover Sheet
BCS/CD-901	MICH-ELF Application
BCS/CD-908	MICH-ELF Checklist

The list which follows is a list of all the forms which can be filed using the MICH-ELF system. Forms which meet minimum statutory requirements can be obtained from our WEBSITE at www.michigan.gov/corporations or contact the Bureau directly.

CORPORATION FORMS

BCS/CD-500	Articles of Incorporation- Profit
BCS/CD-501	Articles of Incorporation- Professional Service
BCS/CD-502	Articles of Incorporation- Nonprofit
BCS/CD-503	Articles of Incorporation- Ecclesiastical
BCS/CD-510	Restated Articles of Incorporation- Profit
BCS/CD-511	Restated Articles of Incorporation- Nonprofit
BCS/CD-512	Restated Articles of Incorporation- Ecclesiastical
BCS/CD-515	Certificate of Amendment
BCS/CD-516	Certificate of Amendment- Ecclesiastical
BCS/CD-517	Certificate of Abandonment of Amendment
BCS/CD-518	Certificate of Correction
BCS/CD-520	Certificate of Change of Reg. Office/Resident Agent
BCS/CD-521	Resignation of Agent
BCS/CD-522	Certificate of Appointment of Resident Agent
BCS/CD-525	Certificate of Renewal of Corporate Existence
BCS/CD-530	Certificate of Dissolution (before commencement)
BCS/CD-531	Certificate of Dissolution
BCS/CD-532	Certificate of Dissolution (by provision in Articles)
BCS/CD-533	Certificate of Revocation of Dissolution
BCS/CD-540	Reservation of Name
BCS/CD-541	Certificate of Assumed Name
BCS/CD-542	Renewal of Assumed Name
BCS/CD-543	Termination of Assumed Name
BCS/CD-545	Application for Registration of Corporate Name
BCS/CD-546	Certificate of Termination of Registration of Corporate Name
BCS/CD-547	Certificate of Renewal of Registration of Corporate Name
BCS/CD-550	Certificate of Merger/Consolidation
BCS/CD-550m	Certificate of Merger (cross entity)
BCS/CD-551	Certificate of Merger (parent-subsidiary)
BCS/CD-552	Certificate of Abandonment of Merger
BCS/CD-553	Certificate of Share Exchange (profit)
BCS/CD-560	Application for Certificate of Authority
BCS/CD-561	Application for Certificate of Withdrawal
BCS/CD-562	Amended Application for Certificate of Authority

LIMITED PARTNERSHIP FORMS

BCS/CD-401	.....	Certificate of Limited Partnership
BCS/CD-402	.....	Restated Certificate of Limited Partnership
BCS/CD-403	.....	Certificate of Amendment
BCS/CD-404	.....	Certificate of Cancellation
BCS/CD-411	.....	Application for Registration to Transact Business
BCS/CD-412	.....	Certificate of Change (foreign limited partnership)
BCS/CD-452	.....	Certificate of Abandonment of Merger/ Consolidation

LIMITED LIABILITY COMPANY FORMS

BCS/CD-700	.....	Articles of Organization
BCS/CD-701	.....	Articles of Organization (Professional Service)
BCS/CD-710	.....	Restated Articles of Organization
BCS/CD-715	.....	Certificate of Amendment to the Articles of Organization
BCS/CD-731	.....	Certificate of Dissolution
BCS/CD-750	.....	Certificate of Merger
BCS/CD-752	.....	Certificate of Abandonment of Merger
BCS/CD-753	.....	Articles of Organization and Certificate of Conversion
BCS/CD-753p	.....	Articles of Organization and Certificate of Conversion (Professional Service)
BCS/CD-760	.....	Application for Certificate of Authority to Transact Business
BCS/CD-761	.....	Certificate of Withdrawal
BCS/CD-762	.....	Amended Application for Certificate of Authority
BCS/CD-770	.....	Certificate of Restoration - Domestic
BCS/CD-771	.....	Certificate of Restoration - Foreign

FORMS USED BY ALL THREE

BCS/CD-272	.....	Expedited Service Request
BCS/CD-518	.....	Certificate of Correction
BCS/CD-520	.....	Certificate of Change of Reg. Office/Resident Agent (Corporations and LLCs only)
BCS/CD-521	.....	Resignation of Agent
BCS/CD-540	.....	Reservation of Name
BCS/CD-541	.....	Certificate of Assumed Name
BCS/CD-542	.....	Renewal of Assumed Name
BCS/CD-543	.....	Termination of Assumed Name
BCS/CD-550m	.....	Certificate of Merger (cross entity)

BCS/CD PUB-8008 (11/06)
DEPARTMENT OF LABOR & ECONOMIC GROWTH
BUREAU OF COMMERCIAL SERVICES
CORPORATION DIVISION
PO BOX 30054
LANSING, MI 48909-7554

The Department of Labor & Economic Growth will not discriminate against any individual or group because of race, sex, religion, age, national origin, color, marital status, disability or political beliefs. If you need help with reading, writing, etc., under the Americans with disabilities Act, you may make your needs known to this agency.

The Michigan Low-Profit Limited Liability Company – Encouraging Investment in Socially Beneficial Enterprises

By Deanna M. Deldin and Joseph S. Kopietz

Overview

Amendments to the Michigan Limited Liability Company Act became effective January 15, 2009, allowing a new form of limited liability company known as the “low-profit limited liability company” or “L3C.” The L3C is a hybrid of a for-profit and non-profit organization, and has characteristics of each. As with a non-profit, an L3C must be formed in furtherance of some charitable or educational purpose. However, as with a for-profit entity, an L3C may have equity owners who have the right to receive distributions of profits and appreciation in the value of the business entity. While the entity functions similar to a traditional limited liability company, an L3C is required to carry on a business that has a charitable purpose, yet may generate modest profit in the conduct of that business.

It is important to note that an L3C cannot qualify as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code unless all of its members are themselves tax-exempt organizations.¹ In addition, the IRS has established 11 other criteria that a limited liability company must meet to qualify for federal tax exemption.² While it may be appropriate for certain L3Cs to seek tax-exempt status, assuming they meet the criteria established by the IRS, most L3Cs are expected to be for-profit entities.

In addition to Michigan, the states of Vermont, North Dakota, Wyoming, and Utah have enacted legislation to officially recognize the L3C entity structure and nine other states are currently considering L3C legislation. The creation of L3Cs is expected to encourage investment in socially beneficial enterprises and allow for flexibility with regard to organizational structure. Economic development activities such as combating community deterioration, creating jobs in economically depressed areas, and supporting community revitalization are prime ex-

amples of the charitable purposes that could be furthered by an L3C.³ Due to the current economic crisis, traditional sources of capital for companies wishing to engage in these socially beneficial activities have dwindled, while the need for the social good they can provide has increased dramatically.

It is anticipated that a common charitable purpose furthered by L3Cs will be to promote economic development. Importantly, not all forms of economic development are considered charitable under IRC 501(c)(3). The Treasury Regulations provide that the term “charitable” includes the promotion of social welfare by organizations designed to (1) lessen neighborhood tensions, (2) eliminate prejudice and discrimination, (3) combat community deterioration, or (4) combat juvenile delinquency.⁴ For instance, a community organization formed to plan the rehabilitation and renewal of an area in a deteriorated urban area where the median income level was lower than in other sections of the city and that intended to rehabilitate and rent an apartment house to low and moderate income renters was blessed by the IRS as conducting charitable activities.⁵ An organization formed to construct housing facilities in an area where the high cost of land, increased interest rates, and growing population had produced a shortage of housing for moderate income families was not.⁶

Investments in L3Cs/Program-Related Investments (PRI)

Investment in an L3C can take the form of a loan, a loan guaranty, the purchase of a membership interest, or any other investment that will further the investor’s purpose. Retaining the flexible ownership structure of a traditional limited liability company, together with well developed law and guidance regarding the use and operation of limited liability companies, make the L3C a good

The Treasury Regulations provide some examples of acceptable PRIs, but they are not always instructive for a foundation's creative or unique investment.

vehicle for mixing different types of investors and social missions. For-profit business organizations, community foundations, private foundations, public charities, governments, and individuals interested in promoting community development and revitalization are all candidates to invest in an L3C.

Like a traditional limited liability company, an L3C is by default classified as a pass-through entity for federal tax purposes and the liability of its members is limited to their investment. Also like a traditional limited liability company, an L3C is formed by filing Articles of Organization with the Michigan Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. The major differentiation, however, is that the statutory definition of an L3C was specifically designed to mirror certain qualifications for a program related investment⁷ ("PRI"). A PRI is an investment made by a private foundation, the primary purpose of which is to support charitable activities, no significant purpose of which is the production of income or the appreciation of property, and no purpose of which is to accomplish one or more political or legislative purposes.⁸ Therefore, tracking the Internal Revenue Code's definition of a PRI, the L3C must include in its articles of organization, and at all times conduct its activities in conformance with, a purpose that: 1) significantly furthers the accomplishment of one or more charitable or educational purposes described in IRC 170(c)(2)(B) (and would not have been formed except to accomplish those charitable or educational purposes); 2) does not include as a significant purpose the production of income or appreciation of property; and 3) does not include accomplishing one or more political or legislative purposes described in IRC 170(c)(2)(D).⁹ Additionally, under federal tax law, a private foundation is required to exercise "expenditure responsibility" over the investments made in entities other than public charities and also report information regarding any PRI on its annual tax return.¹⁰ Expenditure responsibility is a type of due diligence performed to account for the investment and to ensure that it is used for charitable purposes.

Private foundations have the potential to benefit greatly from the introduction of the L3C in Michigan. Private foundations are tax-exempt organizations that typically receive all of their support from a small number of sources and rely on investment income

from these sources for ongoing support. Due to risks that a foundation will improperly benefit from those who control it, including substantial contributors, the IRS imposes a variety of restrictions on private foundations to which other tax-exempt organizations are not otherwise subject. It also imposes taxes when these restrictions are violated, one of which relates to nonqualifying PRIs. A private foundation must avoid investments in for-profit enterprises that involve substantial risk (a "jeopardizing investment") unless the investment qualifies as a PRI. Otherwise, such an investment could result in substantial excise tax penalties being assessed against the private foundation and its managers.¹¹ "Jeopardizing investments" are evaluated in the context of the foundation's entire portfolio and require "the foundation managers, in making the investment [to] have failed to exercise ordinary business care and prudence, under the facts and circumstances prevailing at the time of making the investment, in providing for the long- and short-term financial needs of the private foundation to carry out its exempt purposes."¹²

Although not required due to the significant penalties associated with a "jeopardizing investment" that does not qualify as a PRI, private foundations have in the past spent significant sums in legal costs and fees along with waiting a year or more to obtain private letter rulings from the IRS that their investments comply with PRI requirements. The Treasury Regulations provide some examples of acceptable PRIs, but they are not always instructive for a foundation's creative or unique investment.¹³ For example, one private letter ruling sought a determination that a private foundation's acquisition of a membership interest in a fund that would invest in businesses owned or controlled by disadvantaged groups in low-income communities would constitute a PRI.¹⁴ In another, two exempt private foundations formed a limited partnership, with a limited liability company as the general partner, and sought to invest in technology businesses that agreed to place their operations in areas designated as blighted or depressed by a governmental body, with the intent to promote a cluster of growth companies in the inner city.¹⁵ Investments to promote economic development and relieve conditions of poverty in foreign countries have also been considered.¹⁶ Since the determination of what constitutes a jeopardizing investment is made on a case-by-

case basis, many private foundations want assurance that their investments qualify as PRIs. The time and expense required to obtain a private letter ruling, however, has traditionally deterred many foundations from making PRIs. According to the Foundation Center, a 2006 survey revealed that PRIs accounted for less than 1 percent of qualifying distributions made by independent, corporate, operating, and community foundations. Of this amount, 88 percent were made by independent and corporate foundations.¹⁷

Efforts are currently underway to provide a mechanism, short of obtaining a private letter ruling, by which to obtain formal recognition from the IRS that an investment in an L3C qualifies as a PRI. Formal recognition from the IRS that an investment in an L3C constitutes a PRI would obviate the need for a private letter ruling, thus saving organizations interested in making such investments significant resources and time. To that end, national proponents of the L3C are working to introduce federal legislation that would provide an entity seeking to attract PRIs (rather than the foundation seeking to make the PRI) a voluntary process by which to obtain an expedited IRS determination that investments in the entity will qualify as a PRI. The process, as contemplated in the proposed legislation, would be similar to the process entities currently undertake to obtain IRS determination of qualification as a Section 501(c)(3) tax-exempt organization. Although neither the state legislation nor the proposed federal legislation allow private foundations to do anything new, both provide efficient enforcement mechanisms to ensure PRIs accomplish charitable purposes while minimizing undue expense and burden to foundations seeking to make such investments. The designation "L3C" signals to the public and state and federal regulators that the organization is operated to accomplish charitable purposes. In its current form, the proposed federal legislation requires the L3C to provide the IRS with periodic reports thereby making the organization accountable for PRIs.

Even without formal recognition from the IRS, a private foundation's investment in an L3C could constitute both a PRI and a qualifying distribution for purposes of the Internal Revenue Code's five percent minimum distribution requirement.¹⁸ The L3C structure could ultimately provide private foundations with a cost-effective and time saving

approach to furthering their charitable purposes while expanding access to much needed capital for socially conscious ventures.

Conclusion

Although private foundations have a significant interest in L3Cs, the ultimate benefit is for the greater social good. L3Cs present new opportunities for raising capital to support a wide range of charitable activities. Due to the L3C's flexible entity structure, a wide variety of investors may pool their resources and provide the community with substantial benefits.

NOTES

1. Internal Revenue Service Exempt Organizations Continuing Professional Education Training Text for *Fiscal Year 2001*, Richard A. McCray and Ward L. Thomas, "Topic B, Limited Liability Companies As Exempt Organizations—Update."

2. *Id.*

3. See Treas Reg 1.501(c)(3)-1(d)(2).

4. *Id.*

5. Rev Rul 70-585, 1970-2 C.B. 115.

6. *Id.*

7. IRC 4944(c) and related Treas Reg 53.4944-3.

8. *Id.*

9. MCL 450.4102(2)(m).

10. See Treas Reg 53.4945-5.

11. IRC 4944.

12. See IRC 4944(a)(1).

13. See Treas Reg 53.4944-3(b).

14. Priv Ltr Rul 06-10-020 (Dec. 13, 2005).

15. Priv Ltr Rul 99-10-066 (Dec. 15, 1998).

16. Priv Ltr Rul 99-43-058 (Aug. 6, 1999).

17. The Foundation Center, *Aggregate Fiscal Data by Foundation Type*, 2006 (published in 2008).

18. See Treas Reg 53.4942(a)-3(a)(2).

Even without formal recognition from the IRS, a private foundation's investment in an L3C could constitute both a PRI and a qualifying distribution for purposes of the Internal Revenue Code's five percent minimum distribution requirement.



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Establishing Tax-Exempt Status with the IRS

Submitted by Elizabeth A. Carrie

Establishing Tax-Exempt Status with the IRS

Elizabeth A. Carrie
Barris, Sott, Denn & Driker, P.L.L.C.

- A. **Nonprofit vs. Tax-Exempt.** Nonprofit status is granted by the state and generally means an organization operated for a public purpose without a profit motive and in which there is no profit sharing among members. The three types of nonprofit organizations are nonprofit corporations, unincorporated organizations, and trusts. The most common form is the nonprofit corporation which is formed by filing Articles of Incorporation. (See Exhibit A for sample form.) Depending upon the type of tax-exempt organization it is, a nonprofit will request recognition of its tax-exempt status by filing and submitting with the Internal Revenue Service Form 1023 (or, if applicable, Form 1023-EZ) for 501(c)(3) charitable organizations, Form 1024 for other organizations, or Form 1028 for farmers' cooperatives. Once recognized, as tax-exempt, a nonprofit will be free from paying income tax on income generated from activities that are substantially related to the purposes for which the group was organized. It will still remain liable for income tax on its unrelated income and for unemployment, withholding, social security taxes on its employees.
- B. **Determining the Type of Tax-Exempt Organization under the Internal Revenue Code ("IRC").** Although tax-exempt organizations are often thought of as "charitable" organizations, there are number of organizations that qualify for tax-exempt status that are not "charitable" in the traditional sense. The category of exempt status will depend upon the primary purpose for the organization is formed and the nature of the activities in which the organization plans on engaging. In certain circumstances, it may be desirable to establish more than one exempt organization, e.g., a 501(c)(6) business league may also have 501(c)(3) charitable subsidiary to carry out its charitable activities or a 501(c)(3) charitable organization may form a 501(c)(4) for achieving legislative goals or a 527 political arm to carry out political activities that would otherwise result in the revocation of its tax-exempt status.

With the exception of organizations qualifying as tax-exempt under IRC § 501(c)(3), contributions to most of these other organizations are not deductible. The table below (taken from the IRS Master Chart) summarizes the various types of tax-exempt organizations and the deductibility of contributions thereto.

Code Section	Description	Charitable Deduction for Contributions
501(c)(1)	Corporation organized under act of Congress	If made exclusively for public purposes, yes
501(c)(2)	Title holding corporation for exempt organization	No
501(c)(3)	Religious, educational, charitable, scientific, literary, testing for public safety, foster national or international amateur sports competition, or prevention of cruelty to children or animals	Yes

Code Section	Description	Charitable Deduction for Contributions
501(c)(4)	Civic leagues, social welfare organizations, and local associations of employees (promote community welfare, charitable, educational, or recreational)	No
501(c)(5)	Labor, agricultural, and horticultural organizations (educational and improvement of work conditions, products, efficiency)	No
501(c)(6)	Business leagues, chambers of commerce, real estate boards and similar organizations (improvement of business conditions)	No
501(c)(7)	Social and recreational clubs	No
501(c)(8)	Fraternal beneficiary societies and associations (lodge providing payment of life, sickness, accident or other benefits for members)	If for an exempt 501(c)(3) purpose, yes
501(c)(9)	Voluntary employees' beneficiary association (VEBA)	No
501(c)(10)	Domestic fraternal societies and associations (lodge devoting net earnings to charitable, fraternal and other purposes)	If for an exempt 501(c)(3) purpose, yes
501(c)(11)	Teachers' retirement fund associations	No
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies	No
501(c)(13)	Cemetery companies	Generally yes
501(c)(14)	State chartered credit unions, mutual reserve funds	No
501(c)(15)	Mutual insurance companies or associations	No
501(c)(16)	Cooperative organizations to finance crop corporations	No
501(c)(17)	Supplemental unemployment benefit trusts	No
501(c)(18)	Employee funded pension trusts created before 6/25/1959)	No
501(c)(19)	Post or organization of past or present members of the armed forces	Generally, no
501(c)(21)	Black lung benefit trusts	No
501(c)(22)	Withdrawal liability payment funds	No
501(c)(23)	Veterans Organization (created before 1880)	Generally, no
501(c)(25)	Title holding corporation or trust with multiple parents	No
501(c)(26)	State sponsored organization providing health insurance for high-risk individuals	No
501(c)(27)	State sponsored workers' compensation reinsurance organization (reimburse members for losses under workers' compensation acts)	No
501(d)	Religious and apostolic associations (for regular	No

Code Section	Description	Charitable Deduction for Contributions
	business activities and communal religious communities)	
501(e)	Cooperative hospital service organizations (cooperative services for hospitals)	Yes
501(f)	Cooperative service organizations of operating educational organizations (collective investment services for educational organizations)	Yes
501(k)	Child care organizations	Yes
501(n)	Charitable risk pools (pool insurance risks of 501(c)(3) organizations)	Yes
521(a)	Farmers' cooperative associations (cooperative marketing and purchasing)	No
527	Political organizations	No

Automatic recognition of tax-exempt status under IRC § 501(c)(3) is granted to (a) subordinated organizations covered under a group exemption, (b) churches, parts of churches, or associations of churches, and (b) organizations that are not private foundations and have gross receipts in each taxable year of normally not more than \$5,000. Other organizations need to apply to the IRS recognition of for tax-exempt status. For a 501(c)(3) organization, this is done by filing Form 1023 or Form 1023-EZ (for certain small organizations) or Form 1024 most other organizations. The Form 1023-EZ can only be filed electronically by going to www.irs.gov/form1023 or www.pay.gov. The IRS has prepared a questionnaire to determine whether an organization is eligible to file Form 1023-EZ (see Exhibit B).

C. **501(c)(3): Publicly Supported or Private Foundation?** There are significant advantages to qualifying as charitable organizations described in IRC § 501(c)(3). Donations to 501(c)(3) organizations are tax-deductible. 501(c)(3) organizations are broken into two categories: public charities and private foundations.

1. **Presumption of Private Foundation Status.** Subject to limited exceptions, if a 501(c)(3) organization does not notify the IRS within 15 months (or 27 months with an automatic 12-month extension) of creation that it is not a private foundation it will be presumed to be a private foundation. IRC § 508(b). Notification is provided on Form 1023 (or, if applicable, Form 1023-EZ). The presumption is rebuttable.

Exception: Neither the obligation to request recognition of tax-exempt status nor the presumption of private foundation status apply to (a) churches, their integrated auxiliaries, and conventions or associations of churches, or (b) any organization that is not a private foundation (under IRC § 509(a)) and whose gross receipts in each taxable year are not more than \$5,000. IRC § 508(c)(1).

2. Four Types of Public Charities.
 - a. Donative Public Charities. Organizations described in IRC § 170(b)(1)(A) (e.g., churches, educational organizations, colleges, and universities, hospitals and medical research organizations, and governmental units) that engage activities that inherently benefit the public and that receives broad support from contributions from the general public (other than private foundations and 509(a)(2) and (a)(3) organizations) IRC § 509(a)(1).
 - b. Service Based Organizations. Organizations (e.g., museums, libraries, low-income housing projects) that (i) normally receive more than one-third of its support from any combination of (-a-) grants, gifts, contributions or membership fees from non-disqualified persons, and (-b-) gross receipts from admissions to exempt function facilities and performances, sales of merchandise related to the organization's activities, fees for the performance of services, and (ii) normally does not receive more than one-third of its support from investment income and the amount, if any, of its unrelated business taxable income net of tax thereon. Exempt function revenue described in (-b-) above received from any person or governmental in excess of the greater of \$5,000 or one percent of the organization's support for the year are not counted. IRC § 509(a)(2).
 - c. Satellite Organizations. Organizations that is (i) organized and operated exclusively for the benefit of, to perform the functions of, or to carry out one or more of the purposes of a 509(a)(1) or (a)(2) organization; (ii) is operated, supervised or controlled, supervised or controlled in connection with, or operated in connection with one or more 509(a)(1) or (a)(2) organizations, supervised, operated ; and (iii) is not directly or indirectly controlled by a disqualified person (other than a foundation manager) and other than one or more 509(a)(1) or (2) organizations. IRC § 509(a)(3).
 - d. Public Safety Organization. An organization organized and operated exclusively for testing for public safety.
3. Differences between Public Charities and Private Foundations. Private foundations are subject to significantly more restrictions, face exposure to numerous excise taxes, and are less favorable for donors than public charities. If it is possible to so, it always better to be a public charity. Some of the restrictions and differences are as follows:
 - a. Lower deductibility limits. The charitable deduction available for contributions to private foundations is lower than that available to donors to public charities.
 - b. Investment Income Tax (IRC § 4940). Private foundations (other than operating foundations) are subject to a 2% excise tax on its net investment income (not otherwise taken into account as unrelated business taxable income). If foundation meets certain requirements, the tax is reduced to 1%. Public charities are not subject to this tax.

- c. Restrictions in governing instruments. Private foundations must include provisions in their governing instruments requiring the avoidance of activities that would lead to the imposition of excise taxes under IRC §§ 4941 through 4945.
- d. Subject to Excise Taxes on Self-Dealing (IRC § 4941). Disqualified persons who engage in acts of self-dealing (e.g., sales or exchanges, leases, loans other than interest free, transfer to or use of assets by a disqualified person, furnishing of goods and services unless without charge or at arm's length) with a private foundation (and foundation managers who participate) are subject to an escalating scale of excise taxes (up to 200% for the disqualified person and 50% (up to a maximum of \$20,000 on the foundation manager) until the act of self-dealing and undone. In cases of repeated flagrant or willful acts or if the foundation has become subject to other excise taxes, the IRS may impose a termination tax or the foundation's exempt status may be terminated. Public charities are permitted to engage in dealings with insiders as long as they are reasonable.
- e. Subject to Minimum Distribution Requirements (IRC § 4942). Private foundations (other than private operating foundations) are subject to excise tax (initially 30% increased to 100%) on insufficiently distributed income (5% of the net investment assets). Repeated or flagrant failures may result in a third level tax or termination of the foundations' exempt status. Public charities are not subject to a minimum distribution requirement unless they have an excess accumulation of surplus.
- f. Subject to Excise Tax on Excess Business Holdings (IRC § 4943) Private foundations may not own more than 20% of the voting stock of a corporation or 20% of a profits interest of a partnership (35% if a third party has effective control). Holdings in excess of that are subject to excise tax (initially 10% up 200%). Repeated or flagrant failures may result in a third level tax or termination of the foundations' exempt status. In addition, a private foundation may not engage in any unrelated business activity. There is no limit on public charities.
- g. Subject to Excise Tax on Jeopardizing Investments (IRC § 4944). A private foundation is subject excise tax (initially 10% up to 25%) on investments evidencing a lack of reasonable business care and prudence in providing for the organization's short and long-term needs. Repeated or flagrant failures may result in a third level tax or termination of the foundations' exempt status. Foundation managers participating in the decision are also subject to excise tax (10% of the investment (up to 10,000 per investment) and then 5% per investment (up to \$20,000) for refusal to correct.
- h. Prohibition of lobbying and political activity (IRC § 4944(d)(1)) Private foundations may not engage in any lobbying or political activities. Private foundations (and their managers) are subject to a multi-tier tax on expenditures

for legislative or political activity. Public charities also may not engage in political activity but may engage in limited lobbying.

- i. Expenditure Responsibility (IRC § 4945(d)(4)) Private foundations must exercise expenditure responsibility with regard to many grants to individuals or private non-operating foundations to insure the money is properly spent which will include obtaining reports from recipients and filing reports with the IRS.
- i. IRC § 4941- Self-dealing between a private foundation and disqualified persons

D. IRS Application Process for 501(c)(3) – Form 1023 and Form 1023-EZ

A 501(c)(3) organization will seek recognition of its tax-exempt status by filing Form 1023 (or, if applicable, Form 1023-EZ) with the IRS. The IRS introduced Form 1023-EZ in July of 2014. It is designed for small charities (generally, those with gross receipts of \$50,000 or less and assets of \$250,000 or less. The form is three pages long and is completed and submitted online. See Exhibit B for a copy of Form 1023-EZ and the Eligibility Worksheet. A copy of Form 1023 and the instructions thereto is attached as Exhibit C.

A user fee of \$400 must be paid with a Form 1023-EZ. The user fee to file Form 1023 is based upon the organizations expected annual gross receipts. If the average annual gross receipts have exceeded or will exceed \$10,000 annually over a 4-year period, the fee is \$850, otherwise the user fee is \$400.

Completion of Form 1023 is time intensive as the IRS now requires much more information regarding the organization’s intended activities and its officers and directors.

To qualify as tax-exempt as a 501(c)(3) organization the following six statutory requirements and one additional requirement (established by case law) must be met:

1. Proper Organization	Corporation, community chest, fund, or foundation
2. Proper Operation	<u>Organized and operated exclusively for</u>
3. Proper Purpose	Religious, charitable, scientific, testing for public safety, literary or educational purposes, foster amateur sports competition, prevent cruelty to children or animals
4. No Private Inurement	No part of the net earnings inures to the benefit of any private shareholder or individual
5. No Substantial Lobbying	No carrying on of propaganda or attempting to influence legislation beyond what is allowed to public charities under IRC § 501(h)

6. No Political Activity	No participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office.
7. Public Benefit	In addition to the foregoing statutory requirements, the organization must serve a useful public purpose or take the place of public institutions of the same kind; and must confer a public benefit

Parts I through III of Form 1023 solicit general information regarding the organization. The applicant must submit a copy of the organization’s governing documents and identify where in those documents certain key provisions regarding the organization’s exempt purpose and provisions relating to dissolution are located. For 501(c)(3) organizations that will be private foundations, the organizing documents should also contain the provisions relating to the avoidance of excise taxes. Sample Articles of Incorporation for a private foundation are attached as Exhibit D. In addition, copies of the organization’s bylaws and conflict of interest policy, if any, will need to be attached.

1. Importance of the Narrative Description of Activities. The narrative description of the organization’s activities is perhaps the most important portion of Form 1023. It is in this section that the organization will make the case that its activities warrant recognition of tax-exempt status. The instructions set forth following questions that need to be answered for each past, present, or planned activity:
 - What is the activity?
 - Who conducts the activity?
 - When is the activity conducted?
 - Where is the activity conducted?
 - How does the activity further your exempt purposes? (Most important)
 - What percentage of your total time is allocated to the activity?
 - How is the activity funded? (This should agree with the financial data.)
 - List any alternate names under which you operate.

When answering these questions, keep the overall requirements to qualify as a 501(c)(3) organization in mind. The narrative will be closely scrutinized by the IRS and should be comprehensive. Anticipate and address questions an IRS reviewer might have regarding your organization. In addition to the narrative, you should also consider including a memorandum of legal authority supporting of the organization’s exemption that discusses cases, rulings and other authorities applicable to your situation. This is particularly important if your organization’s authority right to claim 501(c)(3) status is less than certain or the organization will be engaging in activities that, although related and integral to its exempt purpose, are somewhat commercial in nature.

In addition to information regarding the organization's activities, the IRS is giving greater attention to the compensation, qualifications, duties and relationships of officers and directors to the organization. Have each officer and director provide you with a CV or narrative of their experience and qualifications. Although there is no need to attach a resumé, a brief description of the person's experience and qualifications can be helpful.

2. Submitting the Budget. For an organization without any operating experience completing the budget will be a challenge. It is best to retain the services of an accountant with experience working with tax-exempt organizations. For new organizations, the figures will be based on estimates and the sources and expenses will be organization specific.

Part X of Form 1023 contains questions designed to classify your organization as either a public charity or a private foundation, and if a private foundation, the class of private foundation. If you think it likely that your organization will be able to meet the financial support obligations to qualify as a public charity, request an advance ruling (or a definitive ruling if you have at least 8 months of operating experience). Note, by requesting an advance ruling you will be extending the statute of limitations on the assessment of 2% investment income tax of IRC § 4940 if you do not establish public support status by the end of the 5-year advance ruling period.

3. Traps for the Unwary and Tips
 - a. To facilitate the review of the application, it is best, whenever possible, to track the exact language of the code. For example, instead of stating the organization's purpose as being to engage in charitable activities, reference the Section 501(c)(3) and the specific language in that section. Do not include broad business powers or include purposes broader than those permitted under IRC § 501(c)(3).
 - b. The IRS provides a sample Conflict of Interest policy statement. To facilitate the review of the application, the organization should adopt the policy statement as suggested. It can be amended by the organization's Board of Directors later if found not to meet the organization's needs.
 - c. Review of a Form 1023 and the issuance of a determination letter generally takes about six months. If your organization has donor willing to make a substantial grant upon receiving a copy of your determination letter, it is possible to request an expedited review of your application. This should be done in the submission letter and set forth the compelling reason for the request.
 - d. To head off the possibility of an adverse determination by the IRS that could have been avoided by a submission of additional or clarifying information include the following statement in your submission letter: "Should an adverse determination be contemplated, we hereby request the opportunity to have a conference to discuss this matter."

4. Retroactive Applications for Existing Organizations

If an organization files Form 1023 within 27 months after the month in which it was legally formed and the application is approved, the effective date of the organization's tax-exempt status will relate back to the date of its legal formation.

However, if the Form 1023 is filed more than 27 months after the organization's legal formation, unless the organization qualifies for one of the exceptions or receives an additional extension, the exemption, if approved, will be effective from the postmarked date of the application for exemption. If the organization does not qualify for an exemption, it may qualify as a 501(c)(4) for the period beginning with its formation until the date its 501(c)(3) status is recognized (contributions received during this period will not be deductible).

Main exceptions:

- Small public charities with normal annual gross receipts of \$5,000 or less, the gross receipts for the last completed tax year exceeded \$5,000 and Form 1023 was filed within 90 days from the end of the last completed tax year.
- Organization formerly covered under a group exemption that is filing within 27 months of learning it

Request An Additional Exemption. To qualify, the organization must be able to establish that it acted reasonably and in good faith and that granting the additional extension will not prejudice the interests of the government. Factors to be considered:

- The organization filed before the IRS discovered the failure to file;
- The organization failed to file because of intervening events beyond its control;
- The organization exercised reasonable diligence but was not aware of the filing requirements (the complexity of the filing and the organization's experience in these matters will be considered);
- The organization relied on written advice from the IRS; or
- The organization reasonably relied on the advice of a qualified tax professional who failed to advise the organization to file Form 1023.

- E. **Application for Other 501(c) Organizations** Most other exempt organizations will file Form 1024 to request recognition of their tax-exemption. The form is similar to Form 1023 in that it requests information regarding the operations, officers and directors, and finances of the organization. The form needs to be filed within 27 months of its formation. An organization may also, for good reason, request an additional exemption (similar procedure as apply to Form 1023). The user fee for an organization with actual over the preceding 4 years or expected average annual gross receipts of not more than \$10,000 is \$400. For organizations with actual or expected average gross receipts in excess of that, the fee is \$800. The submitted with Form 8718 and Form 1024 (copies attached as Exhibit E)

F. Required Annual or Periodic Federal/State/Local Filings

1. State Registrations. The Charitable Organizations and Solicitations Act, MCL 400.271 et seq., requires an organization to register if it solicits or receives contributions in Michigan unless it qualifies for an exemption under MCL 400.283. The charitable solicitation registration must be renewed annually. Each registration includes its expiration date, which is seven (7) months after the end of the organization's fiscal year. To renew, the organization should submit a CTS - 02 Renewal Solicitation Form at least thirty (30) days prior to the expiration date, along with required attachments. The registration and exemption forms are attached as Exhibit F.

Potentially useful exemptions to the registration include:

MCL 400.283(b)- A charitable organization that does not intend to solicit and receive and does not actually receive contributions of more than \$25,000.00 during any 12-month period if all of its fund-raising functions are carried on by persons that are unpaid for their services and if the organization makes available to its members and the public a financial statement of its activities for its most recent fiscal year. If the gross contributions received during any 12-month period exceed \$25,000.00, the person shall register under this act within 30 days after the date its total contributions in that fiscal year exceed \$25,000.00.

MCL 400.283(c) A charitable organization that does not invite the general public to become a member of the organization and confines solicitation activities to solicitation drives solely among its members, directors, trustees, or their immediate families. As used in this subdivision, "immediate family" means the grandparents, parents, spouse, brothers, sisters, children, and grandchildren of a member, director, or trustee.

MCL 400.283(h) A nonprofit service organization that is exempt from taxation under a provision of the internal revenue code other than section 501(c)(3), 26 USC 501(c)(3), whose principal purpose is not charitable, but that solicits from time to time funds for a charitable purpose by members of the organization that are not paid for the solicitation. Funds solicited under this subdivision shall be wholly used for the charitable purposes for which they were solicited, and the organization must file with the attorney general a federal form 990 or 990-EZ.

The Supervision of Trustees for Charitable Purposes Act, MCL 14.251 et seq., mandates that every charitable trust register with the Attorney General. The term "charitable trust" is broadly defined as every person or legal entity that holds property for a charitable purpose. The Charitable Trust Section automatically registers those charitable organizations that are registered to solicit under the Solicitations Act. To maintain a charitable trust registration, organizations must file financial accountings with the Charitable Trust Section within six (6) months of the end of each fiscal year. This done by filing a copy of the IRS accounting, the organization's certified audit, or, if a corporate trustee, an annual financial statement.

2. Annual Information Returns. Subject to limited exceptions, tax-exempt organizations are required to file annual information returns with the IRS. Simplified reporting is available for small organizations. The form to be used for this purpose depends upon the organization's gross receipts and total assets.

Form	Filed By
990	<p>Organizations (other than private foundations) exempt from income tax under 501(a) (even if the organization has not applied for recognition of its exempt status) if it has either (a) gross receipts greater than or equal to \$200,000, or (b) total assets greater than or equal to \$500,000 at the end of the tax year. Form 990 is due by the 15th day of the 5th month after the organization's accounting period ends (May 15th for a calendar-year filer). If the organization is liquidated, dissolved, or terminated, the return by the 15th day of the 5th month after liquidation, dissolution, or termination. Extension of time to file is possible.</p> <p>A penalty of \$20 a day, not to exceed the lesser of \$10,000 or 5% of the organization's gross receipts the year, can be charged when a return is filed late, unless the organization shows that the late filing was due to reasonable cause. IRC § 6652(c)(1)(A). If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day. The maximum penalty on all persons for failures on any return is \$5,000.</p>
990-EZ	<p>Organizations with gross receipts of less than \$200,000 and total assets at the end of the year of less than \$500,000 may file this form instead of Form 990. Form 990-EZ is due by the 15th day of the 5th month after the organization's accounting period ends (May 15th for a calendar-year filer). If the organization is liquidated, dissolved, or terminated, the return by the 15th day of the 5th month after liquidation, dissolution, or termination. Extension of time to file is possible.</p> <p>A penalty of \$20 a day, not to exceed the lesser of \$10,000 or 5% of the organization's gross receipts the year, can be charged when a return is filed late, unless the organization shows that the late filing was due to reasonable cause. IRC § 6652(c)(1)(A). If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day. The maximum penalty on all persons for failures on any return is \$5,000</p>

Form	Filed By
990-N	Organizations with gross receipts of \$50,000 or less may file this form (it is filed electronically) instead of Form 990 or Form 990-EZ. Form 990-N is due every year by the 15th day of the 5th month after the close of the tax year. No extensions are available. The IRS will send a reminder notice if a 990-N is late. There is no penalty assessment for filing Form 990-N late.
990-PF	Private foundations (including those with pending applications that agree to private foundation status, those claiming private foundation status that have not yet applied but whose application is not yet untimely under section 508(a) for retroactive recognition of exemption). Form 990-PF is due on the 15th day of the 5th month following the close of the foundation's accounting period or in case of a complete liquidation, dissolution, or termination, by the 15th day of the 5th month following complete liquidation. Extensions to file are possible. Penalties are imposed on the foundation and its responsible persons for failure to timely file timely and completely, or does not furnish the correct information. The organization must pay \$20 for each day the failure continues (\$100 a day if it is a large organization), unless it can show that the failure was due to reasonable cause. Those filing late (after the due date, including extensions) must attach an explanation to the return. The maximum penalty for each return will not exceed the smaller of \$10,000 (\$50,000 for a large organization) or 5% of the gross receipts of the organization for the year. The IRS will make written demand that the delinquent return be filed or the information furnished within a reasonable time after the mailing of the notice of the demand. The person failing to comply with the demand on or before the date specified will have to pay \$10 for each day the failure continues, unless there is reasonable cause. The maximum penalty imposed on all persons for any one return is \$5,000. If more than one person is liable for any failures, all such persons are jointly and severally liable for such failures.
990-T	Organizations with unrelated business taxable income must file Form 990-T by the 15th day of the 5 th month after the end of their tax years. Corporations may request a 6-month extension and trusts may request a 3-month extension of time to file.
990-W	Organizations filing Form 990-T must make installment payments of estimated tax if the estimated tax (tax minus allowable credits) is expected to be \$500 or more.

Organizations that fail to file required Forms 990, 990-EZ or 990-N for three consecutive years will automatically lose their tax-exempt status. Revocation of the organization's tax-exempt status will happen on the filing due date of the third consecutively-missed year.

Exhibit A

Articles of Incorporation for a Nonprofit Corporation

Exhibit B

Form 1023-EZ and Eligibility Worksheet

Exhibit C
Form 1023 and Instructions

Exhibit D

Sample Articles of Incorporation for a Private Foundation

Exhibit E
Forms 1024 and 8718

Exhibit F
State Registration Forms

Exhibit A
Articles of Incorporation for a Nonprofit Corporation

Use space below for additional Articles or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

I, (We), the incorporator(s) sign my (our) name(s) this _____ day of _____, _____

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Preparer's Name _____

Business Telephone Number () _____

INFORMATION AND INSTRUCTIONS

1. This form may be used to draft your Articles of Incorporation. A document required or permitted to be filed under the act cannot be filed unless it contains the minimum information required by the act. The format provided contains only the minimal information required to make the document fileable and may not meet your needs. This is a legal document and agency staff cannot provide legal advice.
2. Submit one original of this document. Upon filing, the document will be added to the records of the Corporations, Securities & Commercial Licensing Bureau. The original will be returned to your registered office address, unless you enter a different address in the box on the front of this document.

Since this document will be maintained on electronic format, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.

3. This document is to be used pursuant to the provisions of Act 162, P.A. of 1982, by one or more persons for the purpose of forming a domestic nonprofit corporation.
4. Article II - The purpose for which the corporation is formed must be included. It is not sufficient to state that the corporation may engage in any activity within the purpose for which corporations may be formed under the Act.
5. Article III - The corporation must be formed on a stock or nonstock basis. Complete Article III(2) or III(3) as appropriate, but not both. Real property assets are items such as land and buildings. Personal property assets are items such as cash, equipment, fixtures, etc. The dollar value and description must be included. If there is no real and/or personal property, write in "none".
6. A domestic nonprofit corporation may be formed on either a membership or directorship basis. A membership corporation entitles the members to vote in determining corporate action. If formed on a directorship basis, the corporation may have members but they may not vote and corporate action is determined by the Board of Directors.
7. Article IV - A post office box may not be designated as the address of the registered office.
8. Article V - The Act requires one or more incorporators. Educational corporations are required to have at least three (3) incorporators. The address(es) should include a street number and name (or other designation), city and state.
9. This document is effective on the date endorsed "filed" by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated as an additional article.
10. The Articles must be signed in ink by each incorporator listed in Article V. However, if there are 3 or more incorporators, they may, by resolution adopted at the organizational meeting by a written instrument, designate one of them to sign the Articles of Incorporation on behalf of all of them. In such event, these Articles of Incorporation must be accompanied by a copy of the resolution duly certified by the acting secretary at the organizational meeting and a statement must be placed in the articles incorporating that resolution into them.
11. **FEES:** Make remittance payable to the State of Michigan. Include corporation name on check or money order.
FILING AND FRANCHISE FEE.....**\$20.00**

Submit with check or money order by mail:

Michigan Department of Licensing and Regulatory Affairs
Corporations, Securities & Commercial Licensing Bureau
Corporations Division
P.O. Box 30054
Lansing, MI 48909

To submit in person:

2501 Woodlake Circle
Okemos, MI
Telephone: (517) 241-6470

Fees may be paid by check, money order, VISA, Mastercard or Discover when delivered in person to our office.

MICH-ELF (Michigan Electronic Filing System):

First Time Users: Call (517) 241-6470, or visit our website at <http://www.michigan.gov/corporations>
Customer with MICH-ELF Filer Account: Send document to (517) 636-6437

LARA is an equal opportunity employer/program. Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

Optional expedited service.

Expedited review and filing, if fileable, is available for all documents for profit corporations, limited liability companies, limited partnerships and nonprofit corporations.

The nonrefundable expedited service fee is in addition to the regular fees applicable to the specific document.

Please complete a separate CSCL/CD-272 form for expedited service for each document submitted in person, by mail or MICH-ELF.

24-hour service - \$50 for formation documents and applications for certificate of authority.

24-hour service - \$100 for any document concerning an existing entity.

Same day service

- **Same day - \$100 for formation documents and applications for certificate of authority.**
- **Same day - \$200 for any document concerning an existing entity.**

Review completed on day of receipt. Document and request for same day expedited service must be received by 1 p.m. EST OR EDT.

- **Two hour - \$500**

Review completed within two hours on day of receipt. Document and request for two hour expedited service must be received by 3 p.m. EST OR EDT.

- **One hour - \$1000**

Review completed within one hour on day of receipt. Document and request for 1 hour expedited service must be received by 4 p.m. EST OR EDT.

First time MICH-ELF user requesting expedited service must obtain a MICH-ELF filer number prior to submitting a document for expedited service. CSCL/CD-901.

Changes to information on MICH-ELF user's account must be submitted before requesting expedited service. CSCL/CD-901.

Documents submitted by mail are delivered to a remote location for receipts processing and are then forwarded to the Corporations Division for review. Day of receipt for mailed expedited service requests is the day the Corporations Division receives the request.

Exhibit B
Form 1023-EZ and Eligibility Worksheet

You must complete the Form 1023-EZ Eligibility Worksheet in the Instructions for Form 1023-EZ to determine if you are eligible to file this form. Form 1023-EZ is filed electronically **only** on Pay.gov. Go to www.irs.gov/form1023ez for additional filing information.

Form **1023-EZ**
(June 2014)

Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

OMB No. 1545-0056

Department of the Treasury
Internal Revenue Service

▶ **Do not enter social security numbers on this form as it may be made public.**
▶ Information about Form 1023-EZ and its separate instructions is at www.irs.gov/form1023.

Note: If exempt status is approved, this application will be open for public inspection.

Check this box to attest that you have completed the Form 1023-EZ Eligibility Worksheet in the current instructions, are eligible to apply for exemption using Form 1023-EZ, and have read and understand the requirements to be exempt under section 501(c)(3).

Part I Identification of Applicant

1a Full Name of Organization

b Address (number, street, and room/suite). If a P.O. box, see instructions. c City d State e Zip Code + 4

2 Employer Identification Number 3 Month Tax Year Ends (MM) 4 Person to Contact if More Information is Needed

5 Contact Telephone Number 6 Fax Number (optional) 7 User Fee Submitted

8 List the names, titles, and mailing addresses of your officers, directors, and/or trustees. (If you have more than five, see instructions.)

First Name:	Last Name:	Title:		
Street Address:	City:	State:	Zip Code + 4:	
First Name:	Last Name:	Title:		
Street Address:	City:	State:	Zip Code + 4:	
First Name:	Last Name:	Title:		
Street Address:	City:	State:	Zip Code + 4:	
First Name:	Last Name:	Title:		
Street Address:	City:	State:	Zip Code + 4:	
First Name:	Last Name:	Title:		
Street Address:	City:	State:	Zip Code + 4:	

9 a Organization's Website (if available):

b Organization's Email (optional):

Part II Organizational Structure

- To file this form, you must be a corporation, an unincorporated association, or a trust. Check the box for the type of organization.
 Corporation Unincorporated association Trust
- Check this box to attest that you have the organizing document necessary for the organizational structure indicated above. (See the instructions for an explanation of **necessary organizing documents**.)
- Date incorporated if a corporation, or formed if other than a corporation (MMDDYYYY): _____
- State of incorporation or other formation: _____
- Section 501(c)(3) requires that your organizing document must limit your purposes to one or more exempt purposes within section 501(c)(3).
 Check this box to attest that your organizing document contains this limitation.
- Section 501(c)(3) requires that your organizing document must not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.
 Check this box to attest that your organizing document does not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.
- Section 501(c)(3) requires that your organizing document must provide that upon dissolution, your remaining assets be used exclusively for section 501(c)(3) exempt purposes. Depending on your entity type and the state in which you are formed, this requirement may be satisfied by operation of state law.
 Check this box to attest that your organizing document contains the dissolution provision required under section 501(c)(3) or that you do not need an express dissolution provision in your organizing document because you rely on the operation of state law in the state in which you are formed for your dissolution provision.

For Paperwork Reduction Act Notice, see the instructions.

Catalog No. 66267N

Form **1023-EZ** (6-2014)

You must complete the Form 1023-EZ Eligibility Worksheet in the Instructions for Form 1023-EZ to determine if you are eligible to file this form. Form 1023-EZ is filed electronically **only** on Pay.gov. Go to www.irs.gov/form1023ez for additional filing information.

Part III Your Specific Activities

- 1 Enter the appropriate 3-character NTEE Code that best describes your activities (See the instructions): _____
- 2 To qualify for exemption as a section 501(c)(3) organization, you must be organized and operated exclusively to further one or more of the following purposes. By checking the box or boxes below, you attest that you are organized and operated exclusively to further the purposes indicated. **Check all that apply.**

<input type="checkbox"/> Charitable	<input type="checkbox"/> Religious	<input type="checkbox"/> Educational
<input type="checkbox"/> Scientific	<input type="checkbox"/> Literary	<input type="checkbox"/> Testing for public safety
<input type="checkbox"/> To foster national or international amateur sports competition		<input type="checkbox"/> Prevention of cruelty to children or animals
- 3 To qualify for exemption as a section 501(c)(3) organization, you must:
 - Refrain from supporting or opposing candidates in political campaigns in any way.
 - Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals (that is, board members, officers, key management employees, or other insiders).
 - Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
 - Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s).
 - Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in section 501(h).
 - Not provide commercial-type insurance as a substantial part of your activities.

Check this box to attest that you have not conducted and will not conduct activities that violate these prohibitions and restrictions.
- 4 Do you or will you attempt to influence legislation? Yes No
(If yes, consider filing Form 5768. See the instructions for more details.)
- 5 Do you or will you pay compensation to any of your officers, directors, or trustees? Yes No
(Refer to the instructions for a definition of **compensation**.)
- 6 Do you or will you donate funds to or pay expenses for individual(s)? Yes No
- 7 Do you or will you conduct activities or provide grants or other assistance to individual(s) or organization(s) outside the United States? Yes No
- 8 Do you or will you engage in financial transactions (for example, loans, payments, rents, etc.) with any of your officers, directors, or trustees, or any entities they own or control? Yes No
- 9 Do you or will you have unrelated business gross income of \$1,000 or more during a tax year? Yes No
- 10 Do you or will you operate bingo or other gaming activities? Yes No
- 11 Do you or will you provide disaster relief? Yes No

Part IV Foundation Classification

Part IV is designed to classify you as an organization that is either a private foundation or a public charity. Public charity status is a more favorable tax status than private foundation status.

- 1 If you qualify for public charity status, check the appropriate box (1a – 1c below) and skip to **Part V** below.
 - a **Check this box** to attest that you normally receive at least one-third of your support from public sources or you normally receive at least 10 percent of your support from public sources and you have other characteristics of a publicly supported organization. **Sections 509(a)(1) and 170(b)(1)(A)(vi).**
 - b **Check this box** to attest that you normally receive more than one-third of your support from a combination of gifts, grants, contributions, membership fees, and gross receipts (from permitted sources) from activities related to your exempt functions and normally receive not more than one-third of your support from investment income and unrelated business taxable income. **Section 509(a)(2).**
 - c **Check this box** to attest that you are operated for the benefit of a college or university that is owned or operated by a governmental unit. **Sections 509(a)(1) and 170(b)(1)(A)(iv).**
- 2 If you are not described in items 1a – 1c above, you are a private foundation. As a private foundation, you are required by section 508(e) to have specific provisions in your organizing document, unless you rely on the operation of state law in the state in which you were formed to meet these requirements. These specific provisions require that you operate to avoid liability for private foundation excise taxes under sections 4941-4945.

Check this box to attest that your organizing document contains the provisions required by section 508(e) or that your organizing document does not need to include the provisions required by section 508(e) because you rely on the operation of state law in your particular state to meet the requirements of section 508(e). (See the instructions for explanation of the section 508(e) requirements.)

Form 1023-EZ is filed electronically only on Pay.gov.

You must complete the Form 1023-EZ Eligibility Worksheet in the Instructions for Form 1023-EZ to determine if you are eligible to file this form. Form 1023-EZ is filed electronically only on Pay.gov. Go to www.irs.gov/form1023ez for additional filing information.

Part V Reinstatement After Automatic Revocation

Complete this section only if you are applying for reinstatement of exemption after being automatically revoked for failure to file required annual returns or notices for three consecutive years, and you are applying for reinstatement under section 4 or 7 of Revenue Procedure 2014-11. (Check only one box.)

- 1 Check this box if you are seeking retroactive reinstatement under section 4 of Revenue Procedure 2014-11. By checking this box, you attest that you meet the specified requirements of section 4, that your failure to file was not intentional, and that you have put in place procedures to file required returns or notices in the future. (See the instructions for requirements.)
- 2 Check this box if you are seeking reinstatement under section 7 of Revenue Procedure 2014-11, effective the date you are filing this application.

Part VI Signature

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, and to the best of my knowledge it is true, correct, and complete.

PLEASE
SIGN
HERE

(Type name of signer)

(Type title or authority of signer)

(Signature of Officer, Director, Trustee, or other authorized official)

(Date)

Form 1023-EZ is filed electronically only on Pay.gov

Form 1023-EZ Eligibility Worksheet
(Must be completed prior to completing Form 1023-EZ)

If you answer "Yes" to any of the worksheet questions, you are not eligible to apply for exemption under section 501(c)(3) using Form 1023-EZ. You must apply on Form 1023. If you answer "No" to all of the worksheet questions, you may apply using Form 1023-EZ.

1.	<p>Do you project that your annual gross receipts will exceed \$50,000 in any of the next 3 years?</p> <p>Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. You should consider this year and the next two years.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2.	<p>Have your annual gross receipts exceeded \$50,000 in any of the past 3 years?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3.	<p>Do you have total assets the fair market value of which is in excess of \$250,000?</p> <p>Total assets includes cash, accounts receivable, inventories, bonds and notes receivable, corporate stocks, loans receivable, other investments, depreciable and depletable assets, land, buildings, equipment, and any other assets.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4.	<p>Were you formed under the laws of a foreign country (United States territories and possessions are not considered foreign countries)?</p> <p>You are formed under the laws of a foreign country if you are not formed under the laws of (1) the United States, its states, territories, or possessions; (2) federally recognized Indian tribal or Alaskan native governments; or (3) the District of Columbia.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5.	<p>Is your mailing address in a foreign country (United States territories and possessions are not considered foreign countries)?</p> <p>Your mailing address is the address where all correspondence will be sent.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6.	<p>Are you a successor to, or controlled by, an entity suspended under section 501(p) (suspension of tax-exempt status of terrorist organizations)?</p> <p>Section 501(p)(1) suspends the exemption from tax under section 501(a) of any organization described in section 501(p)(2). An organization is described in section 501(p)(2) if the organization is designated or otherwise individually identified (1) under certain provisions of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization; (2) in or pursuant to an Executive Order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction; or (3) in or pursuant to an Executive Order issued under the authority of any federal law, if the organization is designated or otherwise individually identified in or pursuant to the Executive Order as supporting or engaging in terrorist activity (as defined in the Immigration and Nationality Act) or supporting terrorism (as defined in the Foreign Relations Authorization Act) and the Executive Order refers to section 501(p)(2).</p> <p>Under section 501(p)(3) of the Code, suspension of an organization's tax exemption begins on the date of the first publication of a designation or identification with respect to the organization, as described above, or the date on which section 501(p) was enacted, whichever is later. This suspension continues until all designations and identifications of the organization are rescinded under the law or Executive Order under which such designation or identification was made.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

7.	<p>Are you organized as an entity other than a corporation, unincorporated association, or trust?</p> <p>Answer "Yes" if you are organized as an LLC under the laws of the state in which you were formed.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
8.	<p>Are you a successor to a for-profit entity?</p> <p>You are a successor if you have:</p> <ol style="list-style-type: none"> 1. Substantially taken over all of the assets or activities of a for-profit entity; 2. Been converted or merged from a for-profit entity; or 3. Installed the same officers, directors, or trustees as a for-profit entity that no longer exists. 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
9.	<p>Were you previously revoked or are you a successor to a previously revoked organization (other than an organization the tax-exempt status of which was automatically revoked for failure to file a Form 990-series return for three consecutive years)?</p> <p>Do not check "Yes" if your previous revocation, or your predecessor's revocation, was an automatic revocation (pursuant to section 6033(j)) for failing to satisfy Form 990-series filing requirements for three consecutive years.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
10.	<p>Are you a church or a convention or association of churches described in section 170(b)(1)(A)(i)?</p> <p>There is no single definition of the word "church" for tax purposes; however, the characteristics generally attributed to churches include:</p> <ul style="list-style-type: none"> • A distinct legal existence, • A recognized creed and form of worship, • A definite and distinct ecclesiastical government, • A formal code of doctrine and discipline, • A distinct religious history, • A membership not associated with any other church or denomination, • Ordained ministers ministering to the congregation, • Ordained ministers selected after completing prescribed courses of study, • A literature of its own, • Established places of worship, • Regular congregations, • Regular religious services, • Sunday schools for the religious instruction of the young, and • Schools for the preparation of ministers. <p>Although it is not necessary that each of the above characteristics be present, a congregation or other religious membership group that meets regularly for religious worship is generally required. A church includes mosques, temples, synagogues, and other forms of religious organizations. For more information, see Publication 1828.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

<p>11. Are you a school, college, or university described in section 170(b)(1)(A)(ii)?</p> <p>An organization is a school if it:</p> <ol style="list-style-type: none"> 1. Presents formal instruction as its primary function, 2. Has a regularly scheduled curriculum, 3. Has a regular faculty of qualified teachers, 4. Has a regularly enrolled student body, and 5. Has a place where educational activities are regularly carried on. <p>The term "school" includes primary, secondary, preparatory, high schools, colleges, and universities. It does not include organizations engaged in both educational and non-educational activities, unless the latter are merely incidental to the educational activities.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>12. Are you a hospital or medical research organization described in section 170(b)(1)(A)(iii) or a hospital organization described in section 501(r)(2)(A)(i)?</p> <p>An organization is a hospital described in section 170(b)(1)(A)(iii) if its principal purpose or function is providing medical or hospital care, or medical education or research. Medical care includes treatment of any physical or mental disability or condition, on an inpatient or outpatient basis. Thus, if an organization is a rehabilitation institution, outpatient clinic, or community mental health or drug treatment center, it is a hospital if its principal function is providing treatment services as described above.</p> <p>A hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function is to train handicapped individuals to pursue a vocation.</p> <p>An organization is a medical research organization described in section 170(b)(1)(A)(iii) if its principal purpose or function is the direct, continuous, and active conduct of medical research in conjunction with a hospital. The hospital with which the organization is affiliated must be described in section 501(c)(3), a federal hospital, or an instrumentality of a governmental unit, such as a municipal hospital.</p> <p>An organization is a hospital organization described in section 501(r)(2)(A)(i) if the organization operates a facility which is required by a state to be licensed, registered, or similarly recognized as a hospital.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

<p>13. Are you applying for exemption as a cooperative hospital service organization under section 501(e)?</p> <p>A cooperative hospital service organization described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities.</p> <ul style="list-style-type: none"> • Data processing. • Purchasing (including purchasing insurance on a group basis). • Warehousing. • Billing and collection (including purchasing patron accounts receivable on a recourse basis). • Food. • Clinical. • Industrial engineering. • Laboratory. • Printing. • Communications. • Record center. • Personnel (including selecting, testing, training, and educating personnel) services. <p>A cooperative hospital service organization must also meet certain other requirements specified in section 501(e).</p>	<p><input type="checkbox"/> Yes</p>	<p><input type="checkbox"/> No</p>
<p>14. Are you applying for exemption as a cooperative service organization of operating educational organizations under section 501(f)?</p> <p>An organization is a cooperative service organization of operating educational organizations if it is organized and operated solely to provide investment services to its members. Those members must be organizations described in section 170(b)(1)(A)(ii) or (iv) that are tax exempt under section 501(a) or whose income is excluded from taxation under section 115.</p>	<p><input type="checkbox"/> Yes</p>	<p><input type="checkbox"/> No</p>

<p>15. Are you applying for exemption as a qualified charitable risk pool under section 501(n)?</p> <p>A qualified charitable risk pool is treated as organized and operated exclusively for charitable purposes. Check the appropriate box to indicate whether you are a charitable risk pool. A qualified charitable risk pool is an organization that:</p> <ol style="list-style-type: none"> 1. Is organized and operated only to pool insurable risks of its members (not including risks related to medical malpractice) and to provide information to its members about loss control and risk management, 2. Consists only of members that are section 501(c)(3) organizations exempt from tax under section 501(a), 3. Is organized under state law authorizing this type of risk pooling, 4. Is exempt from state income tax (or will be after qualifying as a section 501(c)(3) organization), 5. Has obtained at least \$1,000,000 in startup capital from nonmember charitable organizations, 6. Is controlled by a board of directors elected by its members, and 7. Is organized under documents requiring that: <ol style="list-style-type: none"> a. Each member be a section 501(c)(3) organization exempt from tax under section 501(a), b. Each member that receives a final determination that it no longer qualifies under section 501(c)(3) notify the pool immediately, and c. Each insurance policy issued by the pool provide that it will not cover events occurring after a final determination described in (b). 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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<p>16. Are you requesting classification as a supporting organization under section 509(a)(3)?</p> <p>A supporting organization (as defined in section 509(a)(3)) differs from the other types of public charities described in section 509. Instead of describing an organization that conducts a particular kind of activity or that receives financial support from the general public, section 509(a)(3) describes organizations that have established certain relationships in support of public charities described in section 509(a)(1) or 509(a)(2). Thus, an organization can qualify as a supporting organization (and not be classified as a private foundation) even though it may be funded by a single donor, family, or corporation. This kind of funding ordinarily would indicate private foundation status, but a section 509(a)(3) organization has limited purposes and activities, and gives up a significant degree of independence. A supporting organization is an organization that:</p> <ol style="list-style-type: none"> 1. Is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations as described in section 509(a)(1) or 509(a)(2). These section 509(a)(1) and 509(a)(2) organizations are commonly called publicly supported organizations. 2. Has one of three types of relationships with one or more organizations described in section 509(a)(1) or 509(a)(2). It must be: <ol style="list-style-type: none"> a. Operated, supervised, or controlled by one or more section 509(a)(1) or 509(a)(2) organizations (Type I supporting organization); b. Supervised or controlled in connection with one or more section 509(a)(1) or 509(a)(2) organizations (Type II supporting organization); or c. Operated in connection with one or more section 509(a)(1) or 509(a)(2) organizations (Type III supporting organization). 3. Is not controlled directly or indirectly by disqualified persons (as defined in section 4946) other than foundation managers and other than one or more organizations described in section 509(a)(1) or 509(a)(2). <p>See Publication 557 for more information.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>17. Is a substantial purpose of your activities to provide assistance to individuals through credit counseling activities such as budgeting, personal finance, financial literacy, mortgage foreclosure assistance, or other consumer credit areas?</p> <p>These activities involve the education of the consumer on budgeting, personal finance, financial literacy, mortgage foreclosure assistance, or other consumer credit areas. It may also involve assisting the consumer in consolidating debt and negotiating between debtors and creditors to lower interest rates and waive late and over-limit fees.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. Do you or will you invest 5% or more of your total assets in securities or funds that are not publicly traded?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. Do you participate, or intend to participate, in partnerships (including entities or arrangements treated as partnerships for federal tax purposes) in which you share losses with partners other than section 501(c)(3) organizations?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. Do you sell, or intend to sell carbon credits or carbon offsets?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. Are you a Health Maintenance Organization (HMO)?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

22.	<p>Are you an Accountable Care Organization (ACO), or an organization that engages in, or intends to engage in, ACO activities (such as participation in the Medicare Shared Savings Program (MSSP) or in activities unrelated to the MSSP described in Notice 2011-20, 2011-16 I.R.B. 652)?</p> <p>ACOs are entities formed by groups of physicians, hospitals, and other health care service providers and suppliers to manage and coordinate the care provided to patients. For a discussion of tax law issues relating to ACOs, see Notice 2011-20 and FS-2011-11, available at www.irs.gov/uac/Tax-Exempt-Organizations-Participating-in-the-Medicare-Shared-Savings-Program-through-Accountable-Care-Organizations.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
23.	<p>Do you maintain or intend to maintain one or more donor advised funds?</p> <p>In general, a donor advised fund is a fund or account that is owned and controlled by the organization but that is separately identified by reference to contributions of a donor or donors and with respect to which a donor (or any person appointed or designated by the donor) has or expects to have advisory privileges concerning the distribution or investment of amounts held in the fund or account by reason of the donor's status as a donor. For additional information, see Publication 557.</p> <p>Check "No" if you are a governmental unit referred to in section 170(c)(1) or a private foundation referred to in section 509(a).</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
24.	<p>Are you organized and operated exclusively for testing for public safety and requesting a foundation classification under section 509(a)(4)?</p> <p>Generally, these organizations test consumer products to determine their acceptability for use by the general public.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
25.	<p>Are you requesting classification as a private operating foundation?</p> <p>Private foundations lack general public support. What distinguishes a private operating foundation from other private foundations is that it engages directly in the active conduct of charitable, religious, educational, and similar activities (as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations). Private operating foundations are subject to more favorable rules than other private foundations in terms of charitable contribution deductions and attracting grants from private foundations. However, to be classified as a private operating foundation, an organization must meet certain tests. Additional information about private operating foundations is available at www.irs.gov/Charities-&-Non-Profits/Private-Foundations/Private-Operating-Foundations.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
26.	<p>Are you applying for retroactive reinstatement of exemption under section 5 or 6 of Rev. Proc. 2014-11, after being automatically revoked?</p> <p>Only organizations applying for reinstatement under section 4 or 7 of Rev. Proc. 2014-11 may use Form 1023-EZ. If you are applying for retroactive reinstatement under section 5 or 6 of Rev. Proc. 2014-11, you must submit the full Form 1023 along with the appropriate reasonable cause statement and a statement confirming you have filed the required annual returns as described in the revenue procedure.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

National Taxonomy of Exempt Entities (NTEE) Codes.

Arts, Culture, and Humanities		B82 Scholarships, Student Financial Aid Services, Awards	E20 Hospitals and Related Primary Medical Care Facilities	G20 Birth Defects and Genetic Diseases
A01 Alliance/Advocacy Organizations	B83 Student Sororities, Fraternities	E21 Community Health Systems	G25 Down Syndrome	G30 Cancer
A02 Management & Technical Assistance	B84 Alumni Associations	E22 Hospital, General	G30 Cancer	G40 Diseases of Specific Organs
A03 Professional Societies, Associations	B90 Educational Services and Schools - Other	E24 Hospital, Specialty	G41 Eye Diseases, Blindness and Vision Impairments	G42 Ear and Throat Diseases
A05 Research Institutes and/or Public Policy Analysis	B92 Remedial Reading, Reading Encouragement	E30 Health Treatment Facilities, Primarily Outpatient	G43 Heart and Circulatory System Diseases, Disorders	G44 Kidney Disease
A11 Single Organization Support	B94 Parent/Teacher Group	E31 Group Health Practice (Health Maintenance Organizations)	G45 Lung Disease	G48 Brain Disorders
A12 Fund Raising and/or Fund Distribution	B99 Education N.E.C.	E32 Ambulatory Health Center, Community Clinic	G50 Nerve, Muscle and Bone Diseases	G51 Arthritis
A19 Nonmonetary Support N.E.C.*	Environmental Quality, Protection, and Beautification		E40 Reproductive Health Care Facilities and Allied Services	G54 Epilepsy
A20 Arts, Cultural Organizations - Multipurpose	C01 Alliance/Advocacy Organizations	E42 Family Planning Centers	E40 Reproductive Health Care Facilities and Allied Services	G60 Allergy Related Diseases G61 Asthma
A23 Cultural, Ethnic Awareness	C02 Management & Technical Assistance	E50 Rehabilitative Medical Services	E50 Rehabilitative Medical Services	G70 Digestive Diseases, Disorders
A25 Arts Education	C03 Professional Societies, Associations	E60 Health Support Services	E60 Health Support Services	G80 Specifically Named Diseases
A26 Arts Council/Agency	C05 Research Institutes and/or Public Policy Analysis	E61 Blood Supply Related	E61 Blood Supply Related	G81 AIDS
A30 Media, Communications Organizations	C11 Single Organization Support	E62 Ambulance, Emergency Medical Transport Services	E62 Ambulance, Emergency Medical Transport Services	G83 Alzheimer's Disease
A31 Film, Video	C12 Fund Raising and/or Fund Distribution	E65 Organ and Tissue Banks	E65 Organ and Tissue Banks	G84 Autism
A32 Television	C19 Nonmonetary Support N.E.C.	E70 Public Health Program (Includes General Health and Wellness Promotion Services)	E70 Public Health Program (Includes General Health and Wellness Promotion Services)	G90 Medical Disciplines
A33 Printing, Publishing	C20 Pollution Abatement and Control Services	E80 Health, General and Financing	E80 Health, General and Financing	G92 Biomedicine, Bioengineering
A34 Radio	C27 Recycling Programs	E86 Patient Services - Entertainment, Recreation	E86 Patient Services - Entertainment, Recreation	G94 Geriatrics
A40 Visual Arts Organizations	C30 Natural Resources Conservation and Protection	E90 Nursing Services (General)	E90 Nursing Services (General)	G96 Neurology, Neuroscience
A50 Museum, Museum Activities	C32 Water Resource, Wetlands Conservation and Management	E91 Nursing, Convalescent Facilities	E91 Nursing, Convalescent Facilities	G98 Pediatrics
A51 Art Museums	C34 Land Resources Conservation	E92 Home Health Care	E92 Home Health Care	G99 Surgery
A52 Children's Museums	C35 Energy Resources Conservation and Development	E99 Health - General and Rehabilitative N.E.C.	E99 Health - General and Rehabilitative N.E.C.	G99 Diseases, Disorders, Medical Disciplines N.E.C.
A54 History Museums	C36 Forest Conservation	Mental Health, Crisis Intervention		Medical Research
A56 Natural History, Natural Science Museums	C40 Botanical, Horticultural, and Landscape Services	F01 Alliance/Advocacy Organizations	F01 Alliance/Advocacy Organizations	H01 Alliance/Advocacy Organizations
A57 Science and Technology Museums	C41 Botanical Gardens, Arboreta and Botanical Organizations	F02 Management & Technical Assistance	F02 Management & Technical Assistance	H02 Management & Technical Assistance
A60 Performing Arts Organizations	C42 Garden Club, Horticultural Program	F03 Professional Societies, Associations	F03 Professional Societies, Associations	H03 Professional Societies, Associations
A61 Performing Arts Centers	C50 Environmental Beautification and Aesthetics	F05 Research Institutes and/or Public Policy Analysis	F05 Research Institutes and/or Public Policy Analysis	H05 Research Institutes and/or Public Policy Analysis
A62 Dance	C60 Environmental Education and Outdoor Survival Programs	F11 Single Organization Support	F11 Single Organization Support	H11 Single Organization Support
A63 Ballet	C99 Environmental Quality, Protection, and Beautification N.E.C.	F12 Fund Raising and/or Fund Distribution	F12 Fund Raising and/or Fund Distribution	H12 Fund Raising and/or Fund Distribution
A65 Theater	Animal-Related		F19 Nonmonetary Support N.E.C.	H19 Nonmonetary Support N.E.C.
A68 Music	D01 Alliance/Advocacy Organizations	F20 Alcohol, Drug and Substance Abuse, Dependency Prevention and Treatment	F20 Alcohol, Drug and Substance Abuse, Dependency Prevention and Treatment	H20 Birth Defects, Genetic Diseases Research
A69 Symphony Orchestras	D02 Management & Technical Assistance	F21 Alcohol, Drug Abuse, Prevention Only	F21 Alcohol, Drug Abuse, Prevention Only	H25 Down Syndrome Research
A6A Opera	D03 Professional Societies, Associations	F22 Alcohol, Drug Abuse, Treatment Only	F22 Alcohol, Drug Abuse, Treatment Only	H30 Cancer Research
A6B Singing, Choral	D05 Research Institutes and/or Public Policy Analysis	F30 Mental Health Treatment - Multipurpose and N.E.C.	F30 Mental Health Treatment - Multipurpose and N.E.C.	H40 Specific Organ Research
A6C Music Groups, Bands, Ensembles	D11 Single Organization Support	F31 Psychiatric, Mental Health Hospital	F31 Psychiatric, Mental Health Hospital	H41 Eye Research
A6E Performing Arts Schools	D12 Fund Raising and/or Fund Distribution	F32 Community Mental Health Center	F32 Community Mental Health Center	H42 Ear and Throat Research
A70 Humanities Organizations	D19 Nonmonetary Support N.E.C.	F33 Group Home, Residential Treatment Facility - Mental Health Related	F33 Group Home, Residential Treatment Facility - Mental Health Related	H43 Heart, Circulatory Research
A80 Historical Societies, Related Historical Activities	D20 Animal Protection and Welfare	F40 Hot Line, Crisis Intervention Services	F40 Hot Line, Crisis Intervention Services	H44 Kidney Research
A84 Commemorative Events	D30 Wildlife Preservation, Protection	F42 Rape Victim Services	F42 Rape Victim Services	H45 Lung Research
A90 Arts Service Organizations and Activities	D31 Protection of Endangered Species	F50 Addictive Disorders N.E.C.	F50 Addictive Disorders N.E.C.	H48 Brain Disorders Research
A99 Arts, Culture, and Humanities N.E.C.	D32 Bird Sanctuary, Preserve	F52 Smoking Addiction	F52 Smoking Addiction	H50 Nerve, Muscle, Bone Research
Education		D33 Fisheries Resources	F53 Eating Disorder, Addiction	H51 Arthritis Research
B01 Alliance/Advocacy Organizations	D34 Wildlife Sanctuary, Refuge	F54 Gambling Addiction	F54 Gambling Addiction	H54 Epilepsy Research
B02 Management & Technical Assistance	D40 Veterinary Services	F80 Counseling, Support Groups	F80 Counseling, Support Groups	H60 Allergy Related Disease Research
B03 Professional Societies, Associations	D50 Zoo, Zoological Society	F70 Mental Health Disorders	F70 Mental Health Disorders	H61 Asthma Research
B05 Research Institutes and/or Public Policy Analysis	D60 Other Services - Specialty Animals	F80 Mental Health Association, Multipurpose	F80 Mental Health Association, Multipurpose	H70 Digestive Disease, Disorder Research
B11 Single Organization Support	D61 Animal Training, Behavior	F99 Mental Health, Crisis Intervention N.E.C.	F99 Mental Health, Crisis Intervention N.E.C.	H80 Specifically Named Diseases Research
B12 Fund Raising and/or Fund Distribution	D99 Animal-Related N.E.C.	Diseases, Disorders, Medical Disciplines		H81 AIDS Research
B19 Nonmonetary Support N.E.C.	Health - General and Rehabilitative		G01 Alliance/Advocacy Organizations	H83 Alzheimer's Disease Research
B20 Elementary, Secondary Education, K - 12	E01 Alliance/Advocacy Organizations	E01 Alliance/Advocacy Organizations	G01 Alliance/Advocacy Organizations	H84 Autism Research
B21 Kindergarten, Preschool, Nursery School, Early Admissions	E02 Management & Technical Assistance	E02 Management & Technical Assistance	G02 Management & Technical Assistance	H90 Medical Specialty Research
B24 Primary, Elementary Schools	E03 Professional Societies, Associations	E03 Professional Societies, Associations	G03 Professional Societies, Associations	H92 Biomedicine, Bioengineering Research
B25 Secondary, High School	E05 Research Institutes and/or Public Policy Analysis	E05 Research Institutes and/or Public Policy Analysis	G05 Research Institutes and/or Public Policy Analysis	H94 Geriatrics Research
B28 Specialized Education Institutions	E11 Single Organization Support	E11 Single Organization Support	G11 Single Organization Support	H96 Neurology, Neuroscience Research
B30 Vocational, Technical Schools	E12 Fund Raising and/or Fund Distribution	E12 Fund Raising and/or Fund Distribution	G12 Fund Raising and/or Fund Distribution	H98 Pediatrics Research
B40 Higher Education Institutions	E19 Nonmonetary Support N.E.C.	E19 Nonmonetary Support N.E.C.	G19 Nonmonetary Support N.E.C.	H99 Surgery Research
B41 Community or Junior Colleges	Health - General and Rehabilitative		Crime, Legal Related	
B42 Undergraduate College (4-year)	E01 Alliance/Advocacy Organizations	E01 Alliance/Advocacy Organizations	I01 Alliance/Advocacy Organizations	I01 Alliance/Advocacy Organizations
B43 University or Technological Institute	E02 Management & Technical Assistance	E02 Management & Technical Assistance	I02 Management & Technical Assistance	I02 Management & Technical Assistance
B50 Graduate, Professional Schools (Separate Entities)	E03 Professional Societies, Associations	E03 Professional Societies, Associations	I03 Professional Societies, Associations	I03 Professional Societies, Associations
B60 Adult, Continuing Education	E05 Research Institutes and/or Public Policy Analysis	E05 Research Institutes and/or Public Policy Analysis	I05 Research Institutes and/or Public Policy Analysis	I05 Research Institutes and/or Public Policy Analysis
B70 Libraries	E11 Single Organization Support	E11 Single Organization Support		
B80 Student Services, Organizations of Students	E12 Fund Raising and/or Fund Distribution	E12 Fund Raising and/or Fund Distribution		

National Taxonomy of Exempt Entities (NTEE) Codes. (Continued)

S05	Research Institutes and/or Public Policy Analysis	Science and Technology Research Institutes, Services U01 Alliance/Advocacy Organizations U02 Management & Technical Assistance U03 Professional Societies, Associations U05 Research Institutes and/or Public Policy Analysis U11 Single Organization Support U12 Fund Raising and/or Fund Distribution U19 Nonmonetary Support N.E.C. U20 Science, General U21 Marine Science and Oceanography U30 Physical Sciences, Earth Sciences Research and Promotion U31 Astronomy U33 Chemistry, Chemical Engineering U34 Mathematics U36 Geology U40 Engineering and Technology Research, Services U41 Computer Science U42 Engineering U45 Biological, Life Science Research U99 Science and Technology Research Institutes, Services N.E.C.	V31 Black Studies	X22 Roman Catholic X30 Jewish X40 Islamic X50 Buddhist X70 Hindu X80 Religious Media, Communications Organizations X81 Religious Film, Video X82 Religious Television X83 Religious Printing, Publishing X84 Religious Radio X90 Interfaith Issues X99 Religion Related, Spiritual Development N.E.C.		
S11	Single Organization Support		V32 Women's Studies			
S12	Fund Raising and/or Fund Distribution		V33 Ethnic Studies			
S19	Nonmonetary Support N.E.C.		V34 Urban Studies			
S20	Community, Neighborhood Development, Improvement (General)		V35 International Studies			
S21	Community Coalitions		V36 Gerontology (as a social science)			
S22	Neighborhood, Block Associations		V37 Labor Studies V99 Social Science Research Institutes, Services N.E.C.			
S30	Economic Development		Public, Society Benefit - Multipurpose and Other			
S31	Urban, Community Economic Development		W01 Alliance/Advocacy Organizations		Mutual/Membership Benefit Organizations, Other Y01 Alliance/Advocacy Organizations Y02 Management & Technical Assistance Y03 Professional Societies, Associations Y05 Research Institutes and/or Public Policy Analysis Y11 Single Organization Support Y12 Fund Raising and/or Fund Distribution Y19 Nonmonetary Support N.E.C. Y20 Insurance Providers, Services Y22 Local Benevolent Life Insurance Associations, Mutual Irrigation and Telephone Companies, and Like Organizations Y23 Mutual Insurance Company or Association Y24 Supplemental Unemployment Compensation Y25 State-Sponsored Worker's Compensation Reinsurance Organizations Y30 Pension and Retirement Funds Y33 Teachers Retirement Fund Association Y34 Employee Funded Pension Trust Y35 Multi-Employer Pension Plans Y40 Fraternal Beneficiary Societies Y42 Domestic Fraternal Societies Y43 Voluntary Employees Beneficiary Associations (Non-Government) Y44 Voluntary Employees Beneficiary Associations (Government) Y50 Cemeteries, Burial Services Y99 Mutual/Membership Benefit Organizations, Other N.E.C.	
S32	Rural Development		W02 Management & Technical Assistance			
S40	Business and Industry		W03 Professional Societies, Associations			
S41	Promotion of Business		W05 Research Institutes and/or Public Policy Analysis			
S43	Management Services for Small Business, Entrepreneurs		W11 Single Organization Support			
S46	Boards of Trade		W12 Fund Raising and/or Fund Distribution			
S47	Real Estate Organizations		W19 Nonmonetary Support N.E.C.			
S50	Nonprofit Management		W20 Government and Public Administration			
S80	Community Service Clubs		W22 Public Finance, Taxation, Monetary Policy			
S81	Women's Service Clubs		W24 Citizen Participation			
S82	Men's Service Clubs		W30 Military, Veterans' Organizations			
S99	Community Improvement, Capacity Building N.E.C.		W40 Public Transportation Systems, Services			
Philanthropy, Voluntarism, and Grantmaking Foundations			W50 Telephone, Telegraph and Telecommunication Services			
T01	Alliance/Advocacy Organizations		W60 Financial Institutions, Services (Non-Government Related)			
T02	Management & Technical Assistance		W61 Credit Unions			
T03	Professional Societies, Associations		W70 Leadership Development			
T05	Research Institutes and/or Public Policy Analysis		W80 Public Utilities			
T11	Single Organization Support		W90 Consumer Protection, Safety			
T12	Fund Raising and/or Fund Distribution		W99 Public, Society Benefit - Multipurpose and Other N.E.C.			
T19	Nonmonetary Support N.E.C.		Religion Related, Spiritual Development			
T20	Private Grantmaking Foundations		X01 Alliance/Advocacy Organizations			Z99 Unknown
T21	Corporate Foundations		X02 Management & Technical Assistance			
T22	Private Independent Foundations		X03 Professional Societies, Associations			
T23	Private Operating Foundations		X05 Research Institutes and/or Public Policy Analysis			
T30	Public Foundations		X11 Single Organization Support			
T31	Community Foundations		X12 Fund Raising and/or Fund Distribution			
T40	Voluntarism Promotion	X19 Nonmonetary Support N.E.C.				
T50	Philanthropy, Charity, Voluntarism Promotion, General	X20 Christian				
T70	Fund Raising Organizations That Cross Categories	X21 Protestant				
T90	Named Trusts/Foundations N.E.C.					
T99	Philanthropy, Voluntarism, and Grantmaking Foundations N.E.C.					
Social Science Research Institutes, Services						
V01	Alliance/Advocacy Organizations					
V02	Management & Technical Assistance					
V03	Professional Societies, Associations					
V05	Research Institutes and/or Public Policy Analysis					
V11	Single Organization Support					
V12	Fund Raising and/or Fund Distribution					
V19	Nonmonetary Support N.E.C.					
V20	Social Science Institutes, Services					
V21	Anthropology, Sociology					
V22	Economics (as a social science)					
V23	Behavioral Science					
V24	Political Science					
V25	Population Studies					
V26	Law, International Law, Jurisprudence					
V30	Interdisciplinary Research					

Exhibit C
Form 1023 and Instructions

~~THIS INFORMATION IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE~~
It includes prerequisite questions, auto-calculated fields, help buttons and links to relevant information.

Form **1023**
(Rev. December 2013)
Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

(00) OMB No. 1545-0056

Note: If exempt status is approved, this application will be open for public inspection.

► (Use with the June 2006 revision of the Instructions for Form 1023 and the current Notice 1382)

Use the instructions to complete this application and for a definition of all **bold** items. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. Visit our website at www.irs.gov for forms and publications. If the required information and documents are not submitted with payment of the appropriate user fee, the application may be returned to you.

Attach additional sheets to this application if you need more space to answer fully. Put your name and EIN on each sheet and identify each answer by Part and line number. Complete Parts I - XI of Form 1023 and submit only those Schedules (A through H) that apply to you.

Part I Identification of Applicant

1 Full name of organization (exactly as it appears in your organizing document)		2 c/o Name (if applicable)	
3 Mailing address (Number and street) (see instructions)		Room/Suite	4 Employer Identification Number (EIN)
City or town, state or country, and ZIP + 4		5 Month the annual accounting period ends (01 - 12)	
6 Primary contact (officer, director, trustee, or authorized representative)		b Phone:	
a Name:		c Fax: (optional)	
7 Are you represented by an authorized representative, such as an attorney or accountant? If "Yes," provide the authorized representative's name, and the name and address of the authorized representative's firm. Include a completed Form 2848, <i>Power of Attorney and Declaration of Representative</i> , with your application if you would like us to communicate with your representative.		<input type="checkbox"/> Yes	<input type="checkbox"/> No
8 Was a person who is not one of your officers, directors, trustees, employees, or an authorized representative listed in line 7, paid, or promised payment, to help plan, manage, or advise you about the structure or activities of your organization, or about your financial or tax matters? If "Yes," provide the person's name, the name and address of the person's firm, the amounts paid or promised to be paid, and describe that person's role.		<input type="checkbox"/> Yes	<input type="checkbox"/> No
9a Organization's website:			
b Organization's email: (optional)			
10 Certain organizations are not required to file an information return (Form 990 or Form 990-EZ). If you are granted tax-exemption, are you claiming to be excused from filing Form 990 or Form 990-EZ? If "Yes," explain. See the instructions for a description of organizations not required to file Form 990 or Form 990-EZ.		<input type="checkbox"/> Yes	<input type="checkbox"/> No
11 Date incorporated if a corporation, or formed, if other than a corporation. (MM/DD/YYYY) / /			
12 Were you formed under the laws of a foreign country ? If "Yes," state the country.		<input type="checkbox"/> Yes	<input type="checkbox"/> No

For Paperwork Reduction Act Notice, see page 24 of the instructions.

Cat. No. 17133K

Form **1023** (Rev. 12-2013)

Part II Organizational Structure

You must be a corporation (including a limited liability company), an unincorporated association, or a trust to be tax exempt. (See Instructions.) **DO NOT file this form unless you can check "Yes" on lines 1, 2, 3, or 4.**

- 1** Are you a **corporation**? If "Yes," attach a copy of your articles of incorporation showing **certification of filing** with the appropriate state agency. Include copies of any amendments to your articles and be sure they also show state filing certification. **Yes** **No**

- 2** Are you a **limited liability company (LLC)**? If "Yes," attach a copy of your articles of organization showing certification of filing with the appropriate state agency. Also, if you adopted an operating agreement, attach a copy. Include copies of any amendments to your articles and be sure they show state filing certification. Refer to the instructions for circumstances when an LLC should not file its own exemption application. **Yes** **No**

- 3** Are you an **unincorporated association**? If "Yes," attach a copy of your articles of association, constitution, or other similar organizing document that is dated and includes at least two signatures. Include signed and dated copies of any amendments. **Yes** **No**

- 4a** Are you a **trust**? If "Yes," attach a signed and dated copy of your trust agreement. Include signed and dated copies of any amendments. **Yes** **No**
- b** Have you been funded? If "No," explain how you are formed without anything of value placed in trust. **Yes** **No**

- 5** Have you adopted **bylaws**? If "Yes," attach a current copy showing date of adoption. If "No," explain how your officers, directors, or trustees are selected. **Yes** **No**

Part III Required Provisions in Your Organizing Document

The following questions are designed to ensure that when you file this application, your organizing document contains the required provisions to meet the organizational test under section 501(c)(3). Unless you can check the boxes in both lines 1 and 2, your organizing document does not meet the organizational test. **DO NOT file this application until you have amended your organizing document.** Submit your original and amended organizing documents (showing state filing certification if you are a corporation or an LLC) with your application.

- 1** Section 501(c)(3) requires that your organizing document state your exempt purpose(s), such as charitable, religious, educational, and/or scientific purposes. Check the box to confirm that your organizing document meets this requirement. Describe specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document. Refer to the instructions for exempt purpose language. Location of Purpose Clause (Page, Article, and Paragraph): _____

- 2a** Section 501(c)(3) requires that upon dissolution of your organization, your remaining assets must be used exclusively for exempt purposes, such as charitable, religious, educational, and/or scientific purposes. Check the box on line 2a to confirm that your organizing document meets this requirement by express provision for the distribution of assets upon dissolution. If you rely on state law for your dissolution provision, do not check the box on line 2a and go to line 2c.
- 2b** If you checked the box on line 2a, specify the location of your dissolution clause (Page, Article, and Paragraph). Do not complete line 2c if you checked box 2a. _____
- 2c** See the instructions for information about the operation of state law in your particular state. Check this box if you rely on operation of state law for your dissolution provision and indicate the state: _____

Part IV Narrative Description of Your Activities

Using an attachment, describe your *past*, *present*, and *planned* activities in a narrative. If you believe that you have already provided some of this information in response to other parts of this application, you may summarize that information here and refer to the specific parts of the application for supporting details. You may also attach representative copies of newsletters, brochures, or similar documents for supporting details to this narrative. Remember that if this application is approved, it will be open for public inspection. Therefore, your narrative description of activities should be thorough and accurate. Refer to the instructions for information that must be included in your description.

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors

1a List the names, titles, and mailing addresses of all of your officers, directors, and trustees. For each person listed, state their total annual **compensation**, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Enter "none" if no compensation is or will be paid. If additional space is needed, attach a separate sheet. Refer to the instructions for information on what to include as compensation.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

b List the names, titles, and mailing addresses of each of your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation. Do not include officers, directors, or trustees listed in line 1a.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)

c List the names, names of businesses, and mailing addresses of your five highest compensated **independent contractors** that receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)

The following "Yes" or "No" questions relate to *past, present, or planned* relationships, transactions, or agreements with your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, and 1c.

- 2a** Are any of your officers, directors, or trustees **related** to each other through **family or business relationships**? If "Yes," identify the individuals and explain the relationship. **Yes** **No**
 - b** Do you have a business relationship with any of your officers, directors, or trustees other than through their position as an officer, director, or trustee? If "Yes," identify the individuals and describe the business relationship with each of your officers, directors, or trustees. **Yes** **No**
 - c** Are any of your officers, directors, or trustees related to your highest compensated employees or highest compensated independent contractors listed on lines 1b or 1c through family or business relationships? If "Yes," identify the individuals and explain the relationship. **Yes** **No**
-
- 3a** For each of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c, attach a list showing their name, qualifications, average hours worked, and duties.
 - b** Do any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c receive compensation from any other organizations, whether tax exempt or taxable, that are related to you through **common control**? If "Yes," identify the individuals, explain the relationship between you and the other organization, and describe the compensation arrangement. **Yes** **No**
-
- 4** In establishing the compensation for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, and 1c, the following practices are recommended, although they are not required to obtain exemption. Answer "Yes" to all the practices you use.
 - a** Do you or will the individuals that approve compensation arrangements follow a conflict of interest policy? **Yes** **No**
 - b** Do you or will you approve compensation arrangements in advance of paying compensation? **Yes** **No**
 - c** Do you or will you document in writing the date and terms of approved compensation arrangements? **Yes** **No**

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

d	Do you or will you record in writing the decision made by each individual who decided or voted on compensation arrangements?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
e	Do you or will you approve compensation arrangements based on information about compensation paid by similarly situated taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations? Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
f	Do you or will you record in writing both the information on which you relied to base your decision and its source?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
g	If you answered "No" to any item on lines 4a through 4f, describe how you set compensation that is reasonable for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c.		
5a	Have you adopted a conflict of interest policy consistent with the sample conflict of interest policy in Appendix A to the instructions? If "Yes," provide a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," answer lines 5b and 5c.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you for setting their own compensation?		
c	What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you regarding business deals with themselves?		
	Note: A conflict of interest policy is recommended though it is not required to obtain exemption. Hospitals, see Schedule C, Section I, line 14.		
6a	Do you or will you compensate any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, or 1c through non-fixed payments , such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are determined, who is eligible for such arrangements, whether you place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you or will you compensate any of your employees, other than your officers, directors, trustees, or your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year, through non-fixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are or will be determined, who is or will be eligible for such arrangements, whether you place or will place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
7a	Do you or will you purchase any goods, services, or assets from any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such purchase that you made or intend to make, from whom you make or will make such purchases, how the terms are or will be negotiated at arm's length , and explain how you determine or will determine that you pay no more than fair market value . Attach copies of any written contracts or other agreements relating to such purchases.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you or will you sell any goods, services, or assets to any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such sales that you made or intend to make, to whom you make or will make such sales, how the terms are or will be negotiated at arm's length, and explain how you determine or will determine you are or will be paid at least fair market value. Attach copies of any written contracts or other agreements relating to such sales.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
8a	Do you or will you have any leases, contracts, loans, or other agreements with your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," provide the information requested in lines 8b through 8f.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Describe any written or oral arrangements that you made or intend to make.		
c	Identify with whom you have or will have such arrangements.		
d	Explain how the terms are or will be negotiated at arm's length.		
e	Explain how you determine you pay no more than fair market value or you are paid at least fair market value.		
f	Attach copies of any signed leases, contracts, loans, or other agreements relating to such arrangements.		
9a	Do you or will you have any leases, contracts, loans, or other agreements with any organization in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest? If "Yes," provide the information requested in lines 9b through 9f.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

- b Describe any written or oral arrangements you made or intend to make.
- c Identify with whom you have or will have such arrangements.
- d Explain how the terms are or will be negotiated at arm's length.
- e Explain how you determine or will determine you pay no more than fair market value or that you are paid at least fair market value.
- f Attach a copy of any signed leases, contracts, loans, or other agreements relating to such arrangements.

Part VI Your Members and Other Individuals and Organizations That Receive Benefits From You

The following "Yes" or "No" questions relate to goods, services, and funds you provide to individuals and organizations as part of your activities. Your answers should pertain to *past*, *present*, and *planned* activities. (See instructions.)

- 1a In carrying out your exempt purposes, do you provide goods, services, or funds to individuals? If "Yes," describe each program that provides goods, services, or funds to individuals. Yes No
- b In carrying out your exempt purposes, do you provide goods, services, or funds to organizations? If "Yes," describe each program that provides goods, services, or funds to organizations. Yes No
- 2 Do any of your programs limit the provision of goods, services, or funds to a specific individual or group of specific individuals? For example, answer "Yes," if goods, services, or funds are provided only for a particular individual, your members, individuals who work for a particular employer, or graduates of a particular school. If "Yes," explain the limitation and how recipients are selected for each program. Yes No
- 3 Do any individuals who receive goods, services, or funds through your programs have a family or business relationship with any officer, director, trustee, or with any of your highest compensated employees or highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c? If "Yes," explain how these related individuals are eligible for goods, services, or funds. Yes No

Part VII Your History

The following "Yes" or "No" questions relate to your history. (See instructions.)

- 1 Are you a **successor** to another organization? Answer "Yes," if you have taken or will take over the activities of another organization; you took over 25% or more of the fair market value of the net assets of another organization; or you were established upon the conversion of an organization from for-profit to non-profit status. If "Yes," complete Schedule G. Yes No
- 2 Are you submitting this application more than 27 months after the end of the month in which you were legally formed? If "Yes," complete Schedule E. Yes No

Part VIII Your Specific Activities

The following "Yes" or "No" questions relate to specific activities that you may conduct. Check the appropriate box. Your answers should pertain to *past*, *present*, and *planned* activities. (See instructions.)

- 1 Do you support or oppose candidates in **political campaigns** in any way? If "Yes," explain. Yes No
- 2a Do you attempt to **influence legislation**? If "Yes," explain how you attempt to influence legislation and complete line 2b. If "No," go to line 3a. Yes No
- b Have you made or are you making an **election** to have your legislative activities measured by expenditures by filing Form 5768? If "Yes," attach a copy of the Form 5768 that was already filed or attach a completed Form 5768 that you are filing with this application. If "No," describe whether your attempts to influence legislation are a substantial part of your activities. Include the time and money spent on your attempts to influence legislation as compared to your total activities. Yes No
- 3a Do you or will you operate bingo or **gaming** activities? If "Yes," describe who conducts them, and list all revenue received or expected to be received and expenses paid or expected to be paid in operating these activities. **Revenue and expenses** should be provided for the time periods specified in Part IX, Financial Data. Yes No
- b Do you or will you enter into contracts or other agreements with individuals or organizations to conduct bingo or gaming for you? If "Yes," describe any written or oral arrangements that you made or intend to make, identify with whom you have or will have such arrangements, explain how the terms are or will be negotiated at arm's length, and explain how you determine or will determine you pay no more than fair market value or you will be paid at least fair market value. Attach copies or any written contracts or other agreements relating to such arrangements. Yes No
- c List the states and local jurisdictions, including Indian Reservations, in which you conduct or will conduct gaming or bingo.

Part VIII Your Specific Activities (Continued)

4a	Do you or will you undertake fundraising ? If "Yes," check all the fundraising programs you do or will conduct. (See instructions.)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<input type="checkbox"/> mail solicitations <input type="checkbox"/> email solicitations <input type="checkbox"/> personal solicitations <input type="checkbox"/> vehicle, boat, plane, or similar donations <input type="checkbox"/> foundation grant solicitations		<input type="checkbox"/> phone solicitations <input type="checkbox"/> accept donations on your website <input type="checkbox"/> receive donations from another organization's website <input type="checkbox"/> government grant solicitations <input type="checkbox"/> Other
	Attach a description of each fundraising program.		
b	Do you or will you have written or oral contracts with any individuals or organizations to raise funds for you? If "Yes," describe these activities. Include all revenue and expenses from these activities and state who conducts them. Revenue and expenses should be provided for the time periods specified in Part IX, Financial Data. Also, attach a copy of any contracts or agreements.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c	Do you or will you engage in fundraising activities for other organizations? If "Yes," describe these arrangements. Include a description of the organizations for which you raise funds and attach copies of all contracts or agreements.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
d	List all states and local jurisdictions in which you conduct fundraising. For each state or local jurisdiction listed, specify whether you fundraise for your own organization, you fundraise for another organization, or another organization fundraises for you.		
e	Do you or will you maintain separate accounts for any contributor under which the contributor has the right to advise on the use or distribution of funds? Answer "Yes" if the donor may provide advice on the types of investments, distributions from the types of investments, or the distribution from the donor's contribution account. If "Yes," describe this program, including the type of advice that may be provided and submit copies of any written materials provided to donors.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5	Are you affiliated with a governmental unit? If "Yes," explain.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6a	Do you or will you engage in economic development ? If "Yes," describe your program.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Describe in full who benefits from your economic development activities and how the activities promote exempt purposes.		
7a	Do or will persons other than your employees or volunteers develop your facilities? If "Yes," describe each facility, the role of the developer, and any business or family relationship(s) between the developer and your officers, directors, or trustees.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do or will persons other than your employees or volunteers manage your activities or facilities? If "Yes," describe each activity and facility, the role of the manager, and any business or family relationship(s) between the manager and your officers, directors, or trustees.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c	If there is a business or family relationship between any manager or developer and your officers, directors, or trustees, identify the individuals, explain the relationship, describe how contracts are negotiated at arm's length so that you pay no more than fair market value, and submit a copy of any contracts or other agreements.		
8	Do you or will you enter into joint ventures , including partnerships or limited liability companies treated as partnerships, in which you share profits and losses with partners other than section 501(c)(3) organizations? If "Yes," describe the activities of these joint ventures in which you participate.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
9a	Are you applying for exemption as a childcare organization under section 501(k)? If "Yes," answer lines 9b through 9d. If "No," go to line 10.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you provide child care so that parents or caretakers of children you care for can be gainfully employed (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k).	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c	Of the children for whom you provide child care, are 85% or more of them cared for by you to enable their parents or caretakers to be gainfully employed (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k).	<input type="checkbox"/> Yes	<input type="checkbox"/> No
d	Are your services available to the general public? If "No," describe the specific group of people for whom your activities are available. Also, see the instructions and explain how you qualify as a childcare organization described in section 501(k).	<input type="checkbox"/> Yes	<input type="checkbox"/> No
10	Do you or will you publish, own, or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other intellectual property ? If "Yes," explain. Describe who owns or will own any copyrights, patents, or trademarks, whether fees are or will be charged, how the fees are determined, and how any items are or will be produced, distributed, and marketed.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Part VIII Your Specific Activities (Continued)

- 11** Do you or will you accept contributions of: real property; conservation easements; closely held securities; intellectual property such as patents, trademarks, and copyrights; works of music or art; licenses; royalties; automobiles, boats, planes, or other vehicles; or collectibles of any type? If "Yes," describe each type of contribution, any conditions imposed by the donor on the contribution, and any agreements with the donor regarding the contribution. **Yes** **No**
-
- 12a** Do you or will you operate in a **foreign country or countries**? If "Yes," answer lines 12b through 12d. If "No," go to line 13a. **Yes** **No**
- b** Name the foreign countries and regions within the countries in which you operate.
- c** Describe your operations in each country and region in which you operate.
- d** Describe how your operations in each country and region further your exempt purposes.
-
- 13a** Do you or will you make grants, loans, or other distributions to organization(s)? If "Yes," answer lines 13b through 13g. If "No," go to line 14a. **Yes** **No**
- b** Describe how your grants, loans, or other distributions to organizations further your exempt purposes.
- c** Do you have written contracts with each of these organizations? If "Yes," attach a copy of each contract. **Yes** **No**
- d** Identify each recipient organization and any **relationship** between you and the recipient organization.
- e** Describe the records you keep with respect to the grants, loans, or other distributions you make.
- f** Describe your selection process, including whether you do any of the following:
- (i)** Do you require an application form? If "Yes," attach a copy of the form. **Yes** **No**
- (ii)** Do you require a grant proposal? If "Yes," describe whether the grant proposal specifies your responsibilities and those of the grantee, obligates the grantee to use the grant funds only for the purposes for which the grant was made, provides for periodic written reports concerning the use of grant funds, requires a final written report and an accounting of how grant funds were used, and acknowledges your authority to withhold and/or recover grant funds in case such funds are, or appear to be, misused. **Yes** **No**
- g** Describe your procedures for oversight of distributions that assure you the resources are used to further your exempt purposes, including whether you require periodic and final reports on the use of resources.
-
- 14a** Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," answer lines 14b through 14f. If "No," go to line 15. **Yes** **No**
- b** Provide the name of each foreign organization, the country and regions within a country in which each foreign organization operates, and describe any relationship you have with each foreign organization.
- c** Does any foreign organization listed in line 14b accept contributions earmarked for a specific country or specific organization? If "Yes," list all earmarked organizations or countries. **Yes** **No**
- d** Do your contributors know that you have ultimate authority to use contributions made to you at your discretion for purposes consistent with your exempt purposes? If "Yes," describe how you relay this information to contributors. **Yes** **No**
- e** Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. **Yes** **No**
- f** Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including site visits by your employees or compliance checks by impartial experts, to verify that grant funds are being used appropriately. **Yes** **No**

Part VIII Your Specific Activities (Continued)

- 15** Do you have a **close connection** with any organizations? If "Yes," explain. **Yes** **No**
- 16** Are you applying for exemption as a **cooperative hospital service organization** under section 501(e)? If "Yes," explain. **Yes** **No**
- 17** Are you applying for exemption as a **cooperative service organization of operating educational organizations** under section 501(f)? If "Yes," explain. **Yes** **No**
- 18** Are you applying for exemption as a **charitable risk pool** under section 501(n)? If "Yes," explain. **Yes** **No**
- 19** Do you or will you operate a **school**? If "Yes," complete Schedule B. Answer "Yes," whether you operate a school as your main function or as a secondary activity. **Yes** **No**
- 20** Is your main function to provide **hospital or medical care**? If "Yes," complete Schedule C. **Yes** **No**
- 21** Do you or will you provide **low-income housing** or housing for the **elderly** or **handicapped**? If "Yes," complete Schedule F. **Yes** **No**
- 22** Do you or will you provide scholarships, fellowships, educational loans, or other educational grants to individuals, including grants for travel, study, or other similar purposes? If "Yes," complete Schedule H. **Yes** **No**

Note: Private foundations may use Schedule H to request advance approval of individual grant procedures.

Part IX Financial Data

For purposes of this schedule, years in existence refer to completed tax years. If in existence 4 or more years, complete the schedule for the most recent 4 tax years. If in existence more than 1 year but less than 4 years, complete the statements for each year in existence and provide projections of your likely revenues and expenses based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. If in existence less than 1 year, provide projections of your likely revenues and expenses for the current year and the 2 following years, based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. (See instructions.)

A. Statement of Revenues and Expenses

	Type of revenue or expense	3 prior tax years or 2 succeeding tax years				(e) Provide Total for (a) through (d)
		(a) From..... To	(b) From..... To	(c) From..... To	(d) From..... To	
Revenues	1 Gifts, grants, and contributions received (do not include unusual grants)					
	2 Membership fees received					
	3 Gross investment income					
	4 Net unrelated business income					
	5 Taxes levied for your benefit					
	6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)					
	7 Any revenue not otherwise listed above or in lines 9-12 below (attach an itemized list)					
	8 Total of lines 1 through 7					
	9 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list)					
	10 Total of lines 8 and 9					
	11 Net gain or loss on sale of capital assets (attach schedule and see instructions)					
	12 Unusual grants					
	13 Total Revenue Add lines 10 through 12					
Expenses	14 Fundraising expenses					
	15 Contributions, gifts, grants, and similar amounts paid out (attach an itemized list)					
	16 Disbursements to or for the benefit of members (attach an itemized list)					
	17 Compensation of officers, directors, and trustees					
	18 Other salaries and wages					
	19 Interest expense					
	20 Occupancy (rent, utilities, etc.)					
	21 Depreciation and depletion					
	22 Professional fees					
	23 Any expense not otherwise classified, such as program services (attach itemized list)					
	24 Total Expenses Add lines 14 through 23					

Part IX Financial Data (Continued)

B. Balance Sheet (for your most recently completed tax year)

		Year End:
		(Whole dollars)
Assets		
1	Cash	1
2	Accounts receivable, net	2
3	Inventories	3
4	Bonds and notes receivable (attach an itemized list)	4
5	Corporate stocks (attach an itemized list)	5
6	Loans receivable (attach an itemized list)	6
7	Other investments (attach an itemized list)	7
8	Depreciable and depletable assets (attach an itemized list)	8
9	Land	9
10	Other assets (attach an itemized list)	10
11	Total Assets (add lines 1 through 10)	11
Liabilities		
12	Accounts payable	12
13	Contributions, gifts, grants, etc. payable	13
14	Mortgages and notes payable (attach an itemized list)	14
15	Other liabilities (attach an itemized list)	15
16	Total Liabilities (add lines 12 through 15)	16
Fund Balances or Net Assets		
17	Total fund balances or net assets	17
18	Total Liabilities and Fund Balances or Net Assets (add lines 16 and 17)	18
19	Have there been any substantial changes in your assets or liabilities since the end of the period shown above? If "Yes," explain.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Part X Public Charity Status

Part X is designed to classify you as an organization that is either a **private foundation** or a **public charity**. Public charity status is a more favorable tax status than private foundation status. If you are a private foundation, Part X is designed to further determine whether you are a **private operating foundation**. (See instructions.)

- 1a** Are you a private foundation? If "Yes," go to line 1b. If "No," go to line 5 and proceed as instructed. Yes No
If you are unsure, see the instructions.
- b** As a private foundation, section 508(e) requires special provisions in your organizing document in addition to those that apply to all organizations described in section 501(c)(3). Check the box to confirm that your organizing document meets this requirement, whether by express provision or by reliance on operation of state law. Attach a statement that describes specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document or by operation of state law. See the instructions, including Appendix B, for information about the special provisions that need to be contained in your organizing document. Go to line 2.
- 2** Are you a private operating foundation? To be a private operating foundation you must engage directly in the active conduct of charitable, religious, educational, and similar activities, as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations. If "Yes," go to line 3. If "No," go to the signature section of Part XI. Yes No
- 3** Have you existed for one or more years? If "Yes," attach financial information showing that you are a private operating foundation; go to the signature section of Part XI. If "No," continue to line 4. Yes No
- 4** Have you attached either (1) an affidavit or opinion of counsel, (including a written affidavit or opinion from a certified public accountant or accounting firm with expertise regarding this tax law matter), that sets forth facts concerning your operations and support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation; or (2) a statement describing your proposed operations as a private operating foundation? Yes No
- 5** If you answered "No" to line 1a, indicate the type of public charity status you are requesting by checking one of the choices below. You may check only one box.
The organization is not a private foundation because it is:
- a** 509(a)(1) and 170(b)(1)(A)(i)—a church or a convention or association of churches. Complete and attach Schedule A.
- b** 509(a)(1) and 170(b)(1)(A)(ii)—a school. Complete and attach Schedule B.
- c** 509(a)(1) and 170(b)(1)(A)(iii)—a hospital, a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital. Complete and attach Schedule C.
- d** 509(a)(3)—an organization supporting either one or more organizations described in line 5a through c, f, g, or h or a publicly supported section 501(c)(4), (5), or (6) organization. Complete and attach Schedule D.

Part X Public Charity Status (Continued)

- e 509(a)(4)—an organization organized and operated exclusively for testing for public safety.
- f 509(a)(1) and 170(b)(1)(A)(iv)—an organization operated for the benefit of a college or university that is owned or operated by a governmental unit.
- g 509(a)(1) and 170(b)(1)(A)(vi)—an organization that receives a substantial part of its financial support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public.
- h 509(a)(2)—an organization that normally receives not more than one-third of its financial support from gross investment income and receives more than one-third of its financial support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions).
- i A publicly supported organization, but unsure if it is described in 5g or 5h. The organization would like the IRS to decide the correct status.

6 If you checked box g, h, or i in question 5 above, you must request either an **advance** or a **definitive ruling** by selecting one of the boxes below. Refer to the instructions to determine which type of ruling you are eligible to receive.

a Request for Advance Ruling: By checking this box and signing the consent, pursuant to section 6501(c)(4) of the Code you request an advance ruling and agree to extend the statute of limitations on the assessment of excise tax under section 4940 of the Code. The tax will apply only if you do not establish public support status at the end of the 5-year advance ruling period. The assessment period will be extended for the 5 advance ruling years to 8 years, 4 months, and 15 days beyond the end of the first year. You have the right to refuse or limit the extension to a mutually agreed-upon period of time or issue(s). Publication 1035, *Extending the Tax Assessment Period*, provides a more detailed explanation of your rights and the consequences of the choices you make. You may obtain Publication 1035 free of charge from the IRS web site at www.irs.gov or by calling toll-free 1-800-829-3676. Signing this consent will not deprive you of any appeal rights to which you would otherwise be entitled. If you decide not to extend the statute of limitations, you are not eligible for an advance ruling.

Consent Fixing Period of Limitations Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code

For Organization

.....
 (Signature of Officer, Director, Trustee, or other authorized official)

.....
 (Type or print name of signer)

.....
 (Date)

.....
 (Type or print title or authority of signer)

For IRS Use Only

.....
 IRS Director, Exempt Organizations

.....
 (Date)

- b Request for Definitive Ruling:** Check this box if you have completed one tax year of at least 8 full months and you are requesting a definitive ruling. To confirm your public support status, answer line 6b(i) if you checked box g in line 5 above. Answer line 6b(ii) if you checked box h in line 5 above. If you checked box i in line 5 above, answer both lines 6b(i) and (ii).
- (i) (a) Enter 2% of line 8, column (e) on Part IX-A. Statement of Revenues and Expenses. _____
- (b) Attach a list showing the name and amount contributed by each person, company, or organization whose gifts totaled more than the 2% amount. If the answer is "None," check this box.
- (ii) (a) For each year amounts are included on lines 1, 2, and 9 of Part IX-A. Statement of Revenues and Expenses, attach a list showing the name of and amount received from each **disqualified person**. If the answer is "None," check this box.
- (b) For each year amounts are included on line 9 of Part IX-A. Statement of Revenues and Expenses, attach a list showing the name of and amount received from each payer, other than a disqualified person, whose payments were more than the larger of (1) 1% of line 10, Part IX-A. Statement of Revenues and Expenses, or (2) \$5,000. If the answer is "None," check this box.

7 Did you receive any unusual grants during any of the years shown on Part IX-A. Statement of Revenues and Expenses? If "Yes," attach a list including the name of the contributor, the date and amount of the grant, a brief description of the grant, and explain why it is unusual. **Yes** **No**

Part XI User Fee Information

You must include a user fee payment with this application. It will not be processed without your paid user fee. If your average annual gross receipts have exceeded or will exceed \$10,000 annually over a 4-year period, you must submit payment of \$850. If your gross receipts have not exceeded or will not exceed \$10,000 annually over a 4-year period, the required user fee payment is \$400. See instructions for Part XI, for a definition of **gross receipts** over a 4-year period. Your check or money order must be made payable to the United States Treasury. User fees are subject to change. Check our website at www.irs.gov and type "User Fee" in the keyword box, or call Customer Account Services at 1-877-829-5500 for current information.

- 1 Have your annual gross receipts averaged or are they expected to average not more than \$10,000? Yes No
 If "Yes," check the box on line 2 and enclose a user fee payment of \$400 (Subject to change—see above).
 If "No," check the box on line 3 and enclose a user fee payment of \$850 (Subject to change—see above).
- 2 Check the box if you have enclosed the reduced user fee payment of \$400 (Subject to change).
- 3 Check the box if you have enclosed the user fee payment of \$850 (Subject to change).

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here

(Signature of Officer, Director, Trustee, or other authorized official)	(Type or print name of signer)	(Date)
(Type or print title or authority of signer)		

Reminder: Send the completed Form 1023 Checklist with your filled-in-application. Form **1023** (Rev. 12-2013)

Schedule A. Churches

1a	Do you have a written creed, statement of faith, or summary of beliefs? If "Yes," attach copies of relevant documents.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you have a form of worship? If "Yes," describe your form of worship.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2a	Do you have a formal code of doctrine and discipline? If "Yes," describe your code of doctrine and discipline.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you have a distinct religious history? If "Yes," describe your religious history.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c	Do you have a literature of your own? If "Yes," describe your literature.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3	Describe the organization's religious hierarchy or ecclesiastical government.		
4a	Do you have regularly scheduled religious services? If "Yes," describe the nature of the services and provide representative copies of relevant literature such as church bulletins.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	What is the average attendance at your regularly scheduled religious services?		
5a	Do you have an established place of worship? If "Yes," refer to the instructions for the information required.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you own the property where you have an established place of worship?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6	Do you have an established congregation or other regular membership group? If "No," refer to the instructions.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
7	How many members do you have?		
8a	Do you have a process by which an individual becomes a member? If "Yes," describe the process and complete lines 8b-8d, below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	If you have members, do your members have voting rights, rights to participate in religious functions, or other rights? If "Yes," describe the rights your members have.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c	May your members be associated with another denomination or church?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
d	Are all of your members part of the same family?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
9	Do you conduct baptisms, weddings, funerals, etc.?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
10	Do you have a school for the religious instruction of the young?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
11a	Do you have a minister or religious leader? If "Yes," describe this person's role and explain whether the minister or religious leader was ordained, commissioned, or licensed after a prescribed course of study.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you have schools for the preparation of your ordained ministers or religious leaders?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
12	Is your minister or religious leader also one of your officers, directors, or trustees?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
13	Do you ordain, commission, or license ministers or religious leaders? If "Yes," describe the requirements for ordination, commission, or licensure.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
14	Are you part of a group of churches with similar beliefs and structures? If "Yes," explain. Include the name of the group of churches.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
15	Do you issue church charters? If "Yes," describe the requirements for issuing a charter.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
16	Did you pay a fee for a church charter? If "Yes," attach a copy of the charter.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
17	Do you have other information you believe should be considered regarding your status as a church? If "Yes," explain.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Schedule B. Schools, Colleges, and Universities

If you operate a school as an activity, complete Schedule B

Section I Operational Information

1a Do you normally have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on? If "No," do not complete the remainder of Schedule B. Yes No

b Is the primary function of your school the presentation of formal instruction? If "Yes," describe your school in terms of whether it is an elementary, secondary, college, technical, or other type of school. If "No," do not complete the remainder of Schedule B. Yes No

2a Are you a public school because you are operated by a state or subdivision of a state? If "Yes," explain how you are operated by a state or subdivision of a state. Do not complete the remainder of Schedule B. Yes No

b Are you a public school because you are operated wholly or predominantly from government funds or property? If "Yes," explain how you are operated wholly or predominantly from government funds or property. Submit a copy of your funding agreement regarding government funding. Do not complete the remainder of Schedule B. Yes No

3 In what public school district, county, and state are you located?

4 Were you formed or substantially expanded at the time of public school desegregation in the above school district or county? Yes No

5 Has a state or federal administrative agency or judicial body ever determined that you are racially discriminatory? If "Yes," explain. Yes No

6 Has your right to receive financial aid or assistance from a governmental agency ever been revoked or suspended? If "Yes," explain. Yes No

7 Do you or will you contract with another organization to develop, build, market, or finance your facilities? If "Yes," explain how that entity is selected, explain how the terms of any contracts or other agreements are negotiated at arm's length, and explain how you determine that you will pay no more than fair market value for services. Yes No

Note. Make sure your answer is consistent with the information provided in Part VIII, line 7a.

8 Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. Yes No

Note. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.

Section II Establishment of Racially Nondiscriminatory PolicyInformation required by **Revenue Procedure 75-50.**

1 Have you adopted a racially nondiscriminatory policy as to students in your organizing document, bylaws, or by resolution of your governing body? If "Yes," state where the policy can be found or supply a copy of the policy. If "No," you must adopt a nondiscriminatory policy as to students before submitting this application. See Publication 557. Yes No

2 Do your brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and scholarships contain a statement of your racially nondiscriminatory policy? Yes No

a If "Yes," attach a representative sample of each document.

b If "No," by checking the box to the right you agree that all future printed materials, including website content, will contain the required nondiscriminatory policy statement.

3 Have you published a notice of your nondiscriminatory policy in a newspaper of general circulation that serves all racial segments of the community? (See the instructions for specific requirements.) If "No," explain. Yes No

4 Does or will the organization (or any department or division within it) discriminate in any way on the basis of race with respect to admissions; use of facilities or exercise of student privileges; faculty or administrative staff; or scholarship or loan programs? If "Yes," for any of the above, explain fully. Yes No

Schedule B. Schools, Colleges, and Universities (Continued)

5 Complete the table below to show the racial composition for the current academic year and projected for the next academic year, of: (a) the student body, (b) the faculty, and (c) the administrative staff. Provide actual numbers rather than percentages for each racial category.

If you are not operational, submit an estimate based on the best information available (such as the racial composition of the community served).

Racial Category	(a) Student Body		(b) Faculty		(c) Administrative Staff	
	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year
Total						

6 In the table below, provide the number and amount of loans and scholarships awarded to students enrolled by racial categories.

Racial Category	Number of Loans		Amount of Loans		Number of Scholarships		Amount of Scholarships	
	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year
Total								

7a Attach a list of your incorporators, founders, board members, and donors of land or buildings, whether individuals or organizations.

b Do any of these individuals or organizations have an objective to maintain segregated public or private school education? If "Yes," explain. Yes No

8 Will you maintain records according to the non-discrimination provisions contained in Revenue Procedure 75-50? If "No," explain. (See Instructions.) Yes No

Schedule C. Hospitals and Medical Research Organizations

Check the box if you are a **hospital**. See the instructions for a definition of the term "hospital," which includes an organization whose principal purpose or function is providing **hospital or medical care**. Complete Section I below.

Check the box if you are a **medical research organization** operated in conjunction with a hospital. See the instructions for a definition of the term "medical research organization," which refers to an organization whose principal purpose or function is medical research and which is directly engaged in the continuous active conduct of medical research in conjunction with a hospital. Complete Section II.

Section I Hospitals

1a Are all the doctors in the community eligible for staff privileges? If "No," give the reasons why and explain how the medical staff is selected.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2a Do you or will you provide medical services to all individuals in your community who can pay for themselves or have private health insurance? If "No," explain.	<input type="checkbox"/> Yes <input type="checkbox"/> No
b Do you or will you provide medical services to all individuals in your community who participate in Medicare? If "No," explain.	<input type="checkbox"/> Yes <input type="checkbox"/> No
c Do you or will you provide medical services to all individuals in your community who participate in Medicaid? If "No," explain.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3a Do you or will you require persons covered by Medicare or Medicaid to pay a deposit before receiving services? If "Yes," explain.	<input type="checkbox"/> Yes <input type="checkbox"/> No
b Does the same deposit requirement, if any, apply to all other patients? If "No," explain.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a Do you or will you maintain a full-time emergency room? If "No," explain why you do not maintain a full-time emergency room. Also, describe any emergency services that you provide.	<input type="checkbox"/> Yes <input type="checkbox"/> No
b Do you have a policy on providing emergency services to persons without apparent means to pay? If "Yes," provide a copy of the policy.	<input type="checkbox"/> Yes <input type="checkbox"/> No
c Do you have any arrangements with police, fire, and voluntary ambulance services for the delivery or admission of emergency cases? If "Yes," describe the arrangements, including whether they are written or oral agreements. If written, submit copies of all such agreements.	<input type="checkbox"/> Yes <input type="checkbox"/> No
5a Do you provide for a portion of your services and facilities to be used for charity patients? If "Yes," answer 5b through 5e.	<input type="checkbox"/> Yes <input type="checkbox"/> No
b Explain your policy regarding charity cases, including how you distinguish between charity care and bad debts. Submit a copy of your written policy.	
c Provide data on your past experience in admitting charity patients, including amounts you expend for treating charity care patients and types of services you provide to charity care patients.	
d Describe any arrangements you have with federal, state, or local governments or government agencies for paying for the cost of treating charity care patients. Submit copies of any written agreements.	
e Do you provide services on a sliding fee schedule depending on financial ability to pay? If "Yes," submit your sliding fee schedule.	<input type="checkbox"/> Yes <input type="checkbox"/> No
6a Do you or will you carry on a formal program of medical training or medical research? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliations with other hospitals or medical care providers with which you carry on the medical training or research programs.	<input type="checkbox"/> Yes <input type="checkbox"/> No
b Do you or will you carry on a formal program of community education? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliation with other hospitals or medical care providers with which you offer community education programs.	<input type="checkbox"/> Yes <input type="checkbox"/> No
7 Do you or will you provide office space to physicians carrying on their own medical practices? If "Yes," describe the criteria for who may use the space, explain the means used to determine that you are paid at least fair market value, and submit representative lease agreements.	<input type="checkbox"/> Yes <input type="checkbox"/> No
8 Is your board of directors comprised of a majority of individuals who are representative of the community you serve? Include a list of each board member's name and business, financial, or professional relationship with the hospital. Also, identify each board member who is representative of the community and describe how that individual is a community representative.	<input type="checkbox"/> Yes <input type="checkbox"/> No
9 Do you participate in any joint ventures? If "Yes," state your ownership percentage in each joint venture, list your investment in each joint venture, describe the tax status of other participants in each joint venture (including whether they are section 501(c)(3) organizations), describe the activities of each joint venture, describe how you exercise control over the activities of each joint venture, and describe how each joint venture furthers your exempt purposes. Also, submit copies of all agreements.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Note. Make sure your answer is consistent with the information provided in Part VIII, line 8.

Schedule C. Hospitals and Medical Research Organizations (Continued)**Section I Hospitals (Continued)**

- 10** Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. Yes No
- Note.** Answer "Yes" if you do manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.
- 11** Do you or will you offer recruitment incentives to physicians? If "Yes," describe your recruitment incentives and attach copies of all written recruitment incentive policies. Yes No
- 12** Do you or will you lease equipment, assets, or office space from physicians who have a financial or professional relationship with you? If "Yes," explain how you establish a fair market value for the lease. Yes No
- 13** Have you purchased medical practices, ambulatory surgery centers, or other business assets from physicians or other persons with whom you have a business relationship, aside from the purchase? If "Yes," submit a copy of each purchase and sales contract and describe how you arrived at fair market value, including copies of appraisals. Yes No
- 14** Have you adopted a **conflict of interest policy** consistent with the sample health care organization conflict of interest policy in Appendix A of the instructions? If "Yes," submit a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," explain how you will avoid any conflicts of interest in your business dealings. Yes No

Section II Medical Research Organizations

- 1** Name the hospitals with which you have a relationship and describe the relationship. Attach copies of written agreements with each hospital that demonstrate continuing relationships between you and the hospital(s).
- 2** Attach a schedule describing your present and proposed activities for the direct conduct of medical research; describe the nature of the activities, and the amount of money that has been or will be spent in carrying them out.
- 3** Attach a schedule of assets showing their fair market value and the portion of your assets directly devoted to medical research.

Schedule D. Section 509(a)(3) Supporting Organizations

Section I Identifying Information About the Supported Organization(s)

1 State the names, addresses, and EINs of the supported organizations. If additional space is needed, attach a separate sheet.

Name	Address	EIN
		-
		-

2 Are all supported organizations listed in line 1 public charities under section 509(a)(1) or (2)? If "Yes," go to Section II. If "No," go to line 3. Yes No

3 Do the supported organizations have tax-exempt status under section 501(c)(4), 501(c)(5), or 501(c)(6)? Yes No

If "Yes," for each 501(c)(4), (5), or (6) organization supported, provide the following financial information:

- Part IX-A. Statement of Revenues and Expenses, lines 1-13 and
- Part X, lines 6b(i)(a), 6b(i)(b), and 7.

If "No," attach a statement describing how each organization you support is a public charity under section 509(a)(1) or (2).

Section II Relationship with Supported Organization(s)—Three Tests

To be classified as a supporting organization, an organization must meet one of three relationship tests:

- Test 1: "Operated, supervised, or controlled by" one or more publicly supported organizations, or
- Test 2: "Supervised or controlled in connection with" one or more publicly supported organizations, or
- Test 3: "Operated in connection with" one or more publicly supported organizations.

1 Information to establish the "operated, supervised, or controlled by" relationship (Test 1)
Is a majority of your governing board or officers elected or appointed by the supported organization(s)? If "Yes," describe the process by which your governing board is appointed and elected; go to Section III. If "No," continue to line 2. Yes No

2 Information to establish the "supervised or controlled in connection with" relationship (Test 2)
Does a majority of your governing board consist of individuals who also serve on the governing board of the supported organization(s)? If "Yes," describe the process by which your governing board is appointed and elected; go to Section III. If "No," go to line 3. Yes No

3 Information to establish the "operated in connection with" responsiveness test (Test 3)
Are you a trust from which the named supported organization(s) can enforce and compel an accounting under state law? If "Yes," explain whether you advised the supported organization(s) in writing of these rights and provide a copy of the written communication documenting this; go to Section II, line 5. If "No," go to line 4a. Yes No

4 Information to establish the alternative "operated in connection with" responsiveness test (Test 3)
a Do the officers, directors, trustees, or members of the supported organization(s) elect or appoint one or more of your officers, directors, or trustees? If "Yes," explain and provide documentation; go to line 4d, below. If "No," go to line 4b. Yes No

b Do one or more members of the governing body of the supported organization(s) also serve as your officers, directors, or trustees or hold other important offices with respect to you? If "Yes," explain and provide documentation; go to line 4d, below. If "No," go to line 4c. Yes No

c Do your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization(s)? If "Yes," explain and provide documentation. Yes No

d Do the supported organization(s) have a significant voice in your investment policies, in the making and timing of grants, and in otherwise directing the use of your income or assets? If "Yes," explain and provide documentation. Yes No

e Describe and provide copies of written communications documenting how you made the supported organization(s) aware of your supporting activities.

Schedule D. Section 509(a)(3) Supporting Organizations (Continued)**Section II Relationship with Supported Organization(s)—Three Tests (Continued)**

- 5** Information to establish the "operated in connection with" integral part test (Test 3)
Do you conduct activities that would otherwise be carried out by the supported organization(s)? If "Yes," explain and go to Section III. If "No," continue to line 6a. Yes No
- 6** Information to establish the alternative "operated in connection with" integral part test (Test 3)
a Do you distribute at least 85% of your annual **net income** to the supported organization(s)? If "Yes," go to line 6b. (See instructions.) Yes No
If "No," state the percentage of your income that you distribute to each supported organization. Also explain how you ensure that the supported organization(s) are attentive to your operations.
b How much do you contribute annually to each supported organization? Attach a schedule.
c What is the total annual revenue of each supported organization? If you need additional space, attach a list.
d Do you or the supported organization(s) **earmark** your funds for support of a particular program or activity? If "Yes," explain. Yes No
- 7a** Does your organizing document specify the supported organization(s) by name? If "Yes," state the article and paragraph number and go to Section III. If "No," answer line 7b. Yes No
b Attach a statement describing whether there has been an historic and continuing relationship between you and the supported organization(s).

Section III Organizational Test

- 1a** If you met relationship Test 1 or Test 2 in Section II, your organizing document must specify the supported organization(s) by name, or by naming a similar purpose or charitable class of beneficiaries. If your organizing document complies with this requirement, answer "Yes." If your organizing document does not comply with this requirement, answer "No," and see the instructions. Yes No
- b** If you met relationship Test 3 in Section II, your organizing document must generally specify the supported organization(s) by name. If your organizing document complies with this requirement, answer "Yes," and go to Section IV. If your organizing document does not comply with this requirement, answer "No," and see the instructions. Yes No

Section IV Disqualified Person Test

You do not qualify as a supporting organization if you are **controlled** directly or indirectly by one or more **disqualified persons** (as defined in section 4946) other than **foundation managers** or one or more organizations that you support. Foundation managers who are also disqualified persons for another reason are disqualified persons with respect to you.

- 1a** Do any persons who are disqualified persons with respect to you, (except individuals who are disqualified persons only because they are foundation managers), appoint any of your foundation managers? If "Yes," (1) describe the process by which disqualified persons appoint any of your foundation managers, (2) provide the names of these disqualified persons and the foundation managers they appoint, and (3) explain how control is vested over your operations (including assets and activities) by persons other than disqualified persons. Yes No
- b** Do any persons who have a family or business relationship with any disqualified persons with respect to you, (except individuals who are disqualified persons only because they are foundation managers), appoint any of your foundation managers? If "Yes," (1) describe the process by which individuals with a family or business relationship with disqualified persons appoint any of your foundation managers, (2) provide the names of these disqualified persons, the individuals with a family or business relationship with disqualified persons, and the foundation managers appointed, and (3) explain how control is vested over your operations (including assets and activities) in individuals other than disqualified persons. Yes No
- c** Do any persons who are disqualified persons, (except individuals who are disqualified persons only because they are foundation managers), have any influence regarding your operations, including your assets or activities? If "Yes," (1) provide the names of these disqualified persons, (2) explain how influence is exerted over your operations (including assets and activities), and (3) explain how control is vested over your operations (including assets and activities) by individuals other than disqualified persons. Yes No

Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation

Schedule E is intended to determine whether you are eligible for tax exemption under section 501(c)(3) from the postmark date of your application or from your date of incorporation or formation, whichever is earlier. If you are not eligible for tax exemption under section 501(c)(3) from your date of incorporation or formation, Schedule E is also intended to determine whether you are eligible for tax exemption under section 501(c)(4) for the period between your date of incorporation or formation and the postmark date of your application.

- 1** Are you a church, association of churches, or integrated auxiliary of a church? If "Yes," complete Schedule A and stop here. Do not complete the remainder of Schedule E. Yes No
-
- 2a** Are you a public charity with annual **gross receipts** that are normally \$5,000 or less? If "Yes," stop here. Answer "No" if you are a private foundation, regardless of your gross receipts. Yes No
- b** If your gross receipts were normally more than \$5,000, are you filing this application within 90 days from the end of the tax year in which your gross receipts were normally more than \$5,000? If "Yes," stop here. Yes No
-
- 3a** Were you included as a subordinate in a group exemption application or letter? If "No," go to line 4. Yes No
- b** If you were included as a subordinate in a group exemption letter, are you filing this application within 27 months from the date you were notified by the organization holding the group exemption letter or the Internal Revenue Service that you cease to be covered by the group exemption letter? If "Yes," stop here. Yes No
- c** If you were included as a subordinate in a timely filed group exemption request that was denied, are you filing this application within 27 months from the postmark date of the Internal Revenue Service final adverse ruling letter? If "Yes," stop here. Yes No
-
- 4** Were you created on or before October 9, 1969? If "Yes," stop here. Do not complete the remainder of this schedule. Yes No
-
- 5** If you answered "No" to lines 1 through 4, we cannot recognize you as tax exempt from your date of formation unless you qualify for an extension of time to apply for exemption. Do you wish to request an extension of time to apply to be recognized as exempt from the date you were formed? If "Yes," attach a statement explaining why you did not file this application within the 27-month period. Do not answer lines 6, 7, or 8. If "No," go to line 6a. Yes No
-
- 6a** If you answered "No" to line 5, you can only be exempt under section 501(c)(3) from the postmark date of this application. Therefore, do you want us to treat this application as a request for tax exemption from the postmark date? If "Yes," you are eligible for an advance ruling. Complete Part X, line 6a. If "No," you will be treated as a private foundation. Yes No
- Note.** Be sure your ruling eligibility agrees with your answer to Part X, line 6.
- b** Do you anticipate significant changes in your sources of support in the future? If "Yes," complete line 7 below. Yes No

Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation (Continued)

- 7 Complete this item only if you answered "Yes" to line 6b. Include projected revenue for the first two full years following the current tax year.

Type of Revenue	Projected revenue for 2 years following current tax year		
	(a) From To	(b) From To	(c) Total
1 Gifts, grants, and contributions received (do not include unusual grants)			
2 Membership fees received			
3 Gross investment income			
4 Net unrelated business income			
5 Taxes levied for your benefit			
6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)			
7 Any revenue not otherwise listed above or in lines 9–12 below (attach an itemized list)			
8 Total of lines 1 through 7			
9 Gross receipts from admissions, merchandise sold, or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list)			
10 Total of lines 8 and 9			
11 Net gain or loss on sale of capital assets (attach an itemized list)			
12 Unusual grants			
13 Total revenue. Add lines 10 through 12			

- 8 According to your answers, you are only eligible for tax exemption under section 501(c)(3) from the postmark date of your application. However, you may be eligible for tax exemption under section 501(c)(4) from your date of formation to the postmark date of the Form 1023. Tax exemption under section 501(c)(4) allows exemption from federal income tax, but generally not deductibility of contributions under Code section 170. Check the box at right if you want us to treat this as a request for exemption under 501(c)(4) from your date of formation to the postmark date. ▶

Attach a completed Page 1 of Form 1024, Application for Recognition of Exemption Under Section 501(a), to this application.

Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing**Section I General Information About Your Housing**

- 1 Describe the type of housing you provide.
-
- 2 Provide copies of any application forms you use for admission.
-
- 3 Explain how the public is made aware of your facility.
-
- 4a Provide a description of each facility.
- b What is the total number of residents each facility can accommodate?
- c What is your current number of residents in each facility?
- d Describe each facility in terms of whether residents rent or purchase housing from you.
-
- 5 Attach a sample copy of your residency or homeownership contract or agreement.
-
- 6 Do you participate in any joint ventures? If "Yes," state your ownership percentage in each joint venture, list your investment in each joint venture, describe the tax status of other participants in each joint venture (including whether they are section 501(c)(3) organizations), describe the activities of each joint venture, describe how you exercise control over the activities of each joint venture, and describe how each joint venture furthers your exempt purposes. Also, submit copies of all joint venture agreements. Yes No
- Note.** Make sure your answer is consistent with the information provided in Part VIII, line 8.
-
- 7 Do you or will you contract with another organization to develop, build, market, or finance your housing? If "Yes," explain how that entity is selected, explain how the terms of any contract(s) are negotiated at arm's length, and explain how you determine you will pay no more than fair market value for services. Yes No
- Note.** Make sure your answer is consistent with the information provided in Part VIII, line 7a.
-
- 8 Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. Yes No
- Note.** Answer "Yes" if you do manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.
-
- 9 Do you participate in any government housing programs? If "Yes," describe these programs. Yes No
-
- 10a Do you own the facility? If "No," describe any enforceable rights you possess to purchase the facility in the future; go to line 10c. If "Yes," answer line 10b. Yes No
- b How did you acquire the facility? For example, did you develop it yourself, purchase a project, etc. Attach all contracts, transfer agreements, or other documents connected with the acquisition of the facility.
- c Do you lease the facility or the land on which it is located? If "Yes," describe the parties to the lease(s) and provide copies of all leases. Yes No

Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing (Continued)**Section II Homes for the Elderly or Handicapped**

- 1a** Do you provide housing for the elderly? If "Yes," describe who qualifies for your housing in terms of age, infirmity, or other criteria and explain how you select persons for your housing. Yes No
- b** Do you provide housing for the handicapped? If "Yes," describe who qualifies for your housing in terms of disability, income levels, or other criteria and explain how you select persons for your housing. Yes No
-
- 2a** Do you charge an entrance or founder's fee? If "Yes," describe what this charge covers, whether it is a one-time fee, how the fee is determined, whether it is payable in a lump sum or on an installment basis, whether it is refundable, and the circumstances, if any, under which it may be waived. Yes No
- b** Do you charge periodic fees or maintenance charges? If "Yes," describe what these charges cover and how they are determined. Yes No
- c** Is your housing affordable to a significant segment of the elderly or handicapped persons in the community? Identify your **community**. Also, if "Yes," explain how you determine your housing is affordable. Yes No
-
- 3a** Do you have an established policy concerning residents who become unable to pay their regular charges? If "Yes," describe your established policy. Yes No
- b** Do you have any arrangements with government welfare agencies or others to absorb all or part of the cost of maintaining residents who become unable to pay their regular charges? If "Yes," describe these arrangements. Yes No
-
- 4** Do you have arrangements for the healthcare needs of your residents? If "Yes," describe these arrangements. Yes No
-
- 5** Are your facilities designed to meet the physical, emotional, recreational, social, religious, and/or other similar needs of the elderly or handicapped? If "Yes," describe these design features. Yes No

Section III Low-Income Housing

- 1** Do you provide low-income housing? If "Yes," describe who qualifies for your housing in terms of income levels or other criteria, and describe how you select persons for your housing. Yes No
-
- 2** In addition to rent or mortgage payments, do residents pay periodic fees or maintenance charges? If "Yes," describe what these charges cover and how they are determined. Yes No
-
- 3a** Is your housing affordable to low income residents? If "Yes," describe how your housing is made affordable to low-income residents. Yes No
- Note.** Revenue Procedure 96-32, 1996-1 C.B. 717, provides guidelines for providing low-income housing that will be treated as charitable. (At least 75% of the units are occupied by low-income tenants or 40% are occupied by tenants earning not more than 120% of the very low-income levels for the area.)
- b** Do you impose any restrictions to make sure that your housing remains affordable to low-income residents? If "Yes," describe these restrictions. Yes No
-
- 4** Do you provide social services to residents? If "Yes," describe these services. Yes No

Schedule G. Successors to Other Organizations

1a Are you a **successor** to a **for-profit organization**? If "Yes," explain the relationship with the **predecessor** organization that resulted in your creation and complete line 1b. **Yes** **No**

b Explain why you took over the activities or assets of a for-profit organization or converted from for-profit to nonprofit status.

2a Are you a successor to an organization other than a for-profit organization? Answer "Yes" if you have taken or will take over the activities of another organization; or you have taken or will take over 25% or more of the fair market value of the net assets of another organization. If "Yes," explain the relationship with the other organization that resulted in your creation. **Yes** **No**

b Provide the tax status of the predecessor organization.

c Did you or did an organization to which you are a successor previously apply for tax exemption under section 501(c)(3) or any other section of the Code? If "Yes," explain how the application was resolved. **Yes** **No**

d Was your prior tax exemption or the tax exemption of an organization to which you are a successor revoked or suspended? If "Yes," explain. Include a description of the corrections you made to re-establish tax exemption. **Yes** **No**

e Explain why you took over the activities or assets of another organization.

3 Provide the name, last address, and EIN of the predecessor organization and describe its activities.

Name: _____ **EIN:** -

Address: _____

4 List the owners, partners, principal stockholders, officers, and governing board members of the predecessor organization. Attach a separate sheet if additional space is needed.

Name	Address	Share/Interest (If a for-profit)

5 Do or will any of the persons listed in line 4, maintain a working relationship with you? If "Yes," describe the relationship in detail and include copies of any agreements with any of these persons or with any for-profit organizations in which these persons own more than a 35% interest. **Yes** **No**

6a Were any assets transferred, whether by gift or sale, from the predecessor organization to you? If "Yes," provide a list of assets, indicate the value of each asset, explain how the value was determined, and attach an appraisal, if available. For each asset listed, also explain if the transfer was by gift, sale, or combination thereof. **Yes** **No**

b Were any restrictions placed on the use or sale of the assets? If "Yes," explain the restrictions. **Yes** **No**

c Provide a copy of the agreement(s) of sale or transfer.

7 Were any debts or liabilities transferred from the predecessor for-profit organization to you? If "Yes," provide a list of the debts or liabilities that were transferred to you, indicating the amount of each, how the amount was determined, and the name of the person to whom the debt or liability is owed. **Yes** **No**

8 Will you lease or rent any property or equipment previously owned or used by the predecessor for-profit organization, or from persons listed in line 4, or from for-profit organizations in which these persons own more than a 35% interest? If "Yes," submit a copy of the lease or rental agreement(s). Indicate how the lease or rental value of the property or equipment was determined. **Yes** **No**

9 Will you lease or rent property or equipment to persons listed in line 4, or to for-profit organizations in which these persons own more than a 35% interest? If "Yes," attach a list of the property or equipment, provide a copy of the lease or rental agreement(s), and indicate how the lease or rental value of the property or equipment was determined. **Yes** **No**

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures**Section I** *Names of individual recipients are not required to be listed in Schedule H. Public charities and private foundations complete lines 1a through 7 of this section. See the instructions to Part X if you are not sure whether you are a public charity or a private foundation.*

- 1a** Describe the types of educational grants you provide to individuals, such as scholarships, fellowships, loans, etc.
- b** Describe the purpose and amount of your scholarships, fellowships, and other educational grants and loans that you award.
- c** If you award educational loans, explain the terms of the loans (interest rate, length, forgiveness, etc.).
- d** Specify how your program is publicized.
- e** Provide copies of any solicitation or announcement materials.
- f** Provide a sample copy of the application used.
- 2** Do you maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you? If "No," refer to the instructions. Yes No
- 3** Describe the specific criteria you use to determine who is eligible for your program. (For example, eligibility selection criteria could consist of graduating high school students from a particular high school who will attend college, writers of scholarly works about American history, etc.)
- 4a** Describe the specific criteria you use to select recipients. (For example, specific selection criteria could consist of prior academic performance, financial need, etc.)
- b** Describe how you determine the number of grants that will be made annually.
- c** Describe how you determine the amount of each of your grants.
- d** Describe any requirement or condition that you impose on recipients to obtain, maintain, or qualify for renewal of a grant. (For example, specific requirements or conditions could consist of attendance at a four-year college, maintaining a certain grade point average, teaching in public school after graduation from college, etc.)
- 5** Describe your procedures for supervising the scholarships, fellowships, educational loans, or other educational grants. Describe whether you obtain reports and grade transcripts from recipients, or you pay grants directly to a school under an arrangement whereby the school will apply the grant funds only for enrolled students who are in good standing. Also, describe your procedures for taking action if the terms of the award are violated.
- 6** Who is on the selection committee for the awards made under your program, including names of current committee members, criteria for committee membership, and the method of replacing committee members?
- 7** Are relatives of members of the selection committee, or of your officers, directors, or **substantial contributors** eligible for awards made under your program? If "Yes," what measures are taken to ensure unbiased selections? Yes No
- Note.** If you are a private foundation, you are not permitted to provide educational grants to **disqualified persons**. Disqualified persons include your substantial contributors and foundation managers and certain family members of disqualified persons.

Section II *Private foundations complete lines 1a through 4f of this section. Public charities do not complete this section.*

- 1a** If we determine that you are a private foundation, do you want this application to be considered as a request for advance approval of grant making procedures? Yes No N/A
- b** For which section(s) do you wish to be considered?
- 4945(g)(1)—Scholarship or fellowship grant to an individual for study at an educational institution
 - 4945(g)(3)—Other grants, including loans, to an individual for travel, study, or other similar purposes, to enhance a particular skill of the grantee or to produce a specific product
- 2** Do you represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring? Yes No
- 3** Do you represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants described in line 2? Yes No

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures
(Continued)

Section II Private foundations complete lines 1a through 4f of this section. Public charities do not complete this section. (Continued)

- 4a** Do you or will you award scholarships, fellowships, and educational loans to attend an educational institution based on the status of an individual being an *employee of a particular employer*? If "Yes," complete lines 4b through 4f. Yes No
- b** Will you comply with the seven conditions and either the percentage tests or facts and circumstances test for scholarships, fellowships, and educational loans to attend an educational institution as set forth in Revenue Procedures 76-47, 1976-2 C.B. 670, and 80-39, 1980-2 C.B. 772, which apply to inducement, selection committee, eligibility requirements, objective basis of selection, employment, course of study, and other objectives? (See lines 4c, 4d, and 4e, regarding the percentage tests.) Yes No
- c** Do you or will you provide scholarships, fellowships, or educational loans to attend an educational institution to employees of a particular employer? Yes No N/A
If "Yes," will you award grants to 10% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? Yes No
- d** Do you provide scholarships, fellowships, or educational loans to attend an educational institution to children of employees of a particular employer? Yes No N/A
If "Yes," will you award grants to 25% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? If "No," go to line 4e. Yes No
- e** If you provide scholarships, fellowships, or educational loans to attend an educational institution to children of employees of a particular employer, will you award grants to 10% or fewer of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year, as provided by Revenue Procedures 76-47 and 80-39? Yes No N/A
If "Yes," describe how you will determine who can be shown to be eligible for grants without submitting an application, such as by obtaining written statements or other information about the expectations of employees' children to attend an educational institution. If "No," go to line 4f.
- Note.** Statistical or sampling techniques are not acceptable. See Revenue Procedure 85-51, 1985-2 C.B. 717, for additional information.
- f** If you provide scholarships, fellowships, or educational loans to attend an educational institution to *children of employees of a particular employer* without regard to either the 25% limitation described in line 4d, or the 10% limitation described in line 4e, will you award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a significant benefit to the particular employer? If "Yes," describe the facts and circumstances that you believe will demonstrate that the grants are neither compensatory nor a significant benefit to the particular employer. In your explanation, describe why you cannot satisfy either the 25% test described in line 4d or the 10% test described in line 4e. Yes No

Form 1023 Checklist

(Revised December 2013)

Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code

Note. Retain a copy of the completed Form 1023 in your permanent records. Refer to the General Instructions regarding Public Inspection of approved applications.

Check each box to finish your application (Form 1023). Send this completed Checklist with your filled-in application. If you have not answered all the items below, your application may be returned to you as incomplete.

- Assemble the application and materials in this order:
- Form 1023 Checklist
 - Form 2848, *Power of Attorney and Declaration of Representative* (if filing)
 - Form 8821, *Tax Information Authorization* (if filing)
 - Expedite request (if requesting)
 - Application (Form 1023 and Schedules A through H, as required)
 - Articles of organization
 - Amendments to articles of organization in chronological order
 - Bylaws or other rules of operation and amendments
 - Documentation of nondiscriminatory policy for schools, as required by Schedule B
 - Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation* (if filing)
 - All other attachments, including explanations, financial data, and printed materials or publications. Label each page with name and EIN.
- User fee payment placed in envelope on top of checklist. DO NOT STAPLE or otherwise attach your check or money order to your application. Instead, just place it in the envelope.
- Employer Identification Number (EIN)
- Completed Parts I through XI of the application, including any requested information and any required Schedules A through H.
- You must provide specific details about your past, present, and planned activities.
 - Generalizations or failure to answer questions in the Form 1023 application will prevent us from recognizing you as tax exempt.
 - Describe your purposes and proposed activities in specific easily understood terms.
 - Financial information should correspond with proposed activities.
- Schedules. Submit only those schedules that apply to you and check either "Yes" or "No" below.
- | | | | |
|------------|----------------|------------|----------------|
| Schedule A | Yes ___ No ___ | Schedule E | Yes ___ No ___ |
| Schedule B | Yes ___ No ___ | Schedule F | Yes ___ No ___ |
| Schedule C | Yes ___ No ___ | Schedule G | Yes ___ No ___ |
| Schedule D | Yes ___ No ___ | Schedule H | Yes ___ No ___ |

- An exact copy of your complete articles of organization (creating document). Absence of the proper purpose and dissolution clauses is the number one reason for delays in the issuance of determination letters.
 - Location of Purpose Clause from Part III, line 1 (Page, Article and Paragraph Number) _____
 - Location of Dissolution Clause from Part III, line 2b or 2c (Page, Article and Paragraph Number) or by operation of state law _____
- Signature of an officer, director, trustee, or other official who is authorized to sign the application.
 - Signature at Part XI of Form 1023.
- Your name on the application must be the same as your legal name as it appears in your articles of organization.

Send completed Form 1023, user fee payment, and all other required information, to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send Form 1023, user fee payment, and attachments to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Instructions for Form 1023

(Rev. June 2006)



Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

Section references are to the Internal Revenue Code unless otherwise noted.

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What's New

The user fee for the initial application for recognition of exemption under IRC Section 501(c)(3) has been increased. Part XI of Form 1023 has been revised to reflect the new fee. See Rev. Proc. 2006-8, 2006-1 I.R.B. 245 for more information about user fees that may be applicable to tax-exempt organizations.

How To Get Forms and Publications

Personal Computer

You can access the IRS website 24 hours a day, 7 days a week at www.irs.gov to:

- Order IRS products online.
- Download forms, instructions, and publications.
- Get answers to frequently asked tax questions.
- Search publications online by topic or keyword.
- Send us comments or request help by email.
- Sign up to receive local and national tax news by email.

CD-ROM

You can order Publication 1796, IRS Tax Products CD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD — Ships with the final release.

- Tax Map: an electronic research tool and finding aid.
- Tax Law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- The CD is released twice during the year.
 - o The first release will ship the beginning of January 2007.
 - o The final release will ship the beginning of March 2007.

Purchase the CD from National Technical Information Service at www.irs.gov/cdorders \$25 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll-free to buy the CD for \$25 (plus a \$5 handling fee). Price is subject to change.

By Phone and In Person

You can order forms and publications by calling **1-800-TAX-FORM** (1-800-829-3676). You can also get most forms and publications at your local IRS office.

Overview of Section 501(c)(3) Organizations

Who Is Eligible for Section 501(c)(3) Status?

Organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals are eligible to file Form 1023 to obtain recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Form 1023 not necessary. The following types of organizations may be considered tax exempt under section 501(c)(3) even if they do not file Form 1023.

- Churches, including synagogues, temples, and mosques.
- Integrated auxiliaries of churches and conventions or associations of churches.
- Any organization that has gross receipts in each taxable year of normally not more than \$5,000.

Even though the above organizations are not required to file Form 1023 to be tax exempt, these organizations may choose to file Form 1023 in order to receive a determination letter that recognizes their section 501(c)(3) status and specifies whether contributions to them are tax deductible.

Qualification of a Section 501(c)(3) Organization

There are two key requirements for an organization to be exempt from federal income tax under section 501(c)(3). A 501(c)(3) organization must be organized and operated exclusively for one or more exempt purposes.

Organized. An organization must be organized as a corporation (including a limited liability company), trust, or unincorporated association. The organizing document (articles of incorporation if you are a corporation, articles of organization if you are a limited liability company, articles of association or constitution if you are an association, or trust agreement or declaration of trust if you are a trust) must limit the organization's purpose(s) and permanently dedicate its assets to exempt purposes.

Operated. An organization must be operated to further one or more of the exempt purposes stated in its organizing document. Certain other activities are prohibited or restricted, including, but not limited to, the following activities. A 501(c)(3) organization must:

- Absolutely refrain from participating in the political campaigns of candidates for local, state, or federal office.
- Absolutely ensure that its assets and earnings do not unjustly enrich board members, officers, key management employees, or other insiders.
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
- Not operate for the primary purpose of conducting a trade or business that is not related to its exempt purpose(s).
- Not engage in activities that are illegal or violate fundamental public policy.
- Restrict its legislative activities.

Legislative activity. An organization does not qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation.

Form 5768. Most public charities are eligible to elect to make expenditures to influence legislation by filing Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation. By filing Form 5768, an eligible organization's legislative activities will be measured solely by an expenditure limit rather than by the "no substantial amount" limit. For additional information on the expenditure limit or the no

substantial amount limit, see Publication 557, Tax-Exempt Status for Your Organization.

For this purpose, "legislation" includes action by Congress, a state legislature, a local council, or a similar governing body, with respect to acts, bills, resolutions or similar items (such as legislative confirmation of appointive offices). Legislation also includes action by the public in a referendum, ballot initiative, constitutional amendment, or similar procedure. Legislation generally does not include actions by executive, judicial, or administrative bodies.

Organizations may involve themselves in issues of public policy without being engaged in legislative activity. For example, organizations may conduct educational meetings, prepare and distribute educational materials, or otherwise consider public policy issues. Similarly, an organization may appear before a governmental body to offer testimony about a decision that may affect the organization's existence.



A private foundation is not allowed to influence legislation.

Political campaign intervention. All 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for elective public office. Non-partisan voter education activities (including public forums and voter education guides) are permitted. Similarly, non-partisan activities to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, are not prohibited political campaign activity. However, voter education or registration activities that (a) favor one candidate over another, (b) oppose a candidate in some manner, or (c) favor a group of candidates, are prohibited.

Public Charities and Private Foundations

Every organization that qualifies for tax-exempt status under section 501(c)(3) is further classified as either a public charity or a private foundation. For some organizations, the primary distinction between a public charity and a private foundation is an organization's source of financial support.

A public charity has a broad base of support, while a private foundation receives its support from a small number of donors. This classification is important because different tax rules apply to the operations of each entity.

Deductibility of contributions to a private foundation is more limited than contributions to a public charity. See Publication 526, Charitable Contributions, for more information on the deductibility of contributions. In addition, private foundations are subject to excise taxes that are not imposed on public charities.

Public charities. The following 501(c)(3) organizations are classified as public charities.

- Churches.
- Schools.
- Hospitals, medical research organizations, and cooperative hospital service organizations.
- Organizations that receive substantial support from grants, governmental units, and/or contributions from the general public.
- Organizations that normally receive more than one-third of their support from contributions, membership fees, and gross receipts from activities related to their exempt functions, and not more than one-third of their support from gross investment income and net unrelated business income.
- Organizations that support other public charities.

If an organization requests public charity classification based on receiving substantial public support, it must continue to seek significant and diversified public support contributions in later years. A new organization that cannot show it will receive enough public support may request an advance ruling of its status. After 5 years, it must file Form 8734, Support Schedule for Advance Ruling Period, showing its sources of support during the advance ruling period. If the organization does not meet the public support requirements during the 5-year advance ruling period, it could be reclassified as a private foundation.

Private foundation. A 501(c)(3) organization that cannot meet one of the specific exceptions to be classified as a public charity is a private foundation.



Classification as a private foundation has nothing to do with the name of the organization.

There are many organizations that include the word foundation in their names that are not private foundations for tax purposes.

Private operating foundations. A private foundation that lacks general public support but actively conducts exempt programs (as opposed to making grants to other organizations to conduct exempt activities) may be treated as a private operating foundation. Private operating foundations are subject to more favorable rules than other private foundations in terms of charitable contribution deductions and attracting grants from private foundations. In order to be classified as a private operating foundation, an organization must meet certain support tests.

State Registration Requirements

Tax exemption under section 501(c)(3) is a matter of federal law. After receiving federal tax exemption, you may also be required to register with one or more states to solicit for contributions or to obtain exemption from state taxes. The National Association of State Charity Officials (NASCO) maintains a website

that provides informational links to the various states for these purposes. It can be accessed at www.nasconet.org.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted. "You" and "Us". Throughout these instructions and Form 1023, the terms "you" and "your" refer to the organization that is applying for tax-exempt status. The terms "us" and "we" refer to the Internal Revenue Service.

Definitions. Terms in bold type in Form 1023 are defined throughout these instructions and in *Appendix C*.

Answers

Answer items completely. Where a "Yes" or "No" reply is not requested, you may answer "Not Applicable" where appropriate. If you believe you have previously answered the item, you may refer to your previous answer.



Your answers must provide sufficient detail about your past, present, and planned activities to prove that you are an exempt organization. We will not be able to recognize you as tax exempt based on generalizations. Therefore, we need to understand the specific activities you will undertake to reach your charitable goals.

Financial data. Form 1023 asks you to answer a series of questions and provide information to assist us in determining if you meet the requirements for tax exemption under section 501(c)(3). One of the key pieces of information requested is financial data. This data, whether budgeted or actual, should be consistent with other information presented in the application.

For example, if you are requesting public charity status under one of the public support tests, the financial data should show contributions from the public or receipts from providing exempt services. Budgeted financial data should be prepared based upon your current plans. We recognize that the organization's actual financial results may vary from the budgeted amounts.

Past, present, and planned activities. Many items on Form 1023 are written in the present tense; however, your answers should be based on your past, present, and planned activities.

Language and currency requirements. Prepare Form 1023 and attachments in English. Provide an English translation if the articles of organization or bylaws are in any other language.

We may ask you to provide English translations of foreign language publications you submit with your Form 1023.

Report financial information in U.S. dollars (specify the conversion rate used). Combine amounts from within and outside the United States and report the

total for each line on the financial statements.

Purpose of Form

Completed Form 1023 required for section 501(c)(3) exemption. Form 1023 is filed by organizations to apply for recognition of exemption from federal income tax under section 501(c)(3). Upon approval, we will issue a determination letter that provides written assurance about the organization's tax-exempt status, and its qualification to receive tax-deductible charitable contributions. Every organization qualifying for exemption under section 501(c)(3) will also be classified as either a "public charity" or a "private foundation."

Other organizations that may file Form 1023. Other organizations that apply for tax-exempt status under section 501(c)(3) by filing Form 1023 include section 501(e) and (f) cooperative service organizations, section 501(k) childcare organizations, and section 501(n) charitable risk pools.

Obtaining Tax-Exempt Status

To apply for tax-exempt status, file Form 1023 and pay the appropriate user fee.

Expedite Requests

We will only approve expedited processing of an application where a request is made in writing and contains a compelling reason for processing the application ahead of others.

Circumstances generally warranting expedited processing include:

- A grant to the applicant is pending and the failure to secure the grant may have an adverse impact on the organization's ability to continue operations.
- The purpose of the newly created organization is to provide disaster relief to victims of emergencies such as flood and hurricane.
- There have been undue delays in issuing a letter caused by problems within the IRS.

User Fee

The law requires payment of a user fee with each application. Submit the appropriate user fee based on your average annual gross receipts as indicated on Form 1023. Enclose payment with your application. DO NOT STAPLE or otherwise attach your check or money order to your application.

You may pay your user fee with a personal or certified check, bank check, or cashier's check. Processing your application will not be delayed by the form of payment unless your check is returned to us for insufficient funds.

Generally, a user fee will be refunded only if we decline to issue a determination. Additional guidance regarding user fees is available in Rev. Proc. 2006-8, 2006-1 I.R.B. 245, or later revision (revised in the first Internal

Revenue Bulletin (I.R.B.) issued each year).

For additional information on the user fee, see *Part XI*.

Group Exemption

Form 1023 is not used to apply for a group exemption. A group exemption is issued to a central organization that recognizes on a group basis the exemption of subordinate organizations on whose behalf the central organization has applied. See Publication 557 for information on how to apply for a group exemption.

Leaving a group exemption. If a subordinate organization in an existing group exemption wishes to apply for an individual exemption, it should notify its parent organization of its intention to leave the group ruling before filing Form 1023.

What to File

All applicants, unless otherwise noted, must complete Parts I through XI of Form 1023, plus any required schedules and attachments.

The following organizations must complete additional schedules to Form 1023.

IF your organization is a(n) . . .	THEN you must file Schedule . . .
Church	A
School, College, or University	B
Hospital or Medical Research Organization	C
Section 509(a) Supporting Organization	D
Organization Not Filing Form 1023 Within 27 Months of Formation	E
Home for the Elderly or Handicapped and Low-Income Housing	F
Successor to Other Organizations	G
Organization Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Approval of Individual Grant Procedures	H

Assembly of Application Package

To assist us in processing the application, documents should be submitted in the following order.

- User fee enclosed but not attached to the application form.
- Form 1023 Checklist.
- Form 2848, Power of Attorney and Declaration of Representative (if needed).

- Form 8821, Tax Information Authorization (if needed).
- Expedite request (if needed).
- Application (Form 1023, Checklist, and Schedules A through H, as required).
- Organizing document.
- Amendments to organizing document in chronological order.
- Bylaws or other rules of operation and amendments.
- Documentation of nondiscriminatory policy for schools, as required by *Schedule B*.
- Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation (if filing).
- All other attachments, including explanations, financial data, and printed materials or publications.

Attachments

Use an attachment where there is insufficient space on the form for you to legibly and accurately respond to a question. For any attachments submitted with your Form 1023:

- Use 8½ x 11 inch paper.
- Provide your name and Employer Identification Number (EIN) at the top of each page.
- Identify the Part and line number to which the attachment relates.

Include any court decisions, rulings, opinions, or any other documents that will assist us in processing your Form 1023.

Generally, attachments in the form of tape, recordings or other electronic media are not acceptable unless accompanied by a transcript.

Attachments must be in English.

When to File

If you file Form 1023 within 27 months after the end of the month in which you were legally formed, and we approve the application, the legal date of formation will be the effective date of your exempt status.

If you do not file Form 1023 within 27 months of formation, you may not qualify for exempt status before the date we receive Form 1023. The date considered to be the date we receive Form 1023 is generally the postmark date. For exceptions and special rules, including automatic extensions, see *Schedule E* of Form 1023.

Where To File



Send the completed Form 1023 application, with all required information, and the applicable user fee to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send the completed Form 1023

application, with all required information and user fee to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Private Delivery Services

In addition to the United States mail, you can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The most recent list of designated private delivery services includes only the following:

- DHL Express (DHL): DHL "Same Day" Service; DHL Next Day 10:30 AM; DHL Next Day 12:00 PM; DHL Next Day 3:00 PM; and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

Filing Assistance

For help in completing this form or general questions relating to an exempt organization, call the Exempt Organization Customer Account Services toll free at 1-877-829-5500. You may also access information on our website at www.irs.gov/eo.

Listed below are a number of publications that may be helpful to your organization.

Figure 1. Table of Annual Returns

Type of Annual Return	Who Should File
Form 990, Return of Organization Exempt from Income Tax	Section 501(c)(3) public charities
Form 990-EZ, Short Form Return of Organization Exempt from Income Tax	Section 501(c)(3) public charities whose gross receipts during the year were less than \$100,000 and total assets at the end of the year were less than \$250,000
Schedule A (Form 990 or 990-EZ), Organization Exempt under Section 501(c)(3)	Section 501(c)(3) public charities
Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors	All section 501(c)(3) organizations
Form 990-PF, Return of Private Foundation	Private foundations, including private operating foundations
Form 990-T, Exempt Organization Business Income Tax Return	Public charities and private foundations that have gross unrelated business income of \$1,000 or more

- Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers
- Publication 526, Charitable Contributions
- Publication 557, Tax-Exempt Status for Your Organization
- Publication 598, Tax on Unrelated Business Income of Exempt Organizations
- Publication 1771, Charitable Contributions Substantiation and Disclosure Requirements
- Publication 1828, Tax Guide for Churches and Religious Organizations
- Publication 3079, Gaming Publication for Tax-Exempt Organizations
- Publication 3833, Disaster Relief: Providing Assistance through Charitable Organizations
- Publication 4220, Applying for 501(c)(3) Tax-Exempt Status
- Publication 4221, Compliance Guide for 501(c)(3) Tax-Exempt Organizations
- Publication 78, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986 (searchable online at www.irs.gov/eo)

Philanthropic Research, Inc., aka GuideStar, a 501(c)(3) nonprofit organization, maintains information about specific section 501(c)(3) organizations (searchable online at www.guidestar.org).

Signature Requirements

An officer, director, trustee, or other official who is authorized to sign for the organization must sign Form 1023 at the end of *Part XI*. The signature must be accompanied by the title or authority of the signer and the date. Please clearly print the accompanying information.

Representation

Form 2848. Attach a completed Form 2848 if you want to authorize a representative to represent you regarding your application. An individual authorized by Form 2848 may not sign the application unless that person is also an officer, director, trustee, or other official who is authorized to sign the application.



A centralized authorization file (CAF) number is not required to be listed on Form 2848.

Form 8821. Form 8821 authorizes us to discuss your application with the person you have appointed.

Form 8821 does not authorize your appointee to advocate your position with respect to the Federal tax laws; to execute waivers, consents, or closing agreements; or to otherwise represent you before the IRS. If you want to authorize an individual to represent you, use Form 2848.

After You Submit Form 1023

We will acknowledge receiving your application in writing. You may expect to receive this notice within 21 days of the postmark date of the Form 1023. Read the notice thoroughly because it will provide further information about the processing of your Form 1023.

No additional information needed. If our initial review shows that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation.

Additional information needed. If the initial review shows that we need additional information or changes, we will assign Form 1023 to a specialist who will call or write you. Generally, we assign applications in the order we receive them. Unless the application is approved for expedited processing, it will be worked in the order received.

If the additional information indicates that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation. If we conclude that you do not qualify for exemption, we will send you a letter that explains our position and your appeal rights.

Annual Filing Requirements

If an annual information return or tax return is due while the Form 1023 is pending, complete the return, mark "Application Pending" in the heading, and send the return to the address indicated in the instructions.

Information on return filing requirements and exceptions may be found in Publications 557 and 598 and in the instructions to the annual returns listed in Figure 1.

Instructions for Form 1023



You may also be required to file other returns, such as employment tax returns or benefit plan returns, which are not discussed here.

Public Inspection

Information available for public inspection. If we approve exempt status under section 501(c)(3), the following information will be open for public inspection.

- Your complete Form 1023 and any supporting documents.
- All correspondence between you and the IRS concerning Form 1023, including Form 2848.
- The letter we issue approving your exemption.
- Annual information returns (Forms 990, 990-EZ, or 990-PF).
- Schedule A, included with Forms 990 or 990-EZ.
- Schedule B, included with Forms 990 or 990-EZ, except the names and addresses of contributors and other identifying information about contributors.
- Schedule B, included with Form 990-PF, including names, addresses and other identifying information about contributors.

Information not available for public inspection. The following items will not be open for public inspection.

- Any information relating to a trade secret, patent, style of work, or apparatus that, if released, would adversely affect you. (We must approve withholding this information.)
- Any other information that would adversely affect the national defense. (We must approve withholding this information.)
- User fee check.
- Information only applications from the United States Virgin Islands, Bureau of Internal Revenue (BIR) and related supporting documents.
- Contributors' names and addresses and identifying information about contributors included with Forms 990 or 990-EZ and the Schedule B, filed with these forms.
- Form 990-T, Exempt Organization Business Income Tax Return.

When applying for tax-exempt status, you must clearly identify any information that is not open for public inspection by separately marking it as "NOT SUBJECT TO PUBLIC INSPECTION" and attaching an explanation of why you are asking for the information to be withheld. We will decide whether to withhold the identified information from public inspection.

Making documents available for public inspection. Both you and the IRS must make the information that is subject to disclosure available for public inspection. The public may contact us toll-free at 1-877-829-5500 to request public inspection or copies of the information. The public may also request inspection of

the information or a copy of the information directly from you.

An exempt organization may post the documents required to be available for public inspection on its own website. The information return and exemption application materials must be posted exactly as filed with the IRS. Only the information that is not open for public inspection may be deleted.

If an exempt organization posts the documents on its website, it must provide notice of the website address where the documents may be found, but it need not provide copies of the information. However, documents posted on an organization's website must still be made available for public inspection without charge at its main office during regular business hours.

Documents are not considered available for public inspection on a website if the otherwise disclosable information is edited or subject to editing by a third party when posted. To date, the IRS has not approved any third party websites for posting.

See Publication 557 for additional guidance on public inspection.

Foreign Organizations in General

Foreign organizations are those that were created in countries other than the United States, its territories, or its possessions. Foreign organizations may apply for tax-exempt status on income earned in the United States in the same way that domestic organizations apply for exempt status. See, *Language and currency requirements*.

A foreign organization applying for exempt status should complete all required parts of Form 1023. There are, however, special rules below for some Canadian organizations.



Contributions by U.S. residents to foreign organizations generally are not deductible. Tax treaties between the U.S. and certain foreign countries provide specific limited exceptions.

Annual returns for foreign organizations. A foreign organization that obtains exemption as a public charity must file an information return annually (Form 990 or Form 990-EZ). A foreign organization that is a private foundation must file Form 990-PF annually. However, a foreign organization, other than a private foundation, may be relieved from filing Form 990 or Form 990-EZ in any year in which it has gross receipts from U.S. source income of \$25,000 or less and has not conducted significant activity in the United States. See the Instructions for Form 990 and Form 990-EZ, and the Instructions for Form 990-PF for further information. A foreign organization that is subject to unrelated business income tax must file Form 990-T.

Canadian Organizations

Canadian organizations that have received a Notification of Registration from the Canada Customs and Revenue Agency (formerly, Revenue Canada), and whose registrations have not been revoked ("Canadian registered charities"), are automatically recognized as section 501(c)(3) organizations and are not required to file Form 1023. Canadian registered charities are also presumed to be private foundations. A Canadian registered charity may complete certain portions of the Form 1023 in order to be listed as a section 501(c)(3) organization in IRS Publication 78, or to request classification as a public charity, rather than a private foundation. A Canadian registered charity should only complete and submit the following documents.

- Copy of its Notification of Registration.
- *Part I* of Form 1023.
- *Part X* of Form 1023 (if requesting public charity classification).
- Signature line in *Part XI* of Form 1023.
- Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b).
- No user fee is required.

Organizations Created in United States Territories and Possessions

Organizations created in possessions and territories of the United States are generally treated as domestic organizations. These organizations complete all required parts of Form 1023 to apply for exempt status under section 501(c)(3). Special rules, discussed below, apply to some Virgin Islands organizations.

Charitable contributions to organizations created in United States possessions and territories are deductible by the donors if the organization qualifies for exempt status under section 501(c)(3).

Virgin Islands Organizations

The United States Virgin Islands, Bureau of Internal Revenue (BIR) may request an information only letter concerning the exempt status under section 501(c)(3) of an organization formed in the Virgin Islands. The organization itself does not seek U.S. recognition of exempt status. The information only procedure requires the BIR to complete Form 1023 and supporting documents for the organization, but does not require a user fee payment. The application and supporting documents are not open for public inspection (see *Public Inspection*, for more information).

All other Virgin Islands organizations that seek U.S. recognition of exempt status under section 501(c)(3) must follow the normal application process.

Specific Instructions

Part I. Identification of Applicant

Line 1. Full name of organization. Enter your complete name exactly as it appears in your organizing document, including amendments.

Line 2. c/o Name. If you have an "in care of" name, enter it here.

Line 3. Mailing address. Enter your complete address where all correspondence will be sent. If mail is not delivered to the street address and you have a P.O. Box, show the box number instead of the street address.

For a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice in placing the postal code in the address. Do not abbreviate the country name.

Line 4. Employer Identification Number (EIN). Enter the nine-digit EIN assigned to you.



Do not submit this application until you have obtained an EIN.

An EIN is your account number with us and is required regardless of whether you have employees. If you need an EIN, you can apply for one by:

1. Calling 1-800-829-4933.
2. Calling 1-215-516-6999, if you are located outside the United States.
3. Mailing Form SS-4 to the IRS.
4. Faxing Form SS-4 to a location provided in the Instructions for Form SS-4.

You can get Form SS-4 online at www.irs.gov, or by calling 1-800-829-3676, to order IRS tax forms and publications.

If you previously applied for an EIN and have not yet received it, or you are unsure whether you have an EIN, please call our toll-free customer account services number, 1-877-829-5500, for assistance.

Line 5. Month the annual accounting period ends (01-12). Enter the month that your annual accounting period ends, using a two-digit number format. For example, if your annual accounting period ends December 31, enter "12." Your annual accounting period is the 12-month period on which your annual financial records are based. Your first tax year could be less than 12 months.

Check your bylaws or other rules of operation for consistency with the annual accounting period entered in line 5.

Line 6a. Primary contact. Your primary contact person may be an officer, director, trustee, or other individual who is permitted to speak with us according to your bylaws or other rules of operation. Your primary contact person may also be an "authorized representative," such as

an attorney or certified public accountant for whom you have submitted a completed Form 2848, with the Form 1023.

Line 7. If you wish to be represented by an authorized representative, a completed Form 2848 must be attached to the Form 1023.

Line 8. Provide information about persons, other than your officers, directors, trustees, employees, or authorized representative(s), whom you paid, or promised to pay, to assist you in establishing your organization, developing programs to solicit funds, or otherwise advising you about organizational, financial, or tax matters.

For example, provide information about a paid consultant who advised you about obtaining tax exemption.

Line 9a. Organization's website. Enter your complete website address if you have one. Also, list any websites maintained on your behalf. The information on your website should be consistent with the information in your Form 1023.

Line 9b. Email (optional). Enter your email address to receive educational information from us in the future. Because of security concerns, we cannot send confidential information via email. However, we can use a fax to contact you.

Line 10. Generally, organizations not required to file Form 990 (or Form 990-EZ) include churches, certain church affiliated organizations, certain affiliates of a governmental unit, and organizations with annual gross receipts normally not more than \$25,000. For more information, see the Instructions for Form 990 and Form 990-EZ.



Private foundations must file Form 990-PF regardless of the amount of their gross receipts.

Line 11. List the date you were legally created by month, day, and year (for example, 02/01/2004). The date should be consistent with your organizing document described in *Part II*.

Line 12. For purposes of completing this application, you are formed under the laws of a foreign country if you are not formed under the laws of (1) the United States, its territories and possessions, (2) federally recognized Indian tribal or Alaska Native governments, or (3) the District of Columbia.

Part II. Organizational Structure

Only trusts, unincorporated associations, or corporations (including limited liability companies) are eligible for tax-exempt status under section 501(c)(3) of the Code. Sole proprietorships, partnerships, or loosely affiliated groups of individuals are not eligible.

To qualify for tax-exempt status, you must check "Yes" on either line 1, 2, 3, or

4 and submit a copy of your organizing document.

Line 1. A "corporation" is an entity organized under a Federal or state statute, or a statute of a federally recognized Indian tribal or Alaskan native government. A corporation's organizing document is its "articles of incorporation."

Certification of filing. If formed under state statute, your articles of incorporation must show certification of filing. This means your articles show evidence that on a specific date they were filed with and approved by an appropriate state authority. The document must be an exact copy of what is on file with your state.

If you do not have a copy of your articles of incorporation showing evidence of having been filed and approved by an appropriate state official, you may submit a substitute copy of your articles of incorporation. This substitute copy may be handwritten, typed, printed, or otherwise reproduced. It must be accompanied by a declaration, signed by an officer authorized to sign for you, that it is a complete and correct copy of the articles of incorporation and that it contains all the powers, principles, purposes, functions, and other provisions by which you currently govern yourself.

Line 2. A "limited liability company (LLC)" that files its own exemption application is treated as a corporation rather than a partnership. Instead of articles of incorporation, an LLC's organizing document is its state-approved "articles of organization." If it has adopted an "operating agreement," then this document is also part of its organizing document.

An LLC may only have 501(c)(3) member(s) to qualify for an exemption. An LLC should not file an exemption application if it wants to be treated as a disregarded entity by its tax-exempt member.

Line 3. An "unincorporated association" formed under state law must have at least two members who have signed a written document for a specifically defined purpose.

The articles of organization of an unincorporated association must include the name of your organization, your purpose, the date the document was adopted, and the signatures of at least two individuals. If your copy does not contain the proper signatures and date of adoption, you may submit a written declaration that states your copy is a complete and accurate copy of the signed and dated original. Your declaration should clearly indicate the original date of adoption.

TIP *Bylaws may be considered an organizing document only if they are properly structured (includes name, purpose, signatures, and intent to form an organization).*

Line 4a. A trust may be formed by a trust agreement or declaration of trust. A trust may also be formed through a will.

If your trust agreement copy does not contain the proper signatures, you may submit a written declaration that states your copy is a complete and accurate copy of the signed and dated original. Your declaration should clearly indicate the original date that it was signed.

Trust created by a will. For trusts created by a will, include a copy of the death certificate or a statement indicating the date of death, and a copy of the relevant portions of the will.

Trust agreement and non-charitable interests. If your trust agreement provided for distributions for non-charitable interests, indicate the date on which these interests expired. If your trust agreement continues to provide for these interests, you will not qualify for tax-exempt status.

Line 4b. Generally, a trust must be funded with property, such as money, real estate, or personal property to be legally created.

Line 5. "Bylaws" are generally the internal rules and regulations of an organization. If you have bylaws, you should submit a current copy.

Bylaws do not need to be signed unless they are the organizing document as described in line 3 above.

Part III. Required Provisions in Your Organizing Document

Line 1. Purpose clause. Your organizing document must limit your purposes to those described in section 501(c)(3). Those purposes are: charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals.

The generally accepted legal definition of "charitable" includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency. Therefore, the phrase "relief of the poor" in your organizing document properly limits your purposes.

If your purposes are limited in some way by referring to section 501(c)(3), your organizing document also properly limits your purposes. For example, the phrase "relief of the elderly within the meaning of section 501(c)(3)" in your organizing document also properly limits your purposes.

However, if the purposes listed in your organizing document are broader than those listed in section 501(c)(3), you should amend your organizing document before applying. A reference to section 501(c)(3) will not ensure that your purposes are limited to those described in section 501(c)(3). All of the language in your organizing document must be considered. The following is an example of an acceptable purpose clause:

The organization is organized exclusively for charitable, religious, educational, and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

See Publication 557 for further information and examples of how to limit your purposes.

Any amendment to your articles of organization you submit should show evidence that it was signed, dated, and certified as described in Part II.

Line 2a. Dissolution clause. Your organizing document must permanently dedicate your assets for a section 501(c)(3) purpose. This means that if you dissolve your organization in the future, your assets must be distributed for an exempt purpose described in section 501(c)(3), or to the federal government, or to a state or local government for a public purpose.

If your organizing document states that your assets would be distributed to members or private individuals or for any purpose other than those provided in section 501(c)(3), you must amend your organizing document to remove such statements.

If multiple amendments are required, they may be done at the same time. For example, if you are a corporation and are required to amend both your purpose and dissolution clauses, you may file a single amending document with your appropriate government authority.

The following is an example of an acceptable dissolution clause:

Upon the dissolution of this organization, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or 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.

Naming a specific organization to receive your assets upon dissolution will only be acceptable if your articles state that the specific organization must be exempt under section 501(c)(3) at the time your dissolution takes place and your articles provide for an acceptable alternative if the specific organization is

not exempt. See Publication 557 for further information and examples of acceptable language for dedication of assets in your organizing document.

Line 2c. Operation of state law. If you are a corporation formed in the following states, then you do not need a specific provision in your articles of incorporation providing for the distribution of assets upon dissolution.

Arkansas	Minnesota
California	Missouri
Louisiana	Ohio
Massachusetts	Oklahoma

If you are a testamentary charitable trust formed in the following states, then you do not need a specific provision in your trust agreement or declaration of trust providing for the distribution of assets upon dissolution.

Alabama	South Dakota
Louisiana	Virginia
Pennsylvania	

If you are a testamentary charitable trust formed in the states listed below and the language of your trust instrument provides for a general intent to benefit charity, then you do not need a specific provision in your trust agreement or declaration of trust providing for the distribution of assets upon dissolution.

Arkansas	Minnesota
California	Mississippi
Colorado	Missouri
Connecticut	Nebraska
Delaware	New Hampshire
District of Columbia	New Jersey
Florida	North Carolina
Georgia	Ohio
Illinois	Oklahoma
Indiana	Oregon
Iowa	Rhode Island
Kansas	Tennessee
Kentucky	Texas
Maine	Vermont
Maryland	Washington
Massachusetts	Wisconsin
Michigan	

Operation of state law is based on Rev. Proc. 82-2, 1982-1 C.B. 367.

Foreign organizations. Foreign organizations may be able to rely upon the applicable laws of their jurisdiction in a similar manner. You must provide a copy of the applicable law with an English translation.

Part IV. Narrative Description of Your Activities

Describe completely and in detail your past, present, and planned activities. Do not refer to or repeat the purposes in your organizing document. You may refer to other parts of the application rather than repeat information provided elsewhere.

For each past, present, or planned activity, include information that answers the following questions.

- What is the activity?
- Who conducts the activity?
- When is the activity conducted?
- Where is the activity conducted (for example: Los Angeles and San Francisco, California)?
- How does the activity further your exempt purposes?
- What percentage of your total time is allocated to the activity?
- How is the activity funded? (This should agree with the financial data in *Part IX*.)
- List any alternate names under which you operate, including any "aka" (also known as) or "dba" (doing business as) names.

If you have a website, you may attach a paper copy to support your narrative description of activities.

Part V. Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors

Compensation. For purposes of *Part V*, compensation includes salary or wages, deferred compensation, retirement benefits, whether in the form of a qualified or non-qualified employee plan (pensions or annuities), fringe benefits (personal vehicle, meals, lodging, personal and family educational benefits, low interest loans, payment of personal travel, entertainment, or other expenses, athletic or country club membership, and personal use of your property), and bonuses.

Example. Assume an organization compensates its director as follows:

Wages	
Director Compensation	\$ 2,500
Salary as Chief Executive Officer	40,000
Deferred retirement	2,000
Health insurance policy	5,000
Use of a vehicle	5,000
Total Compensation	\$ 54,500

Information in *Part V* must be consistent with the information provided in *Part IX. Financial Data*.

Line 1a. For each person listed, state their total annual compensation, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Officers, directors, and trustees may use the organization's address for mailing.

Line 1b. Employees may use the organization's address for mailing. Report total compensation. For employees who are also officers, directors, or trustees,

their compensation as employees and for all other services should be reported in line 1a.

Line 1c. "Independent contractors" are persons who are not treated as employees for employment tax purposes. For information on determining if an individual is an employee or an independent contractor, see Publication 15-A, Employer's Supplemental Tax Guide.

Line 2a. Describe family or business relationships between your officers, directors, or trustees. "Related" refers to both family and business relationships.

- "Family relationships" include the individual's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren, and siblings.

- "Business relationships" include employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. "Ownership" means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.

Line 2b. Describe family or business relationships between you and any of your officers, directors, or trustees other than their position with you as an officer, director, or trustee.

Line 2c. Describe family or business relationships between your officers, directors, or trustees and your five highest compensated employees or five highest compensated independent contractors who will receive more than \$50,000 in taxable or non-taxable compensation per year.

Line 3b. "Common control" means that you and one or more other organizations have (1) a majority of your governing boards or officers appointed or elected by the same organization(s), or (2) a majority of your governing boards or officers consist of the same individuals. Common control also occurs when you and one or more commonly controlled organizations have a majority ownership interest in a corporation, partnership, or trust. See the instructions for line 2a, above, for a definition of ownership.

Line 4. By adopting these recommended compensation-setting practices, such as by resolution of your governing board, you will be establishing procedures aimed at helping to prevent your top officials from receiving excess compensation benefits.

Line 4e. "Similarly situated organizations" means tax-exempt or taxable organizations of a comparable size, purpose, and resources. Adjustments due to geographic area, and other specific conditions are appropriate, but should be documented. The source(s) of comparable compensation data, both

taxable and non-taxable, should be documented and copies retained in your permanent records.

Line 4g. "Reasonable compensation" is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Establishing and documenting reasonable compensation is important because excessive compensation may result in excise taxes on both the individual and the organization. In addition, this may jeopardize the organization's tax exemption.

Line 5a. A "conflict of interest" arises when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make. A *Sample Conflict of Interest Policy* is included as *Appendix A*.

Adoption of a conflict of interest policy is not required to obtain tax-exempt status. However, by adopting the sample policy or a similar policy, you will be choosing to put in place procedures that will help you avoid the possibility that those in positions of authority over you may receive an inappropriate benefit.

Line 6a. A "fixed payment" means a payment that is either a set dollar amount or fixed through a specific formula where the amount does not depend on discretion. For example, a base salary of \$200,000 that is adjusted annually based on the increase in the Consumer Price Index is a fixed payment.

A "non-fixed payment" means a payment that depends on discretion. For example, a bonus of up to \$100,000 that is based on an evaluation of performance by the governing board is a non-fixed payment because the governing body has discretion over whether the bonus is paid and the amount of the bonus.

Line 7a. Do not include purchases of goods and services in your normal course of operations that are available to the general public under similar terms and conditions.

Arm's length. An arm's length standard exists where the parties have an adverse (or opposing) interest. For example, a seller wants to sell his goods at the highest possible price, while a buyer wants to buy at the lowest possible price. These are adverse interests.

In negotiating with a person, an adverse interest is assumed if that person is otherwise unrelated to you in the sense of not being in a position to exercise substantial influence over you or your affairs. If the person is in a position to exercise substantial influence over your affairs, then an arm's length standard requires additional precautions to eliminate the effect of the relationship.

Using a conflict of interest policy, information about comparable transactions between unrelated parties, and reliable methods for evaluating the transaction, are examples of precautions

that would help make the negotiation process equivalent to one between unrelated persons.

Fair market value. This is the price at which property or the right to use property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Line 7b. Do not include sales of goods and services in your normal course of operations that are available to the general public under similar terms and conditions.

Line 9a. Answer "Yes" if any of your officers, directors, or trustees:

- Is an officer, director, or trustee in another organization (other than a section 501(c)(3) organization) that has a lease, contract, loan, or other agreement with you.
- Possess more than a 35% ownership interest in any organization that has a lease, contract, loan, or other agreement with you. For example, you would answer "Yes" if one of your directors were an officer for a section 501(c)(4) organization with whom you had a lease for office space. You would also answer "Yes" if one of your directors owns more than 35% of the voting stock of a corporation to which you made a loan.

Part VI. Your Members and Other Individuals, and Organizations That Receive Benefits From You

Line 1a. Benefits to individuals. Describe any programs where you provide goods, services, or funds to individuals. For example, describe programs by which you provide food to the homeless, employment counseling to senior citizens, or grants to victims of a disaster.

Line 1b. Benefits to organizations. Describe any programs where you provide goods, services, or funds to organizations. For example, programs where you provide equipment, accounting assistance, or grants to other organizations.

Line 2. For programs that are available only for members, include a sample membership application and a schedule of membership dues. Also, describe any different membership levels and the benefits each membership level receives.

Line 3. Describe any business or family relationship between individuals who receive goods, services, or funds through your programs with any officer, director, trustee, or with any of the five-highest compensated employees or independent contractors listed in *Part V*, lines 1a, 1b, or 1c.

Part VII. Your History

Line 1. You are a "successor" if you have:

- Substantially taken over all of the assets or activities of another organization,
- Been converted or merged from another organization, or
- Installed the same officers, directors, or trustees as another organization that no longer exists and that had purpose(s) similar to your purpose(s).

TIP *The predecessor organization may be or may not have been a tax-exempt or non-exempt organization.*

Part VIII. Your Specific Activities

Line 1. You participate in a political campaign if you promote or oppose the candidacy of an individual for public office. Your explanation should include representative copies of your political literature, brochures, pamphlets, etc. Candidate debates and nonpartisan voter education are permitted.

TIP *Organizations described in section 501(c)(3) are prohibited from supporting or opposing candidates for public office in any political campaign. If you answer "Yes," you are not qualified for tax exemption under section 501(c)(3) and should reconsider whether the filing of application Form 1023 is appropriate for your organization. See Publication 557 for a description of other Internal Revenue Code sections under which you may qualify.*

Line 2a. You are attempting to "influence legislation" if you directly contact or urge the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. You are also attempting to influence legislation if you advocate the adoption or rejection of legislation. If you answer "Yes," your explanation should include the percentage of your total time and total funds spent on such legislative activities. Also, submit representative copies of your legislative literature, brochures, pamphlets, etc.

Organizations described in section 501(c)(3) are prohibited from engaging in a substantial amount of legislative activities. Whether you are engaged in substantial legislative activities depends on all of the facts and circumstances.

Line 2b. By filing Form 5768 your legislative activities will be measured solely by expenditure limits under section 501(h) rather than by whether legislative activity is considered substantial. Form 5768 is included in Package 1023 for your convenience. It describes the types of organizations that are eligible to make an election. For a discussion of the requirements of section 501(h), see Publication 557. If you are an organization that elects to use

expenditure limits in influencing legislation:

- Attach a copy of Form 5768 that has already been separately filed with us, or
- Provide a completed Form 5768 with your exemption application.



Churches and private foundations are not eligible to make this election.

Line 3a. For purposes of this application, "bingo" is a game of chance played with cards that are generally printed with 5 rows of 5 squares each on which participants place markers to form a preselected pattern to win the game. Other gaming activities include pull-tabs, raffles, keno, split-the-pot, and other games of chance.

Describe these activities, including how often your bingo or other gaming activities are conducted, where they are conducted, and who conducts them. Also describe whether your workers are compensated. If workers are compensated, describe who receives compensation and how the amount is determined.

Revenue associated with these activities means gross revenue amounts.

Expenses associated with these activities means direct and indirect expenses. The dollar value of prizes should be included in expenses.



Gaming may be subject to unrelated business income tax. See Publication 3079 for further information about gaming.

Line 3c. Local jurisdictions include cities, counties, towns, municipalities, and similar government jurisdictions within a state. A local jurisdiction also includes an Indian Reservation.

Line 4a. "Fundraising" includes efforts to raise funds through appeals for financial support. Fundraising may be conducted by your employees or volunteers, through an agent, or through an independent contractor. If you answer "Yes," check all the boxes that apply and complete lines 4b through 4e.

Line 4d. Local jurisdictions include cities, counties, towns, municipalities, and similar government jurisdictions within a state. A local jurisdiction also includes an Indian Reservation.

Line 4e. This line is intended to obtain information from you regarding donor-advised funds that you may maintain. A "donor-advised fund" is maintained if you establish separate accounts for a donor whereby the donor may exercise a right to make a recommendation on either uses of the account, such as providing advice about how to invest, or distributions from the account, such as providing advice about how to make expenditures.

Line 5. You are "affiliated" with a governmental unit if you were created by, controlled by, or closely related to a governmental unit. Identify each governmental unit and describe your

relationship with it. Include details of any financial reports or audits required by the governmental unit. Also, describe any power or authority given to you by the governmental unit.

For purposes of this question, a "governmental unit" includes a State, a possession of the United States, or any political subdivision of a State or a possession of the United States, or the United States, or the District of Columbia.

A governmental unit would generally not qualify for exemption under section 501(c)(3). Also, if you can exercise certain sovereign powers, such as the power to tax or police powers, you would generally not qualify for exemption under section 501(c)(3).

Line 6a. "Economic development" organizations are generally formed to combat community deterioration by assisting businesses located in a particular geographic area whose economy is economically depressed or deteriorating. Their varieties of activities include grants, loans, provision of information and expertise, or creation of industrial parks. Economic development organizations may also be formed to eliminate prejudice and discrimination or lessen the burdens of government through involvement with business development.

If your exempt purpose is to combat community deterioration, describe whether the area or areas in which you will operate have been declared blighted or economically depressed by a government finding. If the area has not been declared blighted or economically depressed, a more suitable exemption may be under sections 501(c)(4) or 501(c)(6). See Publication 557 for more information.

If your exempt purpose is to eliminate prejudice and discrimination, describe how your activities further this purpose.

If your exempt purpose is to lessen the burdens of government, describe whether the government has recognized your activities as those for which it would otherwise be responsible, and any involvement you have with governmental entities that demonstrates that you are actually lessening governmental burdens.

Line 7a. "Develop" means the planning, financing, construction, or provision of similar services involved in the acquisition of real property, such as land or a building. For example, you should provide information regarding the services of a consultant who puts together an arrangement for you to acquire a nursing home through the issuance of tax-exempt bonds.

Line 7b. "Manage" means to direct or administer. For example, you would provide information about an organization hired to administer a museum gift shop. See the instructions for *Part V*, line 2a, for a description of the term business or family relationships.

Line 7c. See the instructions for *Part V*, line 2a, for a description of the term business or family relationships. See the instructions for *Part V*, line 7a, for a description of the term arm's length.

Line 8. A "joint venture" is a legal agreement in which the persons jointly undertake a transaction for mutual profit. Generally, each person contributes assets and shares risks. Like a partnership, joint ventures can involve any type of business transaction and the persons involved can be individuals, groups of individuals, companies, or corporations.

Line 9a. Childcare services provide care for children away from their homes. An organization providing childcare services may qualify for tax-exempt status as either a:

- School under IRC 170(b)(1)(A)(ii).
- Childcare organization under IRC 501(k).

Refer to the instructions for *Part VII*, line 19, to determine if you qualify as a school.

A childcare organization qualifies under IRC 501(k) if it provides care for children away from their homes; substantially all of the childcare enables individuals to be gainfully employed; and the services provided by the organization are available to the general public.

Line 9b. "Gainfully employed" includes enabling individuals to work or to seek work.

Line 9c. Section 501(k) states that to qualify as a childcare organization, substantially all of the care you provide should be to permit individuals to be gainfully employed. If less than 85% of your services are for children of working parents or caretakers:

- Describe the percentage of the children for whom you provide services to permit parents or caretakers to work, and
- Describe any efforts you are taking to increase the percentage of the children for whom you provide services to permit parents or caretakers to work.

Line 9d. Describe any eligibility requirements, such as employment with a particular employer.

Line 10. "Intellectual property" includes:

- Patents (for inventions).
- Copyrights (for literary and artistic works such as novels, poems, plays, films, musical works, drawings, paintings, photographs, sculptures, architectural designs, performances, recordings, film, and radio or television programs).
- Trade names, trade marks, and service marks (for symbols, names, images, and designs).
- Formulas, know-how, and trade secrets.

Line 12a. A "foreign country" is a country other than the United States, its territories and possessions, and the District of Columbia.

Line 13d. A "relationship" between you and the recipient organization includes the following situations:

- You control the recipient organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures.
- You and the recipient organization were created at approximately the same time and by the same persons.
- You and the recipient organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities.
- Persons who exercise substantial influence over you also exercise substantial influence over the other organization.

Line 14a. Answer "Yes" if you make grants, loans, or other distributions, such as goods, to a foreign organization. For purposes of completing this application, a domestic organization is one that is formed under the laws of the United States, its territories and possessions, federally recognized Indian Tribal and Alaska Native governments (including political subdivisions), or the District of Columbia. A "foreign organization" is one that is not a domestic organization.

A list of federally recognized Indian tribes is provided in Rev. Proc. 2002-64, 2002-2 C.B. 717. A list of entities that are treated as political subdivisions of Indian tribal governments is provided in Rev. Proc. 86-17, 1986-1 C.B. 550 and Rev. Proc. 84-36, 1984-1 C.B. 510.

Line 15. A "close connection" between you and another organization includes the following situations:

- You control the organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures.
 - You and the organization were created at approximately the same time and by the same persons.
- For example, you were formed within months of the time that a social welfare organization and a political action committee were established by the same persons who were instrumental in your formation.
- You and the organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities.

For example, you share rental expenses for office space and employees with a for-profit corporation.

- Persons who exercise substantial influence over you also exercise substantial influence over the other organization and (1) you either conduct activities in common or (2) have a financial relationship.

For example, a voting member of your governing body is also a voting member of the governing body of a business league with which you intend to cooperate in planning an advertising campaign that will inform the public about the benefits of a particular program.

For example, a voting member of your governing body is also a voting member

of the governing body of a business league that has made a loan to you.

Line 16. A "cooperative hospital service organization" described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities.

- Data processing.
- Purchasing (including purchasing insurance on a group basis).
- Warehousing.
- Billing and collection (including purchasing patron accounts receivable on a recourse basis).
- Food.
- Clinical.
- Industrial engineering.
- Laboratory.
- Printing.
- Communications.
- Record center.
- Personnel (including selecting, testing, training, and educating personnel) services.

A cooperative hospital service organization must also meet certain other requirements specified in section 501(e). For additional information, see Publication 557.

Line 17. A cooperative service organization of operating educational organizations described in section 501(f) is organized and operated to provide investment services to its members. Those members must be organizations described in section 170(b)(1)(A)(ii) or (iv), and either tax exempt under section 501(a) or whose income is excluded from taxation under section 115(a).

See Publication 557 for additional information.

Line 18. A "charitable risk pool" described in section 501(n) is organized and operated to pool insurable risks of its section 501(c)(3) members (other than risks related to medical malpractice). A section 501(n) organization must be organized under state law provisions authorizing risk pooling arrangements for charitable organizations and also meet certain other requirements provided by section 501(n).

See Publication 557 for additional information.

Line 19. "A school" is an educational organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. A school may include a:

- Primary, secondary, preparatory, or high school.
- College or university.
- Trade or technical school.
- Nursery or pre-school.
- School that you operate as an activity, such as a school that is operated as an

activity of a museum, historical society, or church.

If you are a nursery or pre-school that meets the description of a school, you would answer "Yes" to line 19 and complete *Schedule B*. You would also answer "No" to *Part VIII*, line 9a.

If you are a nursery or pre-school that does not meet the description of a school, you would answer "No" to line 19. You would answer "Yes" to *Part VIII*, line 9a, if you are applying for exemption as a childcare organization.

See Publication 557 for additional information.

Line 20. "Hospital or medical care" includes the treatment of any physical or mental disability or condition, whether as an inpatient or outpatient. A hospital includes:

- Hospitals and rehabilitation institutions, outpatient clinics, or community mental health or drug treatment centers if the principal purpose or function is the providing of medical or hospital care or medical education or research.
- Medical research organizations, if the principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.

See Publication 557 for additional information.

Line 21. "Low-income housing" refers to rental or ownership housing provided to persons based on financial need. "Elderly housing" refers to rental or ownership housing provided to persons based on age, including retirement, assisted-living, independent living, continuous care, and life care arrangements. "Handicapped housing" refers to rental or ownership housing provided to persons based on physical or mental disabilities, including nursing homes.

If you are a skilled nursing facility, you should also complete *Schedule C*.

Line 22. Answer "Yes" if you pay monies to an individual as a scholarship, fellowship, or educational loan, for travel, study, or other similar purposes. Also answer "Yes" if you pay such amounts on behalf of an individual to a school or a tuition or educational savings program.

Travel, study, or other similar purposes include payments made to enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the individual recipient. For example amounts paid to:

- Vocational high school students to be used to purchase basic tools.
- Teachers to induce them to teach in an economically depressed, public school system.
- A scientific researcher to underwrite that individual's research project.

Educational grants do not include amounts you pay to an individual as compensation, such as payments made to a consultant for personal services or to produce a report for you.

Educational grants do not include amounts paid to another organization that distributes your funds as a scholarship to an individual if you have no role in the selection process.

If you are a "private foundation" as described in *Part X*, you can request advance approval of your grant-making procedures by completing *Schedule H* and avoid the possible imposition of excise taxes under section 4945.

Part IX. Financial Data

A. Statement of Revenues and Expenses

Existed 4 years or more. If you have been in existence for 4 or more years, complete the *A. Statement of Revenues and Expenses* for your most recently completed year and each of the three years immediately before it for a total of four years of financial information. Place financial information for your most recently completed year in the column marked *Current tax year*.



We may request financial information for more than four years if necessary.

Existed more than one year, less than 4 years. If you have been in existence for more than 1 year and less than 4 years, provide your actual income and expenses for each completed year you have existed and projections of your likely income and expenses based on a reasonable and good faith estimate of your future finances for your current year and each year you have not existed for a total of 3 years of financial information. Place financial information for the year you are filing this application in the column marked *Current tax year*.

Existed less than 1 year. If you have existed for less than 1 year, you must provide projections of your likely income and expenses for your current year and projections of your likely income and expenses for the next 2 years based on a reasonable and good faith estimate of

your future finances. Place financial information for the year you are filing this application in the column marked *Current tax year*.

Preparing the statement. Prepare the statements using the method of accounting you use in keeping your books and records. If you use a method other than the cash receipts and disbursements method, attach a statement explaining the method used. For example, state whether you used the accrual method of accounting to prepare the financial statements included with this application.

Prepare the statements using the accounting period entered on *Part I*, line 5. Financial information should reflect projected activities reported elsewhere in this application.

Line 1. Include funds or other items of value that you receive as gifts, grants, or contributions. For example, if one of your activities is a food drive, the value of the donated food must be included on this line. Also include on this line payments a governmental unit makes to enable you to both:

- Accomplish your exempt purpose(s), and
- Provide a service or facility directly to the general public.

See the instructions to line 9 if you are uncertain whether revenue should be included as a grant in line 1 or as gross receipts in line 9. Unusual grants are not included on this line, but are included on line 12.

Examples

1. A city pays the symphony orchestra to provide free music programs in the public schools. The programs are open to the public. This income received from a governmental unit accomplishes the orchestra's exempt purpose and directly provides a service to the general public. The income is a grant to the symphony orchestra that should be listed on line 1.

2. The symphony orchestra sells tickets to the public for its fall season. Such income is gross receipts received from the general public in performance of

the orchestra's exempt function and should be listed on line 9.

3. The public school system pays the symphony orchestra to create several musical pieces suitable for the school system's elementary music curriculum. This payment by a governmental unit for the music compositions is primarily for its (the school system's) own use, not for the direct benefit of the public. Therefore, this income is gross receipts received from a governmental unit in performance of the orchestra's exempt function that should be listed on line 9.

Line 2. Include amounts received from members to provide support to the organization. Do not include payments from members or on behalf of members to purchase admissions, merchandise, services, or use of facilities.

Line 3. Include gross income from dividends, interest, payments received on securities, loans, rents, and royalties that are held for investment purposes.

Line 4. Net income from unrelated business activities generally includes income from any trade or business activity that is regularly carried on, not conducted with substantially all (at least 85%) volunteer labor, and not related to your exempt purposes. (This amount can be taken from Form 990-T, if filed.)

Report on line 9 income from activities that are not related to the accomplishment of your exempt purposes, but are not considered unrelated business activities. For example, income from the sale of merchandise by volunteers that is not treated as an unrelated trade or business is reported on line 9.

See Publication 598 for additional information regarding unrelated business income.

Line 5. Include the amount collected by any local tax authority from the public on your behalf.

Line 6. To determine the value of services or facilities furnished by a governmental unit, use the fair market value of the services or facilities furnished to you. Do not include the value of services or facilities generally provided to the public without charge.

Line 7. Enter the total income from all sources not reported on lines 1 through 6, or lines 9, 11, and 13. Submit an itemized list showing each type and amount of income included on this line. Also, briefly describe each type of income.

Line 8. Add lines 1 through 7 and enter the amount.

Line 9. "Gross receipts" is income from activities that you conduct to further your exempt purposes (excluding amounts listed on other lines). It includes payments by a governmental unit that may be called a "grant," but that is actually payment for a service or facility for the use of the government payer, rather than for the direct benefit of the public.

Figure 2. Part IX—A. Statement of Revenues and Expenses
Line 11. Net Gain or (Loss)

	Categories		
	(A) Real Estate	(B) Securities	(C) Other
1. Gross sales price of assets (other than inventory) by category.			
2. Less: Cost or other basis and sales expenses.			
3. Gain or (loss). Subtract line 2 from line 1.			
4. Net gain or (loss) – Add line 3 of columns (A), (B), and (C). Enter here and on Form 1023, <i>Part IX - A. Statement of Revenues and Expenses</i> , line 11.			

Example: The state government gives a conservation group a grant to study the consequences to an ecologically significant woodland area of a new sewage treatment plan. Although the payment is called a grant, it is actually gross receipts that should be included on line 9. The payment is by a governmental unit (state) for a study for its own use, not for the direct benefit of the general public. The study could have been done by a for-profit consulting company rather than by the tax-exempt conservation group.

Submit an itemized list of payments by any governmental units showing:

- Payer (governmental unit or bureau).
- Purpose of payment.
- Amount.

Include as gross receipts the income from activity conducted:

- Intermittently (not regularly carried on), such as an occasional auction.
- With substantially all (at least 85%) volunteer labor, such as a car wash.
- For the convenience of members, students, patients, officers, or employees, such as a parking lot for a school's students and employees.
- With substantially all contributed merchandise, such as a thrift store.

See Publication 598 for additional information regarding income that is not from an unrelated trade or business.

Line 10. Add lines 8 and 9 and enter the amount.

Line 11. Attach a schedule with total amounts entered (rather than each individual transaction) for each category using the format in Figure 2.

Line 12. "Unusual grants" generally are substantial contributions and bequests from disinterested persons that by their size adversely affect classification as a public charity. They are unusual, unexpected, and received from an unrelated party.

You must fully describe your unusual grants in Part X, line 7. For additional information about unusual grants and a description of public charity classification see Publication 557.

Line 13. Add lines 10 through 12 and enter the amount.

Line 14. Fundraising expenses include the total expenses incurred by you for soliciting gifts, grants, and contributions included on line 1. Where you allocate a portion of your other expenses to fundraising, submit an itemized list describing the amounts allocated. Include fees paid to professional fundraisers for soliciting gifts, grants, and contributions.

Line 15. If distributions have been made, submit an itemized list showing the name of each recipient, a brief description of the purposes or conditions of payment, and the amount paid.

Colleges, universities, and other educational institutions and agencies subject to the Family Educational Rights and Privacy Act (20 U.S.C. 1232g) need not list the names of individuals who were

provided scholarships or other financial assistance where such disclosure would violate the privacy provisions of the law. Instead, such organizations should group each type of financial aid provided, indicate the number of individuals who received the aid, and specify the aggregate dollar amount.

Line 16. If payments have been made, submit an itemized list showing the name of each recipient, a brief description of the purposes or condition of payment, and amount paid. Do not include any amounts on line 15.

Line 17. Enter the total amount of compensation. Be consistent with information provided in Part V, lines 1a, 1b, and 1c.

Line 18. Enter the total amount of employees' salaries and wages not reported on line 17, above.

Line 19. Enter the total interest expense for the year, excluding mortgage interest treated as an occupancy expense on line 20.

Line 20. Enter the amount paid for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes, and similar expenses.

Line 21. If you record depreciation, depletion, and similar expenses, enter the total amount.

Line 22. Professional fees are those charged by individuals and entities that are not your employees. They include fees for professional fundraisers (other than fees listed on line 14, above), accounting services, legal counsel, consulting services, contract management, or any independent contractors.

Line 23. Submit an itemized list showing the type and amount of each significant expense for which a separate line is not provided.

Line 24. Add lines 14 through 23 and enter the amount on line 24.

B. Balance Sheet

Complete the following for your most recently completed tax year. If you have not completed a full tax year, use the most current information available. Be sure to enter the year-end date for the information provided and not the date the form is prepared.

Line 1. Enter the total cash in checking and savings accounts, temporary cash investments (money market funds, CDs, treasury bills, or other obligations that mature in less than one year), and petty cash funds.

Line 2. Enter the total accounts receivable that arose from the sale of goods and/or performance of services, less any reserve for bad debt.

Line 3. Enter the amount of materials, goods, and supplies you purchased or manufactured and held to be sold or used in some future period.

Line 4. Enter the total amount of bonds or notes that you issued that will be repaid to you. Submit an itemized list that shows the name of each borrower, a brief description of the obligation, the rate of return, the due date, and the amount due.

Line 5. Enter the total fair market value (FMV) of corporate stocks you hold. Submit an itemized list of your corporate stock holdings. For stock of closely held corporations, the statement should show the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held, and their value as carried on your books. If such valuation does not reflect current fair market value, also include fair market value.

For stock traded on an organized exchange or in substantial quantities over the counter, the statement should show the name of the corporation, a description of the stock and the principal exchange on which it is traded, the number of shares held, and their value as carried on your books and their fair market value.

Line 6. Enter the total amount of loans (personal and mortgage loans) receivable. Submit an itemized list that shows each borrower's name, purpose of loan, repayment terms, interest rate, and original amount of loan. Report each loan separately, even if more than one loan was made to the same person.

Line 7. Enter the total book value of other investments. Include the total book value of government securities (federal, state, or municipal), and buildings and equipment held for investment purposes. Submit an itemized list identifying and reporting the book value of each building/item of equipment held for investment purposes.

Line 8. Enter the total book value of buildings and equipment not held for investment. This includes facilities you own and equipment you use in conducting your exempt activities. Submit an itemized list of these assets held at the end of the current tax year/period, including the cost or other basis.

Line 9. Enter the total book value of land not held for investment.

Line 10. Enter the total book value of any other category of assets not reported on lines 1 through 9. For example, you would include patents, copyrights, or other intangible assets. Submit an itemized list of each asset.

Line 11. Add lines 1 through 10 and enter the amount.

Line 12. Enter the total amount of accounts payable to suppliers and others, such as salaries payable, accrued payroll taxes, and interest payable.

Line 13. Enter the total unpaid portion of grants and contributions you have committed to pay to other organizations or individuals.

Line 14. Enter the total of mortgages and other notes payable outstanding at the end of the current tax year/period. Submit

an itemized list that shows each note separately, including the lender's name, purpose of loan, repayment terms, interest rate, and original amount.

Line 15. Enter the total amount of any other liabilities not reported on lines 12 through 14. Submit an itemized list of these liabilities, including the amounts owed.

Line 16. Add lines 12 through 15 and enter the amount.

Line 17. Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to restrictions on the use of certain assets. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses. If you do not use fund accounting, report only the "net assets" account balances, which include capital stock, paid-in capital, retained earnings or accumulated income, and endowment funds.

Line 18. Add lines 16 and 17 and enter the amount.

Line 19. If you answer "Yes," describe the change and explain what caused it.

Part X. Public Charity Status

Line 1a. Organizations that are exempt under section 501(c)(3) are private foundations *unless* they are:

- Churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or
- Organizations that support one or more other organization(s) that are themselves classified as public charities.

Section 501(c)(3) organizations excepted from private foundation status are public charities. See the instructions for *Part X*, lines 5a through 5i for a more detailed description of public charities.

Unless you meet one of the exceptions above, you are a private foundation and must answer, "Yes," on line 1a.

Line 1b. Section 508(e) provides that a private foundation is not tax exempt unless its organizing document contains specific provisions. These specific provisions require that you operate to avoid liability for excise taxes under sections 4941(d), 4942, 4943(c), 4944, and 4945(d). You can also meet these provisions by reliance on state law.

See Publication 557, Chapter 3, *Section 501(c)(3) Organizations: Private Foundations*, for samples of provisions that will meet section 508(e). Also, see *Appendix B*, for a list of states that have enacted statutory provisions that satisfy the requirements of section 508(e), subject to notations. *Appendix B* is based on Revenue Ruling 75-38, 1975-1 C.B. 161.

Line 2. Some private foundations are private operating foundations. These are types of private foundations that lack general public support, but make qualifying distributions directly for the active conduct of their educational, charitable, and religious purposes. "Directly for the active conduct" means that the distributions are used by the foundation itself to carry out the programs for which it is organized and operated. Grants made to assist other organizations or individuals are normally considered indirect.

For additional information about private operating foundations, log on to www.irs.gov/charities/foundations/article/0,,id=136358,00.html.

Line 3. If you have existed for one year or more, you must provide financial information that demonstrates you meet the requirements to be classified as a private operating foundation.

Line 4. If you have existed for less than one year, you must ordinarily provide an affidavit or opinion of counsel that sets forth facts concerning your operations and projected support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation. If you have not provided an affidavit or opinion of counsel, you may provide a narrative statement that provides sufficient information to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation.

Line 5a. Check this box if your primary purpose is operating a church or a convention or association of churches. The term "church" includes mosques, temples, synagogues, etc. If you select this box, complete and submit *Schedule A*.

Line 5b. Check this box if your primary purpose is operating a school. If you select this box, complete and submit *Schedule B*.

If you operate a school but it is not your primary purpose, do not check this box. However, you must still complete and submit *Schedule B*.

Be sure your response is consistent with *Part VIII*, line 19.

Line 5c. Check this box if your primary purpose is providing medical or hospital care, or medical education or research (performed in association with a hospital). If you select this box, complete and submit *Schedule C*.

A hospital includes a rehabilitation institution, outpatient clinic, community mental health clinic, drug treatment center, or skilled nursing facility.

A hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function is to train handicapped individuals to pursue some vocation.

Cooperative hospital service organizations described in section 501(e)

should also check this box, but do not complete *Schedule C*.

Line 5d. Check this box if you are organized and operated to support organizations described in lines 5a through 5c, 5f, 5g, or 5h, or an organization that is tax exempt under section 501(c)(4), (5), or (6). If you select this box, complete and submit *Schedule D*.

The organization(s) you support should have a significant influence over your operations.

Line 5e. Check this box if your primary purpose is to test products to determine their acceptability for use by the general public.

Contributions to organizations of this type are not deductible under section 170(c). Also, organizations that primarily test for specific manufacturers do not qualify for exemption under section 501(c)(3).

Line 5f. Check this box if you are organized and operated exclusively to benefit a college or university owned or operated by a governmental unit. You must also normally receive a substantial part of your support from a governmental unit or from contributions from the general public.

Organizations that qualify under this category would generally also qualify under section 509(a)(3), line 5d, which would be an easier public charity status to maintain.

Line 5g. Check this box if you normally receive a substantial part of your support from grants from governmental units or from contributions from the general public, or a combination of these sources. Typically, a substantial part of your income would be shown on *Part IX-A, Statement of Revenues and Expenses*, lines 1 and 2.

 If you select this public charity status, you must request either an advance ruling or a definitive ruling by completing *Part X*, line 6.

Under this public charity status, you must meet the one-third public support test or the 10% facts and circumstances test.

Public support test. An organization must receive either (1) at least one-third of its total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities, or (2) at least 10% of its total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities and also satisfy a facts and circumstances test.

Facts and circumstances test. Facts and circumstances include (1) the amount of support you received from the general public, governmental units, or public charities, (2) whether you have a continuous and bona fide program for solicitation of funds from the general public, governmental units, or public

charities, and (3) all other facts and circumstances, including the public nature of your governing board, the extent to which your facilities or programs are publicly available, the extent to which your dues encourage membership, and whether your activities are likely to appeal to persons having a broad common interest or purpose. For additional information about the 10% facts and circumstances test, see Publication 557 and Treas. Regs. section 1.170A-9(e)(3).

Line 5h. Check this box if you normally receive more than one-third of your support from contributions, membership fees, and gross receipts from activities related to your exempt functions, or a combination of these sources, and not more than one-third of your support from gross investment income and net unrelated business income. Typically, a substantial part of your income would be shown on *Part IX-A. Statement of Revenues and Expenses*, lines 1, 2, and 9.

Under this public charity status, you must meet both the "one-third public support test" and the "not-more-than-one-third investment income and net unrelated business income test". Before checking this box, consider the types of income you listed on *Part IX-A. Statement of Revenues and Expenses*, lines 1 through 13. If you select this public charity status, you must request either an advance ruling or a definitive ruling by completing *Part X*, line 6. See Publication 557 for additional information about these tests.

Line 5i. Check this box if you are unsure whether you are better described in box 5g or 5h. By checking this box, you agree to let us choose the best public charity status for you.

Request For Advance Ruling Or Definitive Ruling

If you checked the box for line 5g, 5h, or 5i, you must check either line 6a or 6b. Your request for an "advance ruling" or a "definitive ruling" depends on the following factors:

- The date you were formed or other date that your exemption would be effective;
- Whether you have completed at least one tax year (consisting of at least 8 full months) from the date you were formed or other date that your exemption would be effective; and
- The amount and type of income you have received.

Line 6a. Request for Advance Ruling. By checking the box on line 6a, you are requesting an advance ruling for your public charity status. The advance ruling gives you a 5-year period in which you can get the financial support needed to meet one of the public support tests described in line 5g or 5h. Generally, the financial information for the 5-year period is submitted at the end of your advance ruling period and a final determination is

made as to whether you are a public charity or a private foundation.

When your advance ruling period ends in 5 years, we will ask that you provide updated information about your public support by completing Form 8734.

Statute extension. To receive an advance ruling, you must agree to extend the statute of limitations for any of the 5 tax years in the advance ruling period. This agreement allows us additional time to assess federal taxes under section 4940 if you do not qualify as a public charity for any of the 5 tax years in the advance ruling period. You are not required to agree to the extension requested. However, in this situation, we will not be able to issue an advance ruling. If you agree to the extension, the statute will extend 8 years, 4 months, and 15 days beyond the end of your first tax year. By signing the consent, you are agreeing to the statute extension. If, at the end of your 5-year advance ruling period, we determine that you do not meet the public support tests and you are a private foundation, we will assess the tax under section 4940 for that 5-year period.

If you requested an advance ruling, we will return a copy of *Part X* of your application with your signed consent, also signed by an IRS official. Keep this signed document in your permanent records.

First tax year not completed. If you have not yet completed your first tax year consisting of at least 8 full months, you must check the box for line 6a to request an advance ruling. For example, if you were formed on May 15, 2003, with an accounting period that ends December 31, and you submitted your application on August 15, 2004, you must request an advance ruling since your first tax year consisted of only 7½ months and you have not completed your second tax year.

Completed first tax year. If you have completed your first tax year consisting of at least 8 full months but cannot currently meet one of the required public charity support tests, you may still wish to request an advance ruling. This request should only be made if you reasonably expect to meet the required public charity support tests within the 5-year advance ruling period.

Completed more than 5 tax years. If you have completed more than 5 tax years from the date your exemption would be effective, do not request an advance ruling.

Line 6b. Request for Definitive Ruling. By checking line 6b, you are requesting a definitive ruling for your public charity status. The definitive ruling is given to you when you apply if you have existed at least one tax year of 8 months or more, and meet one of the public support tests described in these instructions and Publication 557.

A definitive ruling must be based on your public support computed on the cash

method of accounting. Therefore, if you use the accrual method of accounting, please use a worksheet to convert your revenue accounts from the accrual to the cash basis. Such a worksheet is provided in Instructions for Schedule A (Form 990 or 990-EZ), *Part IV-A. Support Schedule*.

If you have completed your first tax year consisting of at least 8 full months and can meet one of the required public charity support tests, you should check the box for line 6b.

To show that you meet one of the required public charity support tests, complete lines 6b(i) and/or 6b(ii).

Line 6b(i)(a). From *Part IX-A. Statement of Revenues and Expenses*, add the line 8 amounts from completed tax years only. Multiply the total by 2% (0.02) and enter the amount in the space provided.

Line 6b(ii)(b). The required list for this line should include the name of and amounts paid by each individual or organization included on line 9, *Part IX-A. Statement of Revenues and Expenses*, that were greater than the larger of 1% of line 10, of the *Part IX-A. Statement of Revenues and Expenses* or \$5,000 for any completed tax year. Your list for each payer must show a year-by-year breakdown of the amounts reported for completed tax years on *Part IX-A. Statement of Revenues and Expenses*, line 9.

 Do not include disqualified persons in this list. Disqualified persons should be listed in line 6b(ii)(a).

If you did not receive such payments, check the box for this line.

For purposes of this application, a "disqualified person" is any individual or organization that is:

1. A "substantial contributor" to you (defined below).
2. An officer, director, trustee, or any other individual who has similar powers or responsibilities.
3. An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor.
4. An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor.
5. An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor.
6. A member of the family of any individual described in 1, 2, 3, 4, or 5 above.
7. A corporation in which any individuals described in 1, 2, 3, 4, 5, or 6 above, hold more than 35% of the total combined voting power.
8. A trust or estate in which any individuals described in 1, 2, 3, 4, 5, or 6 above, hold more than 35% of the beneficial interests.
9. A partnership in which any individuals described in 1, 2, 3, 4, 5, or 6

above, hold more than 35% of the profits interest.

Substantial contributor. A "substantial contributor" is any individual or organization that gave more than \$5,000 to you from the date you were formed or other date that your exemption would be effective, to the end of the year in which the contributions were received. This total amount contributed must also be more than 2% of all the contributions you received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed.

For more information regarding substantial contributors, log on to the IRS website at www.irs.gov/charities/foundations/article/0,,id=136935,00.html.

Family members. A "member of the family" includes the spouse, ancestors, children, grandchildren, great grandchildren, and their spouses.

For additional information concerning members of the family, go to www.irs.gov/charities/foundations/article/0,,id=136955,00.html.

Further information about disqualified persons, can be obtained at www.irs.gov/charities/foundations/article/0,,id=136927,00.html.

Line 7. "Unusual grants" generally are substantial contributions and bequests from disinterested persons that by reason of their size adversely affect classification as a public charity. They are unusual, unexpected, and received from an unrelated party. If you answer "Yes" to line 7, submit a statement for each grant. The statement should include the name of the contributor, the date and amount of the grant, a brief description of the grant, and an explanation of why it is unusual. You should include details of any additional funds you expect to receive from the contributors listed. If they qualify for unusual grant treatment, these amounts should be reported on *Part IX-A, Statement of Revenues and Expenses*, line 12.

See Publication 557 for additional information about unusual grants.

Part XI. User Fee Information



Your application will not be processed without payment of the proper user fee.

Your user fee may be paid by a personal or certified check, bank check, or cashier's check. Your check should be made payable to the United States Treasury.

Gross receipts. The total amount listed on *Part IX-A, Statement of Revenues and Expenses*, line 10 is your gross receipts for purposes of determining your user fee.

Line 1. Compute the average of your gross receipts for a 4-year period based on either (1) the gross receipts you expect to receive over your first four years

if you have not completed a 4-year period, or (2) the gross receipts you actually received for the immediately preceding 4 years if you have completed a 4-year period.

Schedule A. Churches

General Information:

There is no single definition of the word "church" for tax purposes. When determining whether a section 501(c)(3) religious organization is also a church, we will consider characteristics generally attributed to churches and the facts and circumstances of each organization applying for public charity status as a church.

The characteristics generally attributed to churches are as follows.

- A distinct legal existence.
- A recognized creed and form of worship.
- A definite and distinct ecclesiastical government.
- A formal code of doctrine and discipline.
- A distinct religious history.
- A membership not associated with any other church or denomination.
- Ordained ministers ministering to the congregation.
- Ordained ministers selected after completing prescribed courses of study.
- A literature of its own.
- Established places of worship.
- Regular congregations.
- Regular religious services.
- Sunday schools for the religious instruction of the young.
- Schools for the preparation of ministers.

Although it is not necessary that each of the above criteria be met, a congregation or other religious membership group is generally required. A church includes mosques, temples, synagogues, and other forms of religious organizations. For more information, see Publication 1828.

The practices and rituals associated with your religious beliefs or creed must not be illegal or contrary to clearly defined public policy.

Specific Line Items

Line 1a. Provide a copy of your written creed, statement of faith, or summary of beliefs.

Line 1b. A "form of worship" refers to religious practices that express your devotion to your creed, faith, or beliefs.

Line 2a. A "code of doctrine and discipline" refers to a body of laws or rules that govern behavior.

Line 2b. Your "religious history" includes the story of your establishment and major events in your past.

Line 2c. Your literature includes any writings about your beliefs, rules, or history.

Line 3. A "religious hierarchy or ecclesiastical government" refers to

people or institutions that exercise significant influence or authority over you.

Line 4a. Indicate the regular days and times of your religious services. Describe the order of events during your regular worship service and explain how the activities conducted as part of your services further your religious purposes. Also include sample copies of church bulletins, pamphlets, or flyers that are distributed to your members or the general public.

Line 4b. Enter on the line provided, the average number of members and non-members who attend your regularly scheduled religious services.

Line 5a. An "established place of worship" is a place where you hold regularly scheduled religious services. It may be a place that you own, rent, or which is provided freely for your use. If you answer "Yes," go to line 5b. If you answer "No," describe where you meet to hold regularly scheduled religious services.

Line 6. An "established congregation" or "other religious membership group" includes individuals who regularly attend and take part in the religious services of your organization at an established location. An established congregation generally does not include members of only one family. If you answer "No" because you do not have an established congregation or other religious membership, you may be a religious organization that does not qualify as a church. If you do not qualify as a church, you will need to go back to *Part X*, line 5, to reconsider your public charity status.



You may request classification as a church at a later date after you establish a congregation or other religious membership group. For information about this option, contact our customer account service representatives at 1-877-829-5500 (toll-free).

Line 7. Enter the total number of your current members in the line provided. If you have no members, enter zero.

Line 8a. Answer "Yes" if you have a prescribed way to become a member. Answer "Yes" even if you just keep records of who is currently a member. Describe any actions required for individuals to become members. Submit copies of any application forms used.

Line 8b. Describe any rights and benefits of members. You should include details of any levels of membership and the rights and/or benefits associated with each level.

Line 8c. If your members may be associated with another denomination or church, describe the circumstances in which your members would be members of your church and another church.

Line 8d. See *Glossary, Appendix C*, for a description of the word "family."

Line 9. Answer "Yes" if you conduct baptisms, weddings, funerals, or other religious rites.

Line 10. A school for the religious instruction of the young refers to any regularly scheduled religious, educational activities for youth, such as a "Sunday school."

Line 11a. A "prescribed course of study" refers to formal or informal training. It does not include self-ordination or paying a fee for an ordination certificate without completing a course of study. Describe the course of study completed by your religious leader.

Line 12. Answer "Yes" if your religious leader is listed in *Part V*, line 1a.

Line 14. Answer "Yes" if you are part of a group of churches with similar beliefs and structures, such as a convention, association, or union of churches.

Line 16. If you answer "Yes," submit a copy of your church charter. Identify the organization that issued the charter and describe the requirements you met to receive it. Do not describe organizational charters you received from your state's Secretary of State, Franchise Tax Board, or similar administrative office.

Line 17. Attach any additional information you would like us to consider that would help us classify you as a church.

Schedule B. Schools, Colleges, and Universities

General Information:

An organization is a school if it:

- Presents formal instruction as its primary function.
- Has a regularly scheduled curriculum.
- Has a regular faculty of qualified teachers.
- Has a regularly enrolled student body.
- Has a place where educational activities are regularly carried on.

The term "school" includes primary, secondary, preparatory, high schools, colleges, and universities. It does not include organizations engaged in both educational and non-educational activities, unless the latter are merely incidental to the educational activities. Non-traditional schools such as an outdoor survival school or a yoga school may qualify.

The term "school" does not include home schools.

Section I. Operational Information

Line 1a. Answer "Yes" if you have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on. Submit evidence establishing that you meet these factors, as described below:

- Evidence that you have a regularly scheduled curriculum includes a list of required courses of study, dates and times courses are offered, and other information about how to complete required courses.

- Evidence that you have a regular faculty of qualified teachers, includes certifications by the appropriate state authority or successful completion of required training.

- Evidence of a regularly enrolled student body includes records of regular attendance by students at your facility.

- Evidence of a place where your exclusively educational activities are regularly carried on includes a lease agreement or deed for your facility.

If you answer "No," do not complete *Schedule B*. You do not meet the requirements of a school and you will need to go back to *Part X*, line 5, to reconsider your public charity status.

Line 1b. Answer "Yes" if your primary function is the presentation of formal instruction. If you answer "No," do not complete *Schedule B*. You do not meet the requirements of a school and you will need to go back to *Part X*, line 5, to reconsider your public charity status.

Line 2a. Answer "Yes" if you are a public school. Submit documentation of your status as a public school. If you answer "Yes," do not complete the remainder of *Schedule B*.

Line 2b. Answer "Yes" if you have a signed contract or agreement with a state or local government under which you operate and receive funding. Submit a signed and dated copy of your contract or agreement. If you answer "Yes," do not complete the remainder of *Schedule B*.

Line 3. Enter the name of the public school district and county where you operate.

Line 4. Answer "Yes" if you were formed or substantially expanded during a period of time when public schools in your district or county were desegregated by court order.



If you are unsure whether to answer "Yes," contact an appropriate public school official.

Line 5. Answer "Yes" if a state or federal administrative agency or judicial body ever determined your organization to be racially discriminatory. Identify the parties involved and the forum in which the case was presented. Explain the reason for the action, the decision reached, and provide legal citations (if any) for the decision. Also, explain in detail any changes made in response to the action against your organization or the decision reached.

Line 7. In responding to this line, you may reference information previously provided in response to *Part VIII*, line 7a, 7b, or 7c, along with any additional information to fully respond.

Line 8. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b. In responding to this line, you may

reference information previously provided in response to *Part VIII*, line 7a, 7b, or 7c, along with any additional information to fully respond.

Section II. Establishment of Racially Nondiscriminatory Policy

A section 501(c)(3) organization that is a school must publish a notice of its racially nondiscriminatory policy as to students as follows.

The M school admits students of any race, color, national origin, and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national origin, and ethnic origin in administration of its educational policies, admission policies, scholarship and loan programs, and athletic and other school-administered programs.

Every private school is subject to the provisions of Revenue Procedure 75-50, 1975-2 C.B. 587 (Rev. Proc. 75-50). See Publication 557, which sets forth the requirements of Rev. Proc. 75-50 under the section for *Private Schools*.

A private school must also certify annually that it meets the requirements of Rev. Proc. 75-50. This can be accomplished by filing Schedule A (Form 990, Form 990-EZ) Organization Exempt Under Section 501(c)(3).

Schools that do not file Form 990 must file Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

Line 1. Answer "Yes" if your organizing document or bylaws contain a nondiscriminatory statement as to students similar to the one shown above.

Answer "No" if the nondiscrimination statement is not included. If the statement is not included in your organizing document or bylaws, you may submit a copy of your signed and dated resolution that was adopted according to your internal rules or regulations. Your resolution should approve a nondiscriminatory policy similar to the one shown above.

Line 2. Answer "Yes" if your brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and scholarships contain a statement similar to the following.

The M school admits students of any race, color, and national or ethnic origin.

Submit representative copies of each document.

If you answer "No," to line 2, but checked the box on line 2b, you are agreeing that all future printed materials,

including Internet content, will contain a statement of nondiscriminatory policy as to students similar to the one provided above.

Line 3. You must demonstrate that you have made your nondiscriminatory policy known to all segments of the general community served by the school. One way of meeting this requirement is to publish the school's nondiscriminatory policy annually. If you have already published your notice, submit the actual page of the newspaper on which the notice appears. We cannot accept a photocopy, other electronic reproduction, or partial page of the newspaper.

Answer "No," if you have not attached your notice and describe how you meet the publicity requirement of Rev. Proc. 75-50.

See Publication 557 or Rev. Proc. 75-50 for guidance on the format and content of the required notice and whether any exceptions may apply to you.



TIP A notice published in the legal notices section or classified advertisements of your local newspaper is generally not acceptable.

Line 5. Enter the racial composition of your student body, faculty, and administrative staff in the spaces provided. Enter actual numbers, rather than percentages, for the current year and projected numbers for the next academic year. If the number is zero, then enter "0."



CAUTION Do not identify students, faculty, and staff by name.

If you are completing the table based on estimates, submit documentation that supports how you arrived at the estimated numbers. For example, if your estimates are based on the racial composition of the community in which you operate, submit current census data of the racial composition for the area. If your numbers and the census numbers differ greatly, explain why.

Line 6. Enter the racial composition of students to whom you award loans and scholarships in the spaces provided. Enter actual numbers, rather than percentages, for the current year and projected numbers for the next academic year. If the number is zero, then enter "0."



CAUTION Do not identify students by name.

Line 7a. Submit a list that identifies each individual or organization by name. Your list must include your incorporators, founders, board members, donors of land, and donors of buildings.

Line 7b. Answer "Yes" if any individuals or organizations on your list have an objective to keep public or private school education segregated by race. Explain how these individuals or organizations promote segregation in public or private schools.

Line 8. Answer "Yes" if on a continuing basis, you will maintain for a minimum period of three years the following records.

- Your racial composition (similar to the information requested in *Schedule B, Section II*, line 5).
- Evidence that your scholarships and loans are awarded on a racially nondiscriminatory basis (similar to the information requested in *Schedule B, Section II*, line 6).
- Copies of all materials used by you or on your behalf to solicit contributions.
- Copies of brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and financial aid.

Answer "No" if you do not maintain records and explain how you meet the recordkeeping requirements under Rev. Proc. 75-50.



CAUTION Failure to maintain these records or produce them upon the proper request, will create a presumption that you have not complied with the requirements of Rev. Proc. 75-50.

Schedule C. Hospitals and Medical Research Organizations

General Information:

An organization qualifies as a hospital if it is a:

- Hospital.
- Cooperative hospital service organization (*Schedule C* not required).
- Medical research organization operated in conjunction with a hospital.

Hospital. An organization is a "hospital" if its principal purpose or function is providing medical or hospital care or medical education or research. Medical care includes treatment of any physical or mental disability or condition, on an inpatient or outpatient basis. Thus, if an organization is a rehabilitation institution, outpatient clinic, or community mental health or drug treatment center, it is a hospital if its principal function is providing treatment services as described above.

A hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function is to train handicapped individuals to pursue a vocation.

Medical research organization. An organization is a "medical research organization" if its principal purpose or function is the direct, continuous, and active conduct of medical research in conjunction with a hospital. The hospital with which the organization is affiliated must be described in section 501(c)(3), a federal hospital, or an instrumentality of a governmental unit, such as a municipal hospital.

"Medical research" means investigations, experiments, and studies to discover, develop, or verify knowledge

relating to the causes, diagnosis, treatment, prevention, or control of human physical or mental diseases and impairments. For more information, see Treas. Regs. section 1.170A-9(c)(2).

If you are a hospital, check the first box on *Schedule C* and complete *Section I*.

If you are a medical research organization, check the second box on *Schedule C* and complete *Section II*.

Section I. Hospitals

Line 1. Answer "Yes" if all doctors in your community are eligible for staff privileges at your facility. You may answer "Yes" if staff privileges at your facility are limited by capacity.

Answer "No" if all doctors in your community are not eligible for staff privileges at your facility.

If you answer "No," describe in detail how you limit eligibility for staff privileges at your facility. Include details of your eligibility criteria and selection procedures for your courtesy staff of doctors.

Line 2a. Answer "Yes" if you admit all patients in your community who can pay for themselves or through private health insurance.

Answer "No" if you limit admission for these individuals in any way. If you answer "No," describe your admission policy in detail. You should explain how and why you restrict patient admission.

Line 2b. Answer "Yes" if you admit all patients in your community who participate in Medicare.

Answer "No" if you limit admission in any way for these individuals. If you answer "No," describe your admission policy in detail. You should explain how and why you restrict patient admission to exclude persons who participate in Medicare.

Line 2c. Answer "Yes" if you admit all patients in your community who participate in Medicaid.

Answer "No" if you limit admission in any way for these individuals. If you answer "No," describe your admission policy in detail. You should explain how and why you restrict patient admission to exclude persons who participate in Medicaid.

Line 3a. Answer "Yes" if you require a deposit from Medicare and/or Medicaid patients before admission. If you answer "Yes," describe in detail how you determined the amount required and explain why a deposit is needed.

Line 3b. Answer "Yes" if you require a deposit for other patients before admission and the requirement is the same as for Medicare and/or Medicaid patients.

Answer "No" if you require a deposit, but deposits for Medicare/Medicaid patients and other patients differ as to: (1) the way the amount is determined, or (2) the reason for the deposit. If you answer "No," describe the differences in detail.

Line 4a. Answer "Yes" if you offer emergency medical or hospital care at your facility on a 24-hour basis, seven days a week. If "No," explain why you do not offer an emergency room. For example, emergency care may be inappropriate for the type of services you provide. Also, describe any emergency services that you provide.

Line 4b. Answer "Yes" if you have a specific written plan or policy to accept all patients in need of emergency care without considering their ability to pay.

If you answer "Yes," submit a copy of your plan or policy.

Line 4c. Answer "Yes" if you have specific arrangements with any police, fire, or ambulance service providers to bring emergency cases to your facility.

If you answer "Yes," describe each specific agreement. For written agreements, you may submit a copy of each agreement. If it is oral, explain fully the agreement. For any oral agreements, include details of how and when the agreement was arranged.

Line 5a. Answer "Yes" if you provide free or low cost medical or hospital care services to the poor. If you answer "Yes," answer lines 5b through 5e. Do not answer 5b through 5e if you answer "No."

Line 5b. Submit a copy of your written policy or explain fully the understanding under which you operate regarding the admission and/or treatment of charity cases. Explain how you distinguish between charity care and bad debts.

TIP Include details of how you inform the general public about your policy. Submit copies of any documents or agreements you require charity patients to sign before being admitted and/or treated.

Line 5c. Submit information that shows the amounts you expend for treating charity care patients and the types of services you provide. Include an explanation that distinguishes charity care patient expenditures from uncollected bad debts.

Line 5d. Submit copies of any written agreements you have with municipalities or government agencies to subsidize the cost of admitting or treating charity patients.

Line 5e. A sliding fee scale establishes payments depending on financial ability to pay.

Line 6a. Answer "Yes" if you have a formal program of medical training and research. If you answer "Yes," describe your program in detail, including its length and criteria for acceptance into your program.

Line 6b. Answer "Yes" if you have a formal program of community educational programs. If you answer "Yes," describe your program in detail.

Line 7. Answer "Yes" if you provide office space to physicians conducting their own medical practices.

Line 8. Answer "Yes" if you have a board of directors that is representative of the community you serve. Include a list of each board member with the individual's name and employment affiliation. Also, for each board member, describe how that individual represents the community. Generally, hospital employees and staff physicians are not individuals considered to be community representatives.

TIP Answer "Yes" if an organization described in section 501(c)(3) with a community board exercises rights or powers over you, such as the right to appoint members to your governing board of directors and the power to approve certain transactions. Describe these rights and powers. In addition, describe how each of that organization's board of directors represents the community.

Answer "Yes" if you are subject to a state corporate practice of medicine law that requires your governing board to be composed solely of physicians licensed to practice medicine in the state. If you answer "Yes" on this basis, also provide the following information.

- Describe whether a hospital described in section 501(c)(3) exercises any rights or powers over you.
- Identify the corporate practice of medicine law under which you operate.
- Explain how the section 501(c)(3) hospital exercises any rights or powers over you, such as the right to appoint members to your governing board of directors and the right to approve certain transactions.
- Explain what services you provide to the section 501(c)(3) hospital.

Line 10. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b.

Line 11. Recruitment incentives may be offered to attract or retain physicians as employees or to serve the community in which the hospital is located. Such incentives are generally offered when there is an acute shortage of such physicians in your hospital or within the community.

Line 12. Physicians who have a financial or professional relationship with you include physicians with whom you have a business relationship, such as employees, staff physicians, participants in joint ventures, or physicians with whom you contract for services.

Line 13. A business relationship includes employment, contractual relationship, or status as a member of your board of directors.

Line 14. Answer "Yes" if you have adopted a conflict of interest policy consistent with the sample conflict of

interest policy provided in these instructions or you are subject to similar conflict of interest policies under state law. Provide copies of the policies to which you are subject. Although a conflict of interest policy is not required as a matter of tax law, we encourage adoption of a substantive conflict of interest policy because it makes it more likely that you will operate for the benefit of the community and not for private interests.

An example of a substantive conflict of interest policy is available in *Appendix A* in these instructions.

Answer "No" if you have not adopted a conflict of interest policy or you are not subject to conflict of interest policies under state law.

Section II. Medical Research Organizations

Line 1. Attach a list of hospitals with which you have relationships relating to the conduct of medical research. Describe in detail the relationship you have with each hospital. Submit copies of any written agreements.

Line 2. Describe in detail all activities that directly accomplish your conduct of medical research.

Making grants to other organizations does not directly accomplish the conduct of medical research.

Line 3. Your schedule should explain how you determine the fair market value of your assets.

Schedule D. Section 509(a)(3) Supporting Organizations

General Information:

A section 509(a)(3) organization is commonly referred to as a "supporting organization." An organization that a supporting organization benefits is commonly referred to as a "supported organization." A supporting organization may support more than one supported organization.

An organization qualifies for public charity status as a supporting organization under section 509(a)(3) if:

- It is organized and at all times thereafter is operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more public charities described in section 509(a)(1) or 509(a)(2);
- It meets one of three required relationship tests with the supported organization(s); and
- It is not controlled directly or indirectly by "disqualified persons." See specific instructions for *Part X*, line 6b(ii)(b), for a definition of a "disqualified persons."

A supporting organization can also support the charitable purposes of organizations that are exempt under sections 501(c)(4), (5), or (6).

Section I. Identifying Information About Supported Organization(s)

Line 1. Enter the name, address, and EIN of each organization you support.

Line 2. Answer "Yes" if each supported organization has received a letter from the IRS recognizing it as a public charity under section 509(a)(1) or 509(a)(2). Then, go to *Section II*, line 1.

Answer "No" if any supported organization has not received a letter from us recognizing it as a public charity under section 509(a)(1) or 509(a)(2). Then, go to line 3.

Line 3. Answer "Yes" if any supported organization you listed in line 1 received a letter from us stating that it is exempt under section 501(c)(4), (5), or (6). Also, to show how the organization meets the public support test, submit the amounts and sources of revenue for the last four completed tax years for the supported organization(s). You should provide the requested financial data in the format shown on *Part IX-A. Statement of Revenues and Expenses*, for each supported organization. You must then submit the lists requested by *Part X*, line 6b(ii), which is applicable to the public support test under section 509(a)(2).

Answer "No" if no supported organization listed in line 1 has been recognized as tax-exempt under section 501(c)(4), (5), or (6).



If any organization you intend to support has not received a letter from us recognizing it as a public charity under section 509(a)(1) or 509(a)(2), or has not received a determination recognizing that it is tax-exempt under section 501(c)(4), (5), or (6), you must demonstrate, in writing, that each organization you support is described in section 509(a)(1) or 509(a)(2). For example, if you support a church or foreign organization, you should describe how this organization qualifies as a public charity under section 509(a)(1) or 509(a)(2).

Section II. Relationship with Supported Organization(s) – Three Tests

To qualify under section 509(a)(3), you must show that you meet one of three relationship tests with the supported organization(s).

- Test 1. Operated, supervised, or controlled by (comparable to a parent-subsidiary relationship);
- Test 2. Supervised or controlled in connection with (comparable to a brother-sister relationship); or
- Test 3. Operated in connection with (responsive to the needs or demands of, and having significant involvement in the affairs of, the supported organization(s)).

Line 1. Answer "Yes" if your governing document, bylaws, or other internal rules and regulations show that the majority of your governing board or officers is elected or appointed by the supported organization(s). Then, go to *Section III*.

Answer "No" if your governing document, bylaws, or other internal rules and regulations do not show that the majority of your governing board or officers is elected or appointed by the supported organization(s). If you answer "No" but still believe you satisfy this test, explain and go to *Section III*. Otherwise, go to line 2 because you do not meet the "operated, supervised, or controlled by" relationship test.

Line 2. Answer "Yes" if your governing document, bylaws, or other internal rules and regulations show that a majority of your governing board consists of individuals who also serve on the governing board of the supported organization(s). Then, go to *Section III*.

Answer "No" if your governing document, bylaws, or other internal rules and regulations do not show that a majority of your governing board consists of individuals who also serve on the governing board of the supported organization(s). If you answer "No" but still believe you satisfy this test, explain and go to *Section III*. Otherwise, go to line 3 because you do not meet the "supervised or controlled in connection with" relationship test.

Line 3. Answer "Yes" if you are a charitable trust under state law, you name each specified publicly supported organization as a beneficiary in your trust agreement, and each beneficiary organization has the power to enforce the trust and compel an accounting under state law. Then, go to *Section II*, line 5.

Line 4a. Answer "Yes" if the officers, directors, trustees, or members of the supported organization(s) elect or appoint any of your officers, directors, or trustees. If your governing document, bylaws, or other internal rules and regulations do not provide for this, explain how your officers, directors, or trustees are elected or appointed. Then, go to line 4d.

Line 4b. Answer "Yes" if any members of the governing body of the supported organization(s) also serve as your officers, directors, trustees, or hold another important office for your organization. Describe the position held and whether the position is ongoing. Then, go to line 4d.

Line 4c. Answer "Yes" if your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization(s). Explain the continuous relationship in detail. Then, go to line 4d.



*If you answer "No," on line 4c and your answer to lines 3, 4a, and 4b were "No," you do not meet the "operated in connection with" relationship test. You must establish a different relationship with the supported organization or go back to *Part X*, to reconsider your public charity status.*

Line 4d. Answer "Yes" if the supported organization has a significant involvement in your investment policies, making and

timing of grants, and directing the use of your income and assets. Explain how the supported organization is involved in these matters.

Line 5. An applicant for tax exemption as a supporting organization under the "operated in connection with" relationship must satisfy either the integral part test or the alternative integral part test. If you are requesting supporting organization status by meeting the "operated in connection with" relationship, you must satisfy either the integral part test or the alternative integral part test. If you satisfy the integral part test described in line 5, then you do not have to complete line 6.

Answer "Yes" if you conduct activities that the supported organization would otherwise conduct. Describe the activities that you conduct, other than distributing funds. Then, go to *Section III*.

Line 6a. To satisfy the alternative integral part test as a supporting organization, you must distribute at least 85% of your annual "net income" to the organization(s) you support. See the *Glossary* for a description of "net income" to be used in calculating whether you meet the 85% distribution threshold.

Answer "Yes" if you distribute at least 85% of your net income to the supported organization(s). For purposes of this schedule, "net income" has the same meaning as the term "adjusted net income," which is applicable to private operating foundations.

In general, "adjusted net income" is the excess of gross income, including gross income from any unrelated trade or business, determined with certain modifications, reduced by total deductions. Gross income does not include gifts, grants, or contributions.

If you answer line 6a "No," and your answer to line 5 was "No," unless you establish that the supported organization(s) will be attentive to your operations, you do not meet the "operated in connection with" relationship test. Go back to *Part X*, to reconsider your public charity status.

Line 6b. Submit a list that shows the total amount distributed annually to each supported organization. Also, indicate how each amount will vary from year to year.

Line 6c. Submit a list that shows the total annual income for each supported organization.

Line 6d. Answer "Yes" if your funds are "earmarked" for a particular program or activity.

If you distribute your income to, or for the use of, a particular department or program of an organization, list the total annual revenue of the supported department or program in line 6c.

Line 7a. The "operated in connection with" test requires that you specify the supported organization(s) by name in your organizing document unless there has been an historic and continuing

relationship between you and the supported organization(s).

Line 7b. An historic and continuing relationship depends on all the facts and circumstances that would demonstrate a substantial identity of interests between you and the supported organization.

If you answer "No" to lines 7a and 7b, you may consider amending your organizing document to specify the supported organization(s) by name so you can answer "Yes" to line 7a. Otherwise, you will need to go back to *Part X* to reconsider your public charity status.

Section III. Organizational Test

Line 1a. If you answered "No" to line 1a, you must amend your organizing document to specify the supported organization(s) by name, purpose, or class. Otherwise, you will not meet the operational test under section 509(a)(3) and you will need to go back to *Part X* to reconsider your public charity status.

Line 1b. If you answered "No" to line 1b, you must amend your organizing document to specify the supported organization(s) by name. Otherwise you will not meet the operational test under section 509(a)(3) and you will need to go back to *Part X* to reconsider your public charity status.

Section IV. Disqualified Person Test

Control. As a section 509(a)(3) supporting organization, you may not be controlled directly or indirectly by disqualified persons. You are controlled if disqualified persons can exercise 50% or more of the total voting power of your governing body. You are also controlled if disqualified persons have authority to affect significant decisions, such as power over your investment decisions, or power over your charitable disbursement decisions. You are also controlled if disqualified persons can exercise veto power. Although control is generally demonstrated where disqualified persons have the authority over your governing body to require you to take an action or refrain from taking an action, indirect control by disqualified persons will also disqualify you as a supporting organization.

See the instructions for *Part X*, line 6b for a description of the term "disqualified person."

A public charity is not a disqualified person.

A "foundation manager" means your:

- Officers, directors, or trustees, or
- An individual having powers or responsibilities similar to those of your officers, directors, or trustees.

Line 1b. See the instructions for *Part V*, line 2a, for a description of the terms "family or business relationship."

Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation

General Information:

The questions in this schedule will help us determine the effective date of exemption for an organization that filed its application more than 27 months after the end of the month in which it was legally formed.

- If you meet exceptions for late filing, your exemption under section 501(c)(3) will be effective from the date you were legally formed.
- If you do not meet any exceptions, your exemption under section 501(c)(3) will be effective from the date you filed your application.
- Although you do not meet any exceptions, you may, nevertheless, qualify for tax exemption as an organization described in section 501(c)(4) for the period beginning with the date you were legally formed and ending with the date you are recognized under section 501(c)(3). Generally, contributions made to a section 501(c)(4) organization are not tax deductible.

Line 1. Answer "Yes" if you are a church or an association of churches. You should have also checked *Part X*, line 5a, and completed *Schedule A*. If you qualify as a church or an association of churches, your exemption will be effective from the date of your legal formation.

Answer "Yes" if you are an integrated auxiliary of a church. If you qualify as an integrated auxiliary of a church, your exemption will be effective from the date of your legal formation.

An "integrated auxiliary of a church" refers to a class of organizations that are related to a church or convention or association of churches, but are not such organizations themselves. In general, you must:

- Be described as both tax exempt under section 501(c)(3) and a public charity described in sections 509(a)(1), (2), or (3); and
- Receive financial support primarily from internal church sources as opposed to public or governmental sources.

Men's and women's organizations, seminaries, mission societies, and youth groups that satisfy the above referenced sections 501(c)(3) and 509(a)(1), (2), or (3) requirements are considered integrated auxiliaries whether or not they meet the internal support requirements. More guidance as to the types of organizations that qualify as integrated auxiliaries can be found in Treas. Regs. section 1.6033-2(h).

Line 2a. Answer "Yes" if you are a public charity and your annual gross receipts are normally \$5,000 or less. For information about whether your annual gross receipts are normally \$5,000 or less, see Publication 557. If you qualify as an

organization with annual gross receipts of normally \$5,000 or less, your exemption would be effective from the date of your legal formation.

Answer "No" if you are a private foundation, regardless of your gross receipts.

Line 2b. Answer "Yes" if:

- Your gross receipts were normally less than \$5,000 for years before your last completed tax year,
- Your gross receipts normally exceeded \$5,000 for your last completed tax year, and
- You filed this application within 90 days from the end of your last completed tax year.

Line 3. Lines 3a, 3b, and 3c are applicable to subordinates included in a group exemption application. See Publication 557 for information regarding group exemptions. If you were a subordinate of a group exemption that was timely filed and you are filing for exemption within 27 months from the date you were notified by the organization holding the group exemption letter that either (1) you are no longer covered by the group exemption letter, or (2) the group exemption request was denied, answer "Yes" and do not complete the remainder of this schedule.

Line 4. Answer "Yes" if you were formed on or before October 9, 1969. If you are a corporation, your formation date is the date your articles of incorporation were filed with and approved by your state officials. If you are an association, your formation date is the date you adopted your organizing document. If you are a trust, your formation date is generally the date your trust was both adopted and funded.

 **If you answer "Yes," do not complete the rest of this schedule. As an organization formed on or before October 9, 1969, your exemption would be effective from the date of your legal formation. Answer "No" if you were formed after October 9, 1969.**

Line 5. You may receive an extension of time to file Form 1023 beyond the 27-month period if you can establish that you acted reasonably and in good faith, and that granting an extension will not prejudice the interests of the government.

- You filed Form 1023 before we discovered your failure to file.
- You failed to file because of intervening events beyond your control.
- You exercised reasonable diligence but you were not aware of the filing requirements. (The complexity of your filing and experience in these matters is taken into consideration.)
- You reasonably relied on written advice from us.
- You reasonably relied on the advice of a qualified tax professional who failed to file or advise you to file Form 1023.

Answer "Yes" if you wish to request an extension of time to file under these provisions. If you answer "Yes," describe

in detail the reasons for filing late based on the factors listed above. Do not complete the rest of this schedule.

Answer "No" if you do not wish to request an extension under these provisions and go to line 6a.

Line 6a. By checking "Yes," and completing *Part X*, line 6a, you are eligible for an advance ruling to be classified as a public charity from the postmark date of your application.

Do not complete line 6a, 6b, or 7 if you checked the boxes in *Part X*, lines 5a, 5b, 5c, 5d, or 5e.

Line 6b. If you anticipate significant changes in your sources of support in the future, answer "Yes," and we will base your qualification for an advance ruling on the financial information you provide in line 7. If you check "Yes," complete the financial information requested in line 7 of Schedule E.

If you answer "No," we will base your qualification for an advance ruling on the financial information you provided in *Part IX*. If you answer "No," do not complete line 7 of Schedule E.

Line 7. Complete projected budgets of income for the first two full tax years after the date you mailed your Form 1023. See the specific instructions for *Part IX-A, Statement of Revenues and Expenses*, lines 1 through 13, if you need guidance on what to include in the various categories.

Line 8. Check the box if you wish to request exemption under section 501(c)(4) for the period before the postmark date of your Form 1023. If you check the box, attach page 1 of Form 1024. Form 1024 is available on the IRS website at www.irs.gov or by calling 1-800-829-3676.

If you qualify for exemption under section 501(c)(4), you will not be liable for income tax returns as a taxable entity, but you will need to file any exempt organization returns for which you may be responsible. Contributions to section 501(c)(4) organizations are generally not deductible by donors.

Do not check the box if you do not wish to be tax exempt under section 501(c)(4) for the period before the postmark date of your Form 1023. If you do not request and obtain exemption under section 501(c)(4) for the period before the postmark date of your Form 1023, you may be liable for income tax returns as a taxable entity for that time period.

Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing

General Information:

Homes for the elderly or handicapped are eligible for tax exemption as charitable

organizations only if they meet the special needs of the elderly or handicapped for residential facilities designed to meet their physical, social, recreation, health care, and transportation needs. Homes for the elderly or handicapped must also be within the financial reach of a significant segment of the elderly or handicapped in the community. Once admitted to the elderly or handicapped housing facility, the organization must have an established policy to maintain them as residents, to the extent possible, even if the residents subsequently become unable to pay the monthly charges.

Low-income housing must provide affordable housing for a significant segment of individuals in your community with low incomes. Your housing may serve a combination of purposes, such as for poor, frail, and elderly persons.

Section I. General Information about Your Housing

Line 1. The type of housing you provide should include both a description of the type of facility provided, such as apartment complex, condominium, cooperative, or private residence, and the nature of your facility, such as assisted-living facility, continuing-care facility, nursing home, low-income facility, etc.

Line 7. See the instructions for *Part V*, line 7a, for a description of the terms arm's length and fair market value.

Line 8. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b.

Line 9. Government programs include federal, state, or local government programs.

Section II. Homes for the Elderly or Handicapped

Line 2a. Answer "Yes" if you charge a one-time fee for admission to your facility.

Line 2b. Answer "Yes" if you charge daily, weekly, monthly, or annual fees or maintenance charges.

Line 2c. A "community" refers to the area that will be served by your facility. For example, a community may be a local area or a region.

Line 3a. Describe what happens to individuals if they become unable to pay your regular charges. For example, you may have a policy whereby you have a reserve fund for maintaining residents who are having trouble in paying their regular charges. You may also have a

policy of keeping residents who are having trouble in paying their regular charges in place for a period of time to permit them to find alternative housing. Include a copy of any printed materials that informs the public about your policy.

Line 3b. Describe any arrangements you have or expect to have with welfare agencies, sponsoring organizations, or others to assist residents who become unable to afford to remain residents.

Line 4. Describe how you provide for the health care needs of residents, including the services provided. This can include providing for the activities of daily living of residents at your facilities and transporting residents to other facilities for medical services.

Line 5. Describe how living units and common areas are designed to meet the physical needs of residents (such as grab bars in bathrooms, wide doorways and hallways, design of kitchens and bathrooms, etc.). Also, include information about facilities and programs designed to meet some combination of physical, emotional, recreational, social, religious, and similar needs of residents.

Section III. Low-Income Housing

Line 2. Answer "Yes" if you charge daily, weekly, monthly, or annual fees or maintenance charges.

Schedule G. Successors to Other Organizations

General Information:

You should complete this schedule as a successor organization if any of the following situations pertain to you.

- You have taken or will take over the activities that were previously conducted by another.
- You have taken or will take over 25 percent or more of the fair market value of the net assets of another organization.
- You were established upon the conversion of an organization from for-profit to non-profit status.

The other organization is the predecessor organization. You should complete this schedule regardless of whether the predecessor (other organization) was exempt or not exempt from federal income tax.

Line 1a. For purposes of this schedule, a "for-profit" organization is one in which persons are permitted to have an ownership or partnership interest, such as corporate stock. It includes sole proprietorships, corporations, and other entities that provide for ownership interests.

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures

General Information:

Complete this schedule if you provide scholarships, fellowships, grants, loans, or other distributions to individuals for educational purposes. When answering the questions on this schedule, you should demonstrate how these distributions further your exempt purposes.

Generally, distributions made to individuals may advance educational purposes if selection is made:

- In a non-discriminatory fashion in terms of racial preference,
- Based on need and/or merit, and
- To a charitable class in terms of being available to an open-ended group, rather than to pre-selected individuals.

A scholarship or fellowship is tax free to the recipient only if he or she is:

- A candidate for a degree at an eligible educational institution; and
- Uses the scholarship or fellowship to pay qualified education expenses.

Qualified education expenses include tuition and fees; and course-related expenses such as books, supplies, and equipment. Room and board, travel, research, clerical help, and non-required equipment are not qualified education expenses. See Publication 970, Tax Benefits for Education, for additional information.

Selection of individuals using a lottery system generally has not been approved by the IRS.

Section I

Line 1b. If you have different grant programs, describe the purpose and amount of each program.

Line 1c. If you award educational loans, describe the terms of the loan (for example, interest rate, duration, forgiveness provision, etc.). Also, describe how any other loan institutions are involved in your program.

Line 1d. Explain how you will publicize your program and whether you publicize to the general public or to another group of possible recipients. Include specific information about the geographic area in which your program will be publicized and the means you will use, such as through newspaper advertisements, school district announcements, or community groups.

Line 1e. Submit sample copies of your solicitation material for applicants or materials announcing the awards. If solicitation is done orally through school counselors or others, explain fully.

Line 2. Organizations that make grants to individuals must maintain adequate records and case histories showing the name and address of each recipient pursuant to Revenue Ruling 56-304, 1956-2 C.B. 306. If you answer "No," explain how you will be able to demonstrate that your distributions serve exempt purposes.

Section II

Line 1a. Only complete lines 1a through 4 if you are a private foundation based on your answers to Part X, line 1a. Answer "Yes" if you are a private foundation and you are requesting advance approval of your grant-making procedures under section 4945(g). Answer "No" if you are a private foundation but do not wish to request advance approval of your grant-making procedures under section 4945(g). If you answer "No," the amounts you distribute as educational grants provided to individuals may be considered taxable expenditures under section 4945.

Answer "N/A" if you are requesting public charity status in Part X.

For more information about advance approval of grant-making procedures of a private foundation, log on to www.irs.gov/charities/foundations/article/0,,id=137397,00.html.

Line 1b. Check the box for section "4945(g)(1)" if your award qualifies as a scholarship or fellowship grant that is awarded on an objective and

nondiscriminatory basis and is used for study at a school (see the *Schedule B, General Information* for what is considered a school).

Check the box for section "4945(g)(3)" if the purpose of your award is to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the recipient. Include your educational loan program under this section. You may check more than one box.

If your award qualifies as a prize or award that is subject to the provisions of section 74(b) and your recipient is selected from the general public, you do not have to request advance approval of your grant-making procedures since a prize or award is not subject to the advance approval procedure requirements because it is not a grant for travel, study, or other similar purposes. See Revenue Rulings 77-380, 1977-2 C.B. 419; 76-460, 1976-2 C.B. 371, and 75-393, 1975-2 C.B. 451.

Line 4. For additional information regarding private foundations requesting advance approval of individual grant procedures, go to www.irs.gov/charities/foundations/article/0,,id=137396,00.html.

Line 4a. Answer "Yes" if you award scholarships on a preferential basis because you require, as an initial qualification, that the individual be an employee or be related to an employee of a particular employer.

Line 4c. Answer "N/A" if you do not provide scholarships, fellowships, or educational loans to employees of a particular employer.

Line 4d. Answer "N/A" if you do not provide scholarships, fellowships, or educational loans to children of employees of a particular employer.

Line 4e. Answer "N/A" if your answer to line 4d is "N/A."



TIP For purposes of this schedule, a program for children of employees of a particular employer includes children and family members of employees.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 1023 application are covered in Code section 6104.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
Parts I to XI	89 hrs. 26 mins.	5 hrs. 10 mins.	9hrs. 39 mins.	48 mins.
1023 Sch. A	10 hrs. 2 mins.	6 mins.	16 mins.	—
1023 Sch. B	15 hrs. 18 mins.	12 mins.	27 mins.	—
1023 Sch. C	11 hrs. 14 mins.	12 mins.	23 mins.	—
1023 Sch. D	9 hrs. 48 mins.	42 mins.	53 mins.	—
1023 Sch. E	14 hrs. 35 mins.	1 hrs. 9 mins.	2 hrs. 22 mins.	16 mins.
1023 Sch. F	11 hrs. 28 mins.	12 mins.	23 mins.	—
1023 Sch. G	6 hrs. 42 mins.	6 mins.	12 mins.	—
1023 Sch. H	7 hrs. 53 mins.	42 mins.	51 mins.	—

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Avenue, NW, IR-6406 Washington, DC 20224.

DO NOT send the application to this address. Instead, see *Where to File* on page 4.

Appendix A: Sample Conflict of Interest Policy

Note: Items marked *Hospital insert – for hospitals that complete Schedule C* are intended to be adopted by hospitals.

Article I Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II Definitions

1. Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

[Hospital Insert – for hospitals that complete Schedule C

If a person is an interested person with respect to any entity in the health care system of which the organization is a part, he or she is an interested person with respect to all entities in the health care system.]

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV **Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V **Compensation**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

[Hospital Insert – for hospitals that complete Schedule C

- d. Physicians who receive compensation from the Organization, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.]

Article VI **Annual Statements**

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII **Periodic Reviews**

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII **Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

Appendix B: States with Statutory Provisions Satisfying the Requirements of Internal Revenue Code Section 508(e)

The following states have adopted legislation satisfying the requirements of section 508(e) relating to private foundation governing instruments. Information derived from Revenue Ruling 75-38, 1975-1 C.B. 161.

ALABAMA — except where otherwise provided by a decree of a court of competent jurisdiction or by a provision in the private foundation's governing instrument which in either case has been entered or made after October 1, 1971, and expressly limits the applicability of State law.

ALASKA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Alaska law do not apply to them.

ARKANSAS — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Arkansas law do not apply to them and except in the case of trusts where otherwise provided by decree of a court of competent jurisdiction.

CALIFORNIA — except where otherwise provided by a court of competent jurisdiction.

COLORADO — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

CONNECTICUT — except where otherwise provided by a court of competent jurisdiction.

DELAWARE — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Delaware law do not apply to them.

DISTRICT OF COLUMBIA — except for such corporations which expressly provide in their governing instruments that the applicable sections of District of Columbia law do not apply to them and except in the case of trusts where otherwise provided by a court of competent jurisdiction. (For purposes of this statute, corporations include corporations organized under any Act of Congress applicable to the District of Columbia as well as corporations organized under the laws of the District of Columbia.)

FLORIDA — except for such trusts which file a proper election not to be subject to the applicable provisions of Florida law and for such corporations as to which a court of competent jurisdiction has otherwise determined.

GEORGIA — except for such private foundations which file a proper election not to be subject to such law.

HAWAII — no exceptions.

IDAHO — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Idaho law do not apply to them.

ILLINOIS — except for such corporations which have express provisions to the contrary in their articles of incorporation and except for trusts where it is otherwise provided by a court of competent jurisdiction.

INDIANA — except where otherwise determined by a court of competent jurisdiction with respect to private foundations organized before January 1, 1970.

IOWA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Iowa law do not apply to them.

KANSAS — except where otherwise provided by a court of competent jurisdiction.

KENTUCKY — except, with respect to corporations in existence on July 1, 1972, to the extent that such a corporation provides to the contrary by amendment to its articles of incorporation adopted after July 1, 1972, and, with respect to trusts in existence on July 1, 1972, where action is properly commenced on or before December 31, 1972, in a court of competent jurisdiction to excuse the trust from compliance with the requirements of section 508(e) of the Code.

LOUISIANA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Louisiana law do not apply to them.

MAINE — except where otherwise provided by a court of competent jurisdiction.

MARYLAND — except where otherwise provided by a court of competent jurisdiction.

MASSACHUSETTS — except where otherwise provided by a court of competent jurisdiction.

MICHIGAN — with respect to trusts that are private foundations except for such private foundations which file a notice of inconsistency under Michigan law.

MINNESOTA — except for private foundations that have been held by a court of competent jurisdiction not to be affected by such State statute.

MISSISSIPPI — except where otherwise provided by a court of competent jurisdiction.

MISSOURI — except for private foundations that have been held by a court of competent jurisdiction not to be affected by such State statute.

MONTANA — except in the case of trusts where otherwise provided by court decree entered after March 28, 1974, and except in the case of a corporation which has an express provision to the contrary in its articles of incorporation.

NEBRASKA — except for such trusts which effectively elect to be excluded from the applicable sections of Nebraska law, for such corporations which have governing instruments expressly providing to the contrary, and except as a court of competent jurisdiction has otherwise determined in any given case.

NEVADA — no exceptions.

NEW HAMPSHIRE — except where it is otherwise provided by a court of competent jurisdiction.

NEW JERSEY — except for such private foundations which expressly provide in their governing instruments that the applicable sections of New Jersey law do not apply to them.

NEW YORK — except where such law conflicts with any mandatory direction of an instrument by which assets were transferred prior to June 1, 1971, and such conflicting direction has not been removed legally.

NORTH CAROLINA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of North Carolina law do not apply to them and except for trusts that have their governing instruments reformed by a decree of the Superior Court of North Carolina.

NORTH DAKOTA — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

OHIO — except in the case of trusts where it is provided otherwise by a court of competent jurisdiction and except in the case of corporations in existence on September 17, 1971, which expressly adopt contrary provisions in their governing instruments after September 17, 1971.

OKLAHOMA — except for such private foundations which file a proper election not to be subject to such law.

OREGON — no exceptions.

PENNSYLVANIA — except where otherwise provided by a court of competent jurisdiction.

RHODE ISLAND — except where otherwise provided by a court of competent jurisdiction.

SOUTH CAROLINA — except for private foundations which expressly provide in their governing instruments that the applicable sections of South Carolina law do not apply to them.

SOUTH DAKOTA — except where otherwise provided by a court of competent jurisdiction.

TENNESSEE — except where otherwise provided by a court of competent jurisdiction.

TEXAS — except for such private foundations which file a proper election not to be subject to such law.

UTAH — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

VERMONT — except where otherwise provided by a court of competent jurisdiction.

VIRGINIA — except for private foundations whose governing instruments contain express provisions to the contrary or which have filed a proper election not to be subject to such law.

WASHINGTON — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Washington law do not apply to them.

WEST VIRGINIA — with respect to trusts that are private foundations except for such trusts which provide in their governing instruments that the applicable sections of West Virginia law do not apply to them.

WISCONSIN — except as may otherwise be provided by decree of a court of competent jurisdiction.

WYOMING — except where otherwise provided by a court of competent jurisdiction.

Appendix C: Glossary of Terms

Adjusted net income (for Schedule D)	<p>Adjusted net income includes: gross income from any unrelated trade or business; gross income from functionally related businesses; interest payments received on loans; amounts received or accrued as repayments of amounts taken as qualifying distributions for any tax year; amounts received or accrued from the sale or other disposition of property to the extent acquisition of the property was treated as a qualifying distribution for any tax year; any amounts set aside for a specific project to the extent the full set aside was not necessary for the project; interest on government obligations normally excluded under section 103 of the Code; net short-term capital gains on sale or other disposition of property; and income received from an estate if the estate is considered terminated for income tax purposes because of a prolonged administration period.</p> <p>It does not include: gifts, grants, and contributions received; long-term capital gains or losses; net section 1231 gains; capital gain dividends; the excess of fair market value over adjusted basis of property distributed to the U.S. or a possession or political subdivision, a state or its political subdivision, a charitable trust or corporation for public purposes, or income received from an estate during the administration period.</p> <p>In computing adjusted net income, deduct the following: ordinary and necessary expenses paid or incurred for the production or collection of gross income, or for the management, conservation, or collection of gross income (includes operating expenses such as compensation of officers, employee wages and salaries, interest, rent, and taxes); straight-line depreciation and depletion (not percentage depletion); and expenses and interest paid or incurred to carry tax-exempt obligations. Do not deduct net short-term capital losses for the year in which they occur (these losses cannot be carried back or carried over to earlier or later tax years); the excess of expenses for property used for exempt purposes over the income received from the property; charitable contributions made by you; net operating losses; and special deductions for corporations.</p>
Advance ruling	<p>A written determination by us on your public charity status that treats you as a publicly supported organization during a 5-year period beginning, generally, from the date of your formation. At the end of the 5-year period, you will qualify for a definitive ruling (defined below) if you were publicly supported based on the support you received during the 5-year period.</p>
Affiliated	<p>Created by, controlled by, or closely related to a governmental unit, including a State, a possession of the United States, or any political subdivision of a State or a possession of the United States, or the United States, or the District of Columbia.</p>
Arm's length	<p>A transaction between parties having adverse (or opposing) interests; where none of the participants are in a position to exercise substantial influence over the transaction because of business or family relationship(s) with more than one of the parties.</p>
Authorized representative	<p>By submitting Form 2848, an attorney or certified public accountant who is permitted to represent you before us regarding your application for tax-exempt status.</p>
Bingo	<p>A game of chance played with cards that are generally printed with 5 rows of 5 squares each, on which participants place markers to form a pre-selected pattern to win the game. Bingo is gambling.</p>

Business relationships	Employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.
Bylaws	The internal rules and regulations of an organization.
Certification of filing	Articles of incorporation for your organization showing evidence that on a specific date they were filed with and approved by an appropriate state authority.
Charitable risk pool	An organization described in section 501(n), which is organized and operated to pool insurable risks (other than medical malpractice) of its section 501(c)(3) members.
Close connection	A relationship between organizations that may include: control of one organization by another through common governance or through authority to approve budgets or expenditures; coordination of operations as to facilities, programs, employees, or other activities; or common persons exercising substantial influence over all of the organizations.
Common control	You and one or more other organizations have (1) a majority of your governing boards or officers appointed or elected by the same organization(s), or (2) a majority of your governing boards or officers consist of the same individuals. Common control also occurs when you and one or more commonly controlled organizations have a majority ownership interest in a corporation, partnership, or trust. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.
Community	The local or regional geographic area to be served by an organization.
Compensation	All forms of income from working, including salary or wages; deferred compensation; retirement benefits, whether in the form of a qualified or non-qualified employee plan (for example: pensions or annuities); fringe benefits (for example: personal vehicle, meals, lodging, personal and family educational benefits, low interest loans, payment of personal travel, entertainment, or other expenses, athletic or country club membership, and personal use of your property); and bonuses.
Conflict of interest policy	A conflict of interest arises when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make. A conflict of interest policy consists of a set of procedures to follow to avoid the possibility that those in positions of authority over an organization may receive an inappropriate benefit.
Controlled by disqualified persons	As a section 509(a)(3) supporting organization, you may not be controlled directly or indirectly by disqualified persons. You are controlled if disqualified persons can exercise 50% or more of the total voting power of your governing body. You are also controlled if disqualified persons have authority to affect significant decisions, such as power over your investment decisions, or power over your charitable disbursement decisions. You are also controlled if disqualified persons can exercise veto power. Although control is generally demonstrated where disqualified persons have the authority over your governing body to require you to take an action or refrain from taking an action, indirect control by disqualified persons will also disqualify you as a supporting organization.

Cooperative hospital service organization	An organization described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities: data processing, purchasing (including purchasing insurance on a group basis), warehousing, billing and collection (including purchasing patron accounts receivable on a recourse basis), food, clinical, industrial engineering, laboratory, printing, communications, record center, and personnel (including selecting, testing, training, and educating personnel) services.
Cooperative service organization of operating educational organizations	An organization described in section 501(f) is organized and operated to provide investment services to its members. Those members must be organizations described in section 170(b)(1)(A)(ii) or (iv), and either tax exempt under section 501(a) or whose income is excluded from taxation under section 115(a).
Corporation	An entity organized under a Federal or state statute, or a statute of a federally recognized Indian tribal or Alaskan native government.
Definitive ruling	A written determination by us on your public charity status that classifies you as a publicly supported organization if you have completed your first tax year, consisting of at least 8 full months, and you meet one of the public support tests. A definitive ruling may also be issued at the end of your 5-year advance ruling period if you were issued an advance ruling and you meet one of the public support tests.
Develop	Develop means the planning, financing, construction, or provision of similar services involved in the acquisition of real property, such as land or a building.
Disqualified person	Any individual or organization that is: <ul style="list-style-type: none"> a. A substantial contributor to you (see <i>substantial contributor</i>). b. An officer, director, trustee, or any other individual who has similar powers or responsibilities. c. An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor to you. d. An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor to you. e. An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor to you. f. A member of the family of any individual described in a, b, c, d, or e above; g. A corporation in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the total combined voting power; h. A trust or estate in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the beneficial interests; and i. A partnership in which any individuals described a, b, c, d, e, or f above hold more than 35% of the profits interest.
Earmark	Donations or other contributions given to you to assist particular individuals or specific identified groups.
Economic development	Organizations formed to combat community deterioration by assisting businesses located in a particular geographic area whose economy is economically depressed or deteriorating. Economic development activities include grants, loans, provision of information and expertise, or creation of industrial parks. Economic development organizations may also be formed to eliminate prejudice and discrimination or lessen the burdens of government through involvement with business development.

Elderly housing	Generally, the primary beneficiaries of the tax-exempt housing are age 62 and older. The elderly are treated as appropriate charitable beneficiaries for certain purposes regardless of socio-economic status because, as a group, they face many barriers to their basic needs as they age. The elderly, as a class, face forms of distress other than financial, such as the need for suitable housing, physical and mental health care, civic, cultural, and recreational activities, and an overall environment conducive to dignity and independence.
Expenses	Financial burdens or outlays; costs (of doing business); business outlays chargeable against revenues. For purposes of this form, expenses mean direct and indirect expenses.
Fair market value	The price at which property or the right to use property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.
Family	Includes an individual's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren, and siblings.
Foreign country	A country other than the United States, its territories and possessions, and the District of Columbia.
For-profit	A business entity whose activities are conducted or maintained to make a profit (e.g. revenues greater than expenses).
Foundation manager	Officers, directors, or trustees, or an individual having powers or responsibilities similar to those of a foundation's officers, directors, or trustees.
Fundraising	The organized activity of raising funds, whether by volunteers, employees, or paid independent contractors.
Gainfully employed	Employed or actively looking for work.
Gaming	The term gaming includes activities such as Bingo, Beano, lotteries, pull-tabs, pari-mutuel betting, Calcutta wagering, pickle jars, punch boards, tip boards, tip jars, certain video games, 21, raffles, keno, split-the-pot, and other games of chance.
Gross investment income	As defined in section 509, gross investment income means the gross amount of income from interest, dividends, payments with respect to securities loans, rents, and royalties, but not including any such income to the extent included in computing the tax imposed by section 511.
Gross receipts	For purposes of <i>Part IX-A. Statement of Revenues and Expenses</i> , gross receipts includes monies earned from activities related to your charitable or other section 501(c)(3) activities, such as selling admissions or merchandise, performing services, or furnishing facilities.
Handicapped	Persons with physical or mental disabilities with special needs for suitable housing, physical and mental health care, civic, cultural, and recreational activities, transportation, and an overall environment conducive to dignity and independence.

Hospital	Hospital or medical care includes the treatment of any physical or mental disability or condition, whether on an inpatient or outpatient basis. A hospital includes: <ul style="list-style-type: none"> a. Hospitals and rehabilitation institutions, outpatient clinics, or community mental health or drug treatment centers if the principal purpose or function is the providing of medical or hospital care or medical education or research. b. Medical research organizations, if the principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.
Independent contractors	Persons who are not treated as employees for employment tax purposes.
Influence legislation	The act of directly contacting or urging the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. You are also attempting to influence legislation if you advocate the adoption or rejection of legislation.
Intellectual property	A type of property (distinct from real or personal property) which includes: <ul style="list-style-type: none"> a. Patents (for inventions). b. Copyrights (for literary and artistic works such as novels, poems, plays, films, musical works, drawings, paintings, photographs, sculptures, architectural designs, performances, recordings, film, and radio or television programs). c. Trade names, trade marks, and service marks (for symbols, names, images, and designs). d. Formulas, know-how, and trade secrets.
Joint ventures	A legal agreement in which the parties jointly undertake a transaction for mutual profit. Generally, each person contributes assets and shares risks. Like a partnership, joint ventures can involve any type of business transaction and the "persons" involved can be individuals, groups of individuals, companies, or corporations.
Limited liability company	A limited liability company (LLC) combines attributes of both corporations and partnerships (or, for one-person LLCs, sole proprietorships). The corporation's protection from personal liability for business debts and the pass-through tax structure of partnerships and sole proprietorships.
Low-income housing	Rental or ownership housing provided to persons based on financial need.
Mailing address	Address where you wish all correspondence to be sent.
Manage	Manage means to direct or administer.
Medical care	The treatment of any physical or mental disability or condition, whether on an inpatient or outpatient basis.
Medical research organization	An organization whose principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.
Net income (for Schedule D)	See <i>adjusted net income</i> .
Non-fixed payments	A non-fixed payment means a payment that depends on discretion. For example, a bonus of up to \$100,000 that is based on an evaluation of performance by the governing board is a non-fixed payment because the governing body has discretion over whether the bonus is paid and the amount of the bonus.

Organizing document	The organizing document depends on the form of the organization. For a corporation, the document is the articles of incorporation. For a limited liability company (LLC), the document is the articles of organization. For an unincorporated association, the document is the articles of association or constitution. The organizing document of a trust is the trust agreement.
Political	You participate in a political campaign if you promote or oppose, through political literature, brochures, pamphlets, hosting or participating in events, etc., the candidacy of an individual for public office. Debates and nonpartisan voter education are not considered political.
Predecessor	An organization whose activities or assets were taken over by another organization.
Private foundations	Organizations that are exempt under section 501(c)(3) are private foundations unless they are: churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or organizations that support one or more other organizations that are themselves classified as public charities.
Private operating foundation	A type of private foundation that lacks general public support, but makes qualifying distributions directly for the active conduct of its educational, charitable, and religious purposes. "Directly for the active conduct" means that the distributions are used by the foundation itself to carry out the programs for which it is organized and operated. Grants made to assist other organizations or individuals are normally considered indirect.
Public charity	Organizations that are exempt under section 501(c)(3) and are not private foundations because they are: churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or organizations that support one or more other organizations that are themselves classified as public charities. Public charity status is a more favorable tax status than private foundation status.
Reasonable compensation	Reasonable compensation is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Reasonable compensation is important because excessive benefits in the form of compensation to disqualified persons may result in the imposition of excise taxes and jeopardize the organization's tax-exempt status.
Related	The family or business relationships between persons.
Relationship	A relationship between you and the recipient organization includes the following situations: <ul style="list-style-type: none"> a. You control the organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures. b. You and the organization were created at approximately the same time and by the same persons. c. You and the organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities. d. Persons who exercise substantial influence over you also exercise substantial influence over the other organization.
Revenue	Revenue means gross revenue amounts.

Revenue Procedure	An official statement of a procedure published in the IRS Cumulative Bulletin that either affects the rights or duties of taxpayers or other members of the public under the Internal Revenue Code and related statutes, treaties, and regulations or, although not necessarily affecting the rights and duties of the public, should be a matter of public knowledge.
Revenue Ruling	An official interpretation by the IRS of the Internal Revenue laws and related statutes, treaties, and regulations, that has been published in the Cumulative Bulletin. Revenue Rulings are issued only by the National Office and are published for the information and guidance of taxpayers, IRS officials, and others concerned.
SS-4	Application for Employer Identification Number.
School	A school is an educational organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. A school may include a: <ul style="list-style-type: none"> a. Primary, secondary, preparatory, or high school. b. College or university. c. Trade or technical school. d. Nursery or preschool. e. School that you operate as an activity, such as school that is operated as an activity of a museum, historical society, or church.
Similarly situated	Similarly situated organizations means tax-exempt or taxable organizations of a comparable size, purpose, and resources.
Substantial contributor	Any individual or organization that gave more than \$5,000 to you from the date you were formed or other date that your exemption would be effective, to the end of the year in which the contributions were received. This total amount contributed must also be more than 2% of all the contributions you received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed.
Successor	An organization that took over: <ul style="list-style-type: none"> a. More than a negligible amount of the activities that were previously conducted by another organization; b. Twenty-five percent or more of the fair market value of the net assets of another organization; or c. Was established upon the conversion of an organization from for-profit to non-profit status.
Trust	A trust is an entity that may be formed by a trust agreement or declaration of trust. A trust may also be formed through a will.
Unincorporated association	An unincorporated association formed under state law must have at least two members who have signed a written document for a specifically defined purpose.
Unusual grants	Substantial contributions and bequests from disinterested persons that by their size adversely affect classification as a public charity. They are: <ul style="list-style-type: none"> a. Unusual; b. Unexpected; and c. Received from an unrelated party.

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Exhibit D

Sample Articles of Incorporation for a Private Foundation

BCS/CD-502 (Rev. 04/11)

MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS BUREAU OF COMMERCIAL SERVICES										
Date Received	(FOR BUREAU USE ONLY)									
This document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.										
<table border="1" style="width: 100%;"> <tr> <td colspan="3">Name</td> </tr> <tr> <td colspan="3">Address</td> </tr> <tr> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> </table>		Name			Address			City	State	Zip Code
Name										
Address										
City	State	Zip Code								
EFFECTIVE DATE:										

Document will be returned to the name and address you enter above.
If left blank document will be mailed to the registered office.

ARTICLES OF INCORPORATION
For use by Domestic Nonprofit Corporations
(Please read information and instructions on the last page)

Pursuant to the provisions of Act 162, Public Acts of 1982, the undersigned corporation executes the following Articles:

ARTICLE I

The name of the corporation is:

ARTICLE II

The purpose or purposes for which the corporation is organized are:
1. To operate as a private foundation receiving, administering, and distributing funds exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, or comparable provision of subsequent legislation (the "Code:), and in particular, making of distributions from time to time to eligible charitable or educational organizations that qualify as exempt organizations under Section 501(c)(3) of the Code to be used (or held for use) in carrying out one or more of such purposes.

ARTICLE III

1. The corporation is organized upon a Nonstock basis.
(Stock or Nonstock)

2. If organized on a stock basis, the total number of shares which the corporation has authority to issue is _____.
If the shares are, or are to be, divided into classes, the designation of each class, the number of shares in each class, and the relative rights, preferences and limitations of the shares of each class are as follows:

Use space below for additional Articles or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

ARTICLE II continued

2. To acquire, own, dispose of, and deal with real and personal property and interests therein and to apply gifts, grants, bequests and devises and the proceeds thereof in furtherance of the purposes of the Corporation.

3. The Corporation, including all activities incident to its purposes, shall at all times be conducted so as to be an organization described in Section 501(c)(3) of the Code. 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 Code, (b) by a corporation contributions to which are deductible under Section 170(c)(2) of the Code, or (c) buy a nonprofit corporation organized under the laws of the State of Michigan pursuant to the provisions of act 162, Public Acts of 1982, as amended.

3. To do such things and to perform such acts to accomplish its purposes as the Board of Directors may determine to be appropriate and as are not forbidden by Section 501(c)(3) of the Code, with all the power conferred on nonprofit corporations under the laws of the State of Michigan. No part of the assets or net earnings of the Corporation shall inure to the benefit of or be distributable to its directors, 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 these Articles.

4. 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 distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

ARTICLE VI

The Board of Directors of the Corporation shall initially be comprised of three (3) Directors. The Director may adopt Bylaws for the Corporation, which may determine the number of members of the Board of Directors, the method of their election, and succession in Directors; provided, however, that the Corporation shall not have less than three (3) Directors.

ARTICLE VII

1. The Corporation will distribute its income as such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code.

2. The Corporation will not engage in any act of self dealing defined in Section 4941(d) of the Code.

3. The Corporation will not retain any excess business holdings as defined in Section 4943(c) of the Code.

4. The Corporation will not make any investments in such manner as to subject it to tax under Section 4944 of the Code.

5. The Corporation will not make any taxable expenditures as defined in Section 4945(d) of the Code.

I, (We), the incorporators sign our names this _____ day of _____, _____

ADDENDUM TO ARTICLES OF INCORPORATION

ARTICLE VIII

Except as otherwise provided by law, a volunteer director or officer of the Corporation is not personally liable to the corporation for monetary damages for a breach of the director's or officer's fiduciary duty.

The Corporation assumes all liability to any person other than the Corporation for all acts or omissions of a volunteer director occurring on or after January 1, 1988, incurred in the good faith performance of his or her duties as a director other than liability for excise taxes imposed under Chapter 42 of the Internal Revenue Code and liability resulting from claims arising under state law for mismanagement of the Corporation's assets.

The corporation also assumes the liability for all acts or omissions of a volunteer director or officer, other than liability for excise taxes imposed under Chapter 42 of the Code, provided that:

- a. The volunteer was acting or reasonably believed he or she was acting within the scope of his or her authority;
- b. The volunteer was acting in good faith;
- c. The volunteer's conduct did not amount to gross negligence or willful and wanton misconduct;
- d. The volunteer's conduct was not an intentional tort; and
- e. The volunteer's conduct was not a tort arising out of the ownership, maintenance, or use of a motor vehicle as described in Section 209(e)(v) of the Michigan Nonprofit Corporation Act.

ARTICLE IX

Upon the termination, dissolution or winding up of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all liabilities of the Corporation, distribute all assets of the Corporation to such organization or organizations organized and operated exclusively for charitable educational, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. Any such assets not so disposed of shall be disposed of by the Circuit Court in 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.

Exhibit E
Forms 1024 and 8718

**User Fee for Exempt Organization
 Determination Letter Request**
 Attach this form to determination letter application.
 (Form 8718 is NOT a determination letter application.)

For IRS Use Only	OMB No. 1545-1798
	Control number _____
	Amount paid _____
	User fee screener _____

1 Name of organization _____	2 Employer Identification Number _____
------------------------------	--

Caution. Do not attach Form 8718 to an application for a pension plan determination letter. Use Form 8717 instead.

- | | |
|--|------------|
| 3 Type of request | Fee |
| <p>a <input type="checkbox"/> Initial request for a determination letter for:</p> <ul style="list-style-type: none"> • An exempt organization that has had annual gross receipts averaging not more than \$10,000 during the preceding 4 years or • A new organization that anticipates gross receipts averaging not more than \$10,000 during its first 4 years ▶ | \$400 |
| Note. If you checked box 3a, you must complete the <i>Certification</i> below. | |

Certification

I certify that the annual gross receipts of _____
name of organization

have averaged (or are expected to average) not more than \$10,000 during the preceding 4 (or the first 4) years of operation.

Signature ▶ _____ Title ▶ _____

- | | |
|--|---------|
| <p>b <input type="checkbox"/> Initial request for a determination letter for:</p> <ul style="list-style-type: none"> • An exempt organization that has had annual gross receipts averaging more than \$10,000 during the preceding 4 years or • A new organization that anticipates gross receipts averaging more than \$10,000 during its first 4 years . ▶ | \$850 |
| c <input type="checkbox"/> Group exemption letters ▶ | \$3,000 |

Instructions

The law requires payment of a user fee with each application for a determination letter. The user fees are listed on line 3 above. For more information, see Rev. Proc. 2015-8, 2015-1 I.R.B. 235, or latest annual update.

Check the box or boxes on line 3 for the type of application you are submitting. If you check box 3a, you must complete and sign the certification statement that appears under line 3a.

Attach to Form 8718 a check or money order payable to the "United States Treasury" for the full amount of the user fee. If you do not include the full amount, your application will be returned. Attach Form 8718 to your determination letter application.

Generally, the user fee will be refunded only if the Internal Revenue Service declines to issue a determination.

Where To File

Send the determination letter application and Form 8718 to:

Internal Revenue Service
 P.O. Box 12192
 Covington, KY 41012-0192

Who Should File

Organizations applying for federal income tax exemption, other than filers of Form 1023, Application for Recognition of Exemption Under Section 501(c)(3), or Form 1023-EZ (filed only electronically), should file Form 8718.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax-exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating

to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of Form 8718 are covered in section 6104.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is 5 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from www.irs.gov/formspubs. Click on "More Information" and then on "Give us feedback." Or you can send your comments to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where To File*, above.



Part II. Activities and Operational Information (Must be completed by all applicants)

- 1 Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

-
- 2 List the organization's present and future sources of financial support, beginning with the largest source first.
-

Part II. Activities and Operational Information (continued)

3 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.	b Annual compensation

4 If the organization is the outgrowth or continuation of any form of predecessor, state the name of each predecessor, the period during which it was in existence, and the reasons for its termination. Submit copies of all papers by which any transfer of assets was effected.

5 If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees).

6 If the organization has capital stock issued and outstanding, state: **(1)** class or classes of the stock; **(2)** number and par value of the shares; **(3)** consideration for which they were issued; and **(4)** if any dividends have been paid or whether your organization's creating instrument authorizes dividend payments on any class of capital stock.

7 State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued.

8 Explain how your organization's assets will be distributed on dissolution.

Part II. Activities and Operational Information (continued)

9 Has the organization made or does it plan to make any distribution of its property or surplus funds to shareholders or members? Yes No
If "Yes," state the full details, including: (1) amounts or value; (2) source of funds or property distributed or to be distributed; and (3) basis of, and authority for, distribution or planned distribution.

10 Does, or will, any part of your organization's receipts represent payments for services performed or to be performed? . Yes No
If "Yes," state in detail the amount received and the character of the services performed or to be performed.

11 Has the organization made, or does it plan to make, any payments to members or shareholders for services performed or to be performed? Yes No
If "Yes," state in detail the amount paid, the character of the services, and to whom the payments have been, or will be, made.

12 Does the organization have any arrangement to provide insurance for members, their dependents, or others (including provisions for the payment of sick or death benefits, pensions, or annuities)? Yes No
If "Yes," describe and explain the arrangement's eligibility rules and attach a sample copy of each plan document and each type of policy issued.

13 Is the organization under the supervisory jurisdiction of any public regulatory body, such as a social welfare agency, etc.? Yes No
If "Yes," submit copies of all administrative opinions or court decisions regarding this supervision, as well as copies of applications or requests for the opinions or decisions.

14 Does the organization now lease or does it plan to lease any property? Yes No
If "Yes," explain in detail. Include the amount of rent, a description of the property, and any relationship between the applicant organization and the other party. Also, attach a copy of any rental or lease agreement. (If the organization is a party, as a lessor, to multiple leases of rental real property under similar lease agreements, please attach a single representative copy of the leases.)

15 Has the organization spent or does it plan to spend any money attempting to influence the selection, nomination, election, or appointment of any person to any Federal, state, or local public office or to an office in a political organization? . . Yes No
If "Yes," explain in detail and list the amounts spent or to be spent in each case.

16 Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? Yes No
If "Yes," attach a recent copy of each.

Part III. Financial Data (Must be completed by all applicants)

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. **If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.**

A. Statement of Revenue and Expenses

	(a) Current Tax Year	3 Prior Tax Years or Proposed Budget for Next 2 Years			(e) Total
	From _____ To _____	(b)	(c)	(d)	
Revenue					
1	Gross dues and assessments of members				
2	Gross contributions, gifts, etc.				
3	Gross amounts derived from activities related to the organization's exempt purpose (attach schedule) (Include related cost of sales on line 9.)				
4	Gross amounts from unrelated business activities (attach schedule)				
5	Gain from sale of assets, excluding inventory items (attach schedule)				
6	Investment income (see page 3 of the instructions)				
7	Other revenue (attach schedule).				
8	Total revenue (add lines 1 through 7)				
Expenses					
9	Expenses attributable to activities related to the organization's exempt purposes.				
10	Expenses attributable to unrelated business activities				
11	Contributions, gifts, grants, and similar amounts paid (attach schedule).				
12	Disbursements to or for the benefit of members (attach schedule)				
13	Compensation of officers, directors, and trustees (attach schedule)				
14	Other salaries and wages.				
15	Interest				
16	Occupancy				
17	Depreciation and depletion				
18	Other expenses (attach schedule)				
19	Total expenses (add lines 9 through 18)				
20	Excess of revenue over expenses (line 8 minus line 19)				

B. Balance Sheet (at the end of the period shown)

		Current Tax Year as of
Assets		
1	Cash	1
2	Accounts receivable, net	2
3	Inventories	3
4	Bonds and notes receivable (attach schedule)	4
5	Corporate stocks (attach schedule).	5
6	Mortgage loans (attach schedule)	6
7	Other investments (attach schedule)	7
8	Depreciable and depletable assets (attach schedule)	8
9	Land	9
10	Other assets (attach schedule)	10
11	Total assets	11
Liabilities		
12	Accounts payable	12
13	Contributions, gifts, grants, etc., payable	13
14	Mortgages and notes payable (attach schedule)	14
15	Other liabilities (attach schedule)	15
16	Total liabilities.	16
Fund Balances or Net Assets		
17	Total fund balances or net assets	17
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	18

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation. ▶

Part IV. Notice Requirements (Sections 501(c)(9) and 501(c)(17) Organizations Only)

1 Section 501(c)(9) and 501(c)(17) organizations:

Are you filing Form 1024 within 15 months from the end of the month in which the organization was created or formed as required by section 505(c)? Yes No

If "Yes," skip the rest of this Part.

If "No," answer question 2.

2 If you answer "No" to question 1, are you filing Form 1024 within 27 months from the end of the month in which the organization was created or formed? Yes No

If "Yes," your organization qualifies under Regulation section 301.9100-2 for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 3 and 4.

If "No," answer question 3.

3 If you answer "No" to question 2, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3? Yes No

If "Yes," give the reasons for not filing this application within the 27-month period described in question 2. See Specific Instructions, Part IV, Line 3, page 4, before completing this item. Do not answer question 4.

If "No," answer question 4.

4 If you answer "No" to question 3, your organization's qualification as a section 501(c)(9) or 501(c)(17) organization can be recognized only from the date this application is filed. Therefore, does the organization want us to consider its application as a request for recognition of exemption as a section 501(c)(9) or 501(c)(17) organization from the date the application is received and not retroactively to the date the organization was created or formed? Yes No

Schedule A Organizations described in section 501(c)(2) or 501(c)(25) (Title holding corporations or trusts)

- 1 State the complete name, address, and EIN of each organization for which title to property is held and the number and type of the applicant organization's stock held by each organization.

- 2 If the annual excess of revenue over expenses has not been or will not be turned over to the organization for which title to property is held, state the purpose for which the excess is or will be retained by the title holding organization.

- 3 In the case of a corporation described in section 501(c)(2), state the purpose of the organization for which title to property is held (as shown in its governing instrument) and the Code sections under which it is classified as exempt from tax. If the organization has received a determination or ruling letter recognizing it as exempt from taxation, please attach a copy of the letter.

- 4 In the case of a corporation or trust described in section 501(c)(25), state the basis whereby each shareholder is described in section 501(c)(25)(C). For each organization described that has received a determination or ruling letter recognizing that organization as exempt from taxation, please attach a copy of the letter.

- 5 With respect to the activities of the organization.
 - a Is any rent received attributable to personal property leased with real property? Yes No
 If "Yes," what percentage of the total rent, as reported on the financial statements in Part III, is attributable to personal property?
 - b Will the organization receive income which is incidentally derived from the holding of real property, such as income from operation of a parking lot or from vending machines? Yes No
 If "Yes," what percentage of the organization's gross income, as reported on the financial statements in Part III, is incidentally derived from the holding of real property?
 - c Will the organization receive income other than rent from real property or personal property leased with real property or income which is incidentally derived from the holding of real property? Yes No
 If "Yes," describe the source of the income.

Instructions

Line 1.—Provide the requested information on each organization for which the applicant organization holds title to property. Also indicate the number and types of shares of the applicant organization's stock that are held by each.

Line 2.—For purposes of this question, "excess of revenue over expenses" is all of the organization's income for a particular tax year less operating expenses.

Line 3.—Give the exempt purpose of each organization that is the basis for its exempt status and the Internal Revenue Code section

that describes the organization (as shown in its IRS determination letter).

Line 4.—Indicate if the shareholder is one of the following:

1. A qualified pension, profit-sharing, or stock bonus plan that meets the requirements of the Code;
2. A government plan;
3. An organization described in section 501(c)(3); or
4. An organization described in section 501(c)(25).

Schedule B Organizations Described in Section 501(c)(4) (Civic leagues, social welfare organizations (including posts, councils, etc., of veterans' organizations not qualifying or applying for exemption under section 501(c)(19)) or local associations of employees.)

- 1 Has the Internal Revenue Service previously issued a ruling or determination letter recognizing the applicant organization (or any predecessor organization listed in question 4, Part II of the application) to be exempt under section 501(c)(3) and later revoked that recognition of exemption on the basis that the applicant organization (or its predecessor) was carrying on propaganda or otherwise attempting to influence legislation or on the basis that it engaged in political activity? . . . Yes No

If "Yes," indicate the earliest tax year for which recognition of exemption under section 501(c)(3) was revoked and the IRS district office that issued the revocation.

- 2 Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? . . . Yes No

If "Yes," explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here.)

- 3 If the organization is claiming exemption as a homeowners' association, is access to any property or facilities it owns or maintains restricted in any way? . . . Yes No

If "Yes," explain.

- 4 If the organization is claiming exemption as a local association of employees, state the name and address of each employer whose employees are eligible for membership in the association. If employees of more than one plant or office of the same employer are eligible for membership, give the address of each plant or office.

Schedule C Organizations described in section 501(c)(5) (Labor, agricultural, including fishermen's organizations, or horticultural organizations) or section 501(c)(6) (business leagues, chambers of commerce, etc.)

1 Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)

2 Fishermen's organizations only.—What kinds of aquatic resources (not including mineral) are cultivated or harvested by those eligible for membership in the organization?

3 Labor organizations only.—Is the organization organized under the terms of a collective bargaining agreement? . . . Yes No

If "Yes," attach a copy of the latest agreement.

Schedule D Organizations described in section 501(c)(7) (Social clubs)

1 Has the organization entered or does it plan to enter into any contract or agreement for the management or operation of its property and/or activities, such as restaurants, pro shops, lodges, etc.? Yes No

If "Yes," attach a copy of the contract or agreement. If one has not yet been drawn up, please explain the organization's plans.

2 Does the organization seek or plan to seek public patronage of its facilities or activities by advertisement or otherwise? Yes No

If "Yes," attach sample copies of the advertisements or other requests.
If the organization plans to seek public patronage, please explain the plans.

3a Are nonmembers, other than guests of members, permitted or will they be permitted to use the club facilities or participate in or attend any functions or activities conducted by the organization? Yes No

If "Yes," describe the functions or activities in which there has been or will be nonmember participation or admittance. (Submit a copy of the house rules, if any.)

b State the amount of nonmember income included in Part III of the application, lines 3 and 4, column (a)	_____
c Enter the percent of gross receipts from nonmembers for the use of club facilities	_____ %
d Enter the percent of gross receipts received from investment income and nonmember use of the club's facilities	_____ %

4a Does the organization's charter, bylaws, other governing instrument, or any written policy statement of the organization contain any provision that provides for discrimination against any person on the basis of race, color, or religion? Yes No

b If "Yes," state whether or not its provision will be kept.

c If the organization has such a provision that will be repealed, deleted, or otherwise stricken from its requirements, state when this will be done. _____

d If the organization formerly had such a requirement and it no longer applies, give the date it ceased to apply. _____

e If the organization restricts its membership to members of a particular religion, check here and attach the explanation specified in the instructions

See reverse side for instructions

Instructions

Line 1.—Answer “Yes,” if any of the organization’s property or activities will be managed by another organization or company.

Lines 3b, c, and d.—Enter the figures for the current year. On an attached schedule, furnish the same information for each of the prior tax years for which you completed Part III of the application.

Line 4e.—If the organization restricts its membership to members of a particular religion, the organization must be:

1. An auxiliary of a fraternal beneficiary society that:

a. Is described in section 501(c)(8) and exempt from tax under section 501(a), and

b. Limits its membership to members of a particular religion; or

2. A club that, in good faith, limits its membership to the members of a particular religion in order to further the teachings or principles of that religion and not to exclude individuals of a particular race or color.

If you checked **4e**, your explanation must show how the organization meets one of these two requirements.

Schedule E Organizations described in section 501(c)(8) or 501(c)(10) (Fraternal societies, orders, or associations)

- 1 Is the organization a college fraternity or sorority, or chapter of a college fraternity or sorority? Yes No
If "Yes," read the instructions for Line 1, below, before completing this schedule.

- 2 Does or will your organization operate under the lodge system? Yes No
If "No," does or will it operate for the exclusive benefit of the members of an organization operating under the lodge system? Yes No

- 3 Is the organization a subordinate or local lodge, etc.? Yes No
If "Yes," attach a certificate signed by the secretary of the parent organization, under the seal of the organization, certifying that the subordinate lodge is a duly constituted body operating under the jurisdiction of the parent body.

- 4 Is the organization a parent or grand lodge? Yes No
If "Yes," attach a schedule for each subordinate lodge in active operation showing: (a) its name and address; (b) the number of members in it; and (c) how often it holds periodic meetings.

Instructions

Line 1.—To the extent that they qualify for exemption from Federal income tax, college fraternities and sororities generally qualify as organizations described in section 501(c)(7). Therefore, if the organization is a college fraternity or sorority, refer to the discussion of section 501(c)(7) organizations in Pub. 557. If section 501(c)(7) appears to apply to your organization, complete Schedule D instead of this schedule.

Line 2.—Operating under the lodge system means carrying on activities under a form of organization that is composed of local branches, chartered by a parent organization, largely self-governing, and called lodges, chapters, or the like.

Schedule F Organizations described in section 501(c)(9) (Voluntary employees' beneficiary associations)

1 Describe the benefits available to members. Include copies of any plan documents that describe such benefits and the terms and conditions of eligibility for each benefit.

2 Are any employees or classes of employees entitled to benefits to which other employees or classes of employees are not entitled? Yes No
 If "Yes," explain.

3 Give the following information for each plan as of the last day of the most recent plan year and enter that date here. If there is more than one plan, attach a separate schedule / /
(mo.) (day) (yr.)

a Total number of persons covered by the plan who are highly compensated individuals (See instructions below). . . . _____

b Number of other employees covered by the plan. . . . _____

c Number of employees not covered by the plan _____

d Total number employed* _____

* Should equal the total of **a**, **b**, and **c**—if not, explain any difference. Describe the eligibility requirements that prevent those employees not covered by the plan from participating.

4 State the number of persons, if any, other than employees and their dependents (e.g., the proprietor of a business whose employees are members of the association) who are entitled to receive benefits ▶

Instructions

Line 3a.—A "highly compensated individual" is one who:
(a) Owned 5% or more of the employer at any time during the current year or the preceding year.

(b) Received more than \$80,000 (adjusted for inflation) in compensation from the employer for the preceding year, and
(c) Was among the top 20% of employees by compensation for the preceding year. However, the employer can choose not to have **(c)** apply.

Schedule G Organizations described in section 501(c)(12) (Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations)

- 1 Attach a schedule in columnar form for each tax year for which the organization is claiming exempt status. On each schedule:
 - a Show the total gross income received from members or shareholders.
 - b List, by source, the total amounts of gross income received from other sources.

- 2 If the organization is claiming exemption as a local benevolent insurance association, state:
 - a The counties from which members are accepted or will be accepted.

- b Whether stipulated premiums are or will be charged in advance, or whether losses are or will be paid solely through assessments.

- 3 If the organization is claiming exemption as a "like organization," explain how it is similar to a mutual ditch or irrigation company, or a mutual or cooperative telephone company.

- 4 Are the rights and interests of members in the organization's annual savings determined in proportion to their business with it? Yes No
 If "Yes," does the organization keep the records necessary to determine at any time each member's rights and interests in such savings, including assets acquired with the savings? Yes No

- 5 If the organization is a mutual or cooperative telephone company and has contracts with other systems for long-distance telephone services, attach copies of the contracts.

Instructions

Mutual or cooperative electric or telephone companies should show income received from qualified pole rentals separately. Mutual or cooperative telephone companies should also show separately the gross amount of income received from nonmember telephone companies for performing services that

involve their members and the gross amount of income received from the sale of display advertising in a directory furnished to their members.

Do not net amounts due or paid to other sources against amounts due or received from those sources.

Schedule H Organizations described in section 501(c)(13) (Cemeteries, crematoria, and like corporations)

- 1** Attach the following documents:
- a** Complete copy of sales contracts or other documents, including any "debt" certificates, involved in acquiring cemetery or crematorium property.
 - b** Complete copy of any contract your organization has that designates an agent to sell its cemetery lots.
 - c** A copy of the appraisal (obtained from a disinterested and qualified party) of the cemetery property as of the date acquired.
-
- 2** Does your organization have, or does it plan to have, a perpetual care fund? **Yes** **No**
If "Yes," attach a copy of the fund agreement and explain the nature of the fund (cash, securities, unsold land, etc.)

-
- 3** If your organization is claiming exemption as a perpetual care fund for an organization described in section 501(c)(13), has the cemetery organization, for which funds are held, established exemption under that section? **Yes** **No**
If "No," explain.

Schedule I Organizations described in section 501(c)(15) (Small insurance companies or associations)

- 1** Is the organization a member of a controlled group of corporations as defined in section 831(b)(2)(B)(ii)? (Disregard section 1563(b)(2)(B) in determining whether the organization is a member of a controlled group.) **Yes** **No**

If "Yes," include on lines 2 through 5 the total amount received by the organization and all other members of the controlled group.

If "No," include on lines 2 through 5 only the amounts that relate to the applicant organization.

	(a) Current Year	3 Prior Tax Years		
	From _____ To _____	(b)	(c)	(d)
2 Direct written premiums				
3 Reinsurance assumed				
4 Reinsurance ceded				
5 Net written premiums ((line 2 plus line 3) minus line 4)				
6 If you entered an amount on line 3 or line 4, attach a copy of the reinsurance agreements the organization has entered into.				

Instructions

Line 1.—Answer "Yes," if the organization would be considered a member of a controlled group of corporations if it were not exempt from tax under section 501(a). In applying section 1563(a), use a "more than 50%" stock ownership test to determine whether the applicant or any other corporation is a member of a controlled group.

Line 2.— In addition to other direct written premiums, include on line 2 the full amount of any prepaid or advance premium in the year the prepayment is received. For example, if a \$5,000 premium for a 3-year policy was received in the current year, include the full \$5,000 amount in the Current Year column.

Schedule J Organizations described in section 501(c)(17) (Trusts providing for the payment of supplemental unemployment compensation benefits)

1 If benefits are provided for individual proprietors, partners, or self-employed persons under the plan, explain in detail.

2 If the plan provides other benefits in addition to the supplemental unemployment compensation benefits, explain in detail and state whether the other benefits are subordinate to the unemployment benefits.

3 Give the following information as of the last day of the most recent plan year and enter that date here _____
a Total number of employees covered by the plan who are shareholders, officers, self-employed persons, or highly compensated (See Schedule F instructions for line 3a on page 14.) _____
b Number of other employees covered by the plan _____
c Number of employees not covered by the plan _____
d Total number employed*. _____

* Should equal the total of a, b, and c—if not, explain the difference. Describe the eligibility requirements that prevent those employees not covered by the plan from participating.

4 At any time after December 31, 1959, did any of the following persons engage in any of the transactions listed below with the trust: the creator of the trust or a contributor to the trust; a brother or sister (whole or half blood), a spouse, an ancestor, or a lineal descendant of such a creator or contributor; or a corporation controlled directly or indirectly by such a creator or contributor?

Note: If you know that the organization will be, or is considering being, a party to any of the transactions (or activities) listed below, check the "Planned" box. Give a detailed explanation of any "Yes" or "Planned" answer in the space below.

- a Borrow any part of the trust's income or corpus? Yes No Planned
- b Receive any compensation for personal services? Yes No Planned
- c Obtain any part of the trust's services? Yes No Planned
- d Purchase any securities or other properties from the trust? Yes No Planned
- e Sell any securities or other property to the trust? Yes No Planned
- f Receive any of the trust's income or corpus in any other transaction? Yes No Planned

5 Attach a copy of the Supplemental Unemployment Benefit Plan and related agreements.

Schedule K Organizations described in section 501(c)(19)—A post or organization of past or present members of the Armed Forces of the United States, auxiliary units or societies for such a post or organization, and trusts or foundations formed for the benefit of such posts or organizations.

1 To be completed by a post or organization of past or present members of the Armed Forces of the United States.

- a Total membership of the post or organization.
b Number of members who are present or former members of the U.S. Armed Forces
c Number of members who are cadets (include students in college or university ROTC programs or at armed services academies only), or spouses, widows, or widowers of cadets or past or present members of the U.S. Armed Forces

d Does the organization have a membership category other than the ones set out above? Yes No

If "Yes," please explain in full. Enter number of members in this category

e If you wish to apply for a determination that contributions to your organization are deductible by donors, enter the number of members from line 1b who are war veterans, as defined below.

A war veteran is a person who served in the Armed Forces of the United States during the following periods of war: April 21, 1898, through July 4, 1902; April 6, 1917, through November 11, 1918; December 7, 1941, through December 31, 1946; June 27, 1950, through January 31, 1955; and August 5, 1964, through May 7, 1975.

2 To be completed by an auxiliary unit or society of a post or organization of past or present members of the Armed Forces of the United States.

a Is the organization affiliated with and organized according to the bylaws and regulations formulated by such an exempt post or organization? Yes No
If "Yes," submit a copy of such bylaws or regulations.

b How many members does your organization have?

c How many are themselves past or present members of the Armed Forces of the United States, or are their spouses, or persons related to them within two degrees of blood relationship? (Grandparents, brothers, sisters, and grandchildren are the most distant relationships allowable.)

d Are all of the members themselves members of a post or organization, past or present members of the Armed Forces of the United States, spouses of members of such a post or organization, or related to members of such a post or organization within two degrees of blood relationship? Yes No

3 To be completed by a trust or foundation organized for the benefit of an exempt post or organization of past or present members of the Armed Forces of the United States.

a Will the corpus or income be used solely for the funding of such an exempt organization (including necessary related expenses)? Yes No
If "No," please explain.

b If the trust or foundation is formed for charitable purposes, does the organizational document contain a proper dissolution provision as described in section 1.501(c)(3)-1(b)(4) of the Income Tax Regulations? Yes No



Procedural Checklist

Make sure the application is complete.

If you do not complete all applicable parts or do not provide all required attachments, we may return the incomplete application for the organization to resubmit with the missing information or attachments. This will delay the processing of the application and may delay the effective date of your organization's exempt status. The organization may also incur additional user fees.

Have you . . .

- _____ Attached **Form 8718** (User Fee for Exempt Organization Determination Letter Request) and the appropriate fee?
 - _____ Prepared the application for mailing? (See **Where To File** addresses in Form 8718.)
 - _____ Completed all Parts and Schedules that apply to the organization?
 - _____ Shown your organization's **Employer Identification Number (EIN)**?
 - a. If your organization has an EIN, write it in the space provided.
 - b. If this is a newly formed organization and does not have an Employer Identification Number, obtain an EIN by telephone. (See Specific Instructions, Part I, Line 2, on page 2.)
 - _____ If applicable, described your organization's **specific activities** as directed in Part II, question 1 of the application?
 - _____ Included a **conformed copy** of the complete organizing instrument? (Part I, question 8 of the application.)
 - _____ Had the application signed by one of the following:
 - a. An officer or trustee who is authorized to sign (e.g., president, treasurer); **or**
 - b. A person authorized by a power of attorney (submit Form 2848 or other power of attorney)?
 - _____ If applicable, enclosed **financial statements** (Part III)?
 - a. Current year (must include period up to within 60 days of the date the application is filed) and 3 preceding years.
 - b. Detailed breakdown of revenue and expenses (no lump sums).
 - c. If the organization has been in existence less than 1 year, it must also submit proposed budgets for 2 years showing the amounts and types of receipts and expenditures anticipated.
- Note:** *During the technical review of a completed application, it may be necessary to contact the organization for more specific or additional information.*

Do not send this checklist with the application.



Instructions for Form 1024

(Rev. September 1998)

Application for Recognition of Exemption Under Section 501(a)

Note: Keep a copy of the completed Form 1024 in the organization's permanent records.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

User fee.—Submit with the Form 1024 application for a determination letter, a Form 8718, User Fee for Exempt Organization Determination Letter Request, and the user fee called for in the Form 8718. You may obtain Form 8718, and additional forms and publications, through your local IRS office or by calling 1-800-829-3676 (1-800-TAX-FORM). User fees are subject to change on an annual basis. Therefore, be sure that you use the most current Form 8718.

Helpful information.—For additional information, see:

- Pub. 557, Tax-Exempt Status for Your Organization
- Pub. 598, Tax on Unrelated Business Income of Exempt Organizations
- Pub. 578, Tax Information for Private Foundations and Foundation Managers
- Internet site:
www.irs.ustreas.gov/bus_info/eo/

Purpose of Form

Form 1024 is used by most types of organizations to apply for recognition of exemption under section 501(a). See Part I of the application.

Even if these organizations are not required to file Form 1024 to be tax-exempt, they may wish to file Form 1024 to receive a determination letter of IRS recognition of their section 501(c) status in order to obtain certain incidental benefits such as:

- Public recognition of tax-exempt status
- Exemption from certain state taxes
- Advance assurance to donors of deductibility of contributions (in certain cases)
- Nonprofit mailing privileges, etc.

Note: Generally, Form 1024 is **NOT** used to apply for a group exemption letter. For information on how to apply for a group exemption letter, see Pub. 557.

Note: Tax benefits for certain homeowners associations under section 528 are available to organizations that are not exempt from Federal income tax. To elect these benefits, file a properly completed and timely filed (including extensions) Form 1120-H, U.S. Income Tax Return for Homeowners Associations. **DO NOT** file Form 1024.

What To File

Do not submit any blank schedules that do not apply to your type of organization.

Most organizations applying for exemption under section 501(a) must complete Parts I through III.

Section 501(c)(9), Voluntary Employees' Beneficiary Associations, and section 501(c)(17), Supplemental Unemployment Benefit Trusts, applicants should also complete Part IV.

See **Special Rule for Certain Canadian Organizations** on the following page.

In addition, each organization must complete the schedule indicated on page 1 of the application for the section of the Code under which it seeks recognition of exemption. (For example, a social welfare organization seeking recognition under section 501(c)(4) must complete Parts I through III and Schedule B.)

Attachments

For any attachments submitted with Form 1024.—

- Show the organization's name, address, and employer identification number (EIN).
- Identify the Part and line item number to which the attachment relates.
- Use 8-1/2 x 11 inch paper for any attachments.
- Include any court decisions, rulings, opinions, etc., that will expedite processing of the application. Generally, attachments in the form of tape recordings are not acceptable unless accompanied by a transcript.

When To File (Section 501(c)(9) or (17) Organization)

An organization must file Form 1024 to be recognized as an organization described in section 501(c)(9) or 501(c)(17). Generally, if an organization files its application within 15 months after the end of the month in which it was formed, and if the IRS approves the application, the effective date of the organization's section 501(c)(9) or (17) status will be the date it was organized.

Generally, if an organization does not file its application (Form 1024) within 15 months after the end of the month in which it was formed, it will not qualify for exempt status as a section 501(c)(9) or (17) organization during the period before the date of its application. For exceptions and special rules, including automatic extensions in some cases, see Part IV of Form 1024.

The date of receipt is the date of the U.S. postmark on the cover in which an exemption application is mailed or, if no postmark appears on the cover, the date the application is stamped as received by the IRS.

Private delivery services.—See the instructions for your income tax return for

information on certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying rule."

The private delivery service can tell you how to get written proof of the mailing date.

Caution: Private delivery services cannot deliver items to P.O. boxes. You must use the U. S. Postal Service to mail any item to an IRS P.O. box address. See the Form 8718 for the P.O. box address as well as the express mail or a delivery service address.

Where To File

File the completed Form 1024 application, and all required information, at the address shown in Form 8718.

The IRS will determine the organization's tax-exempt status and whether any annual returns must be filed.

Signature Requirements

An officer, a trustee who is authorized to sign, or another person authorized by a power of attorney, must sign the Form 1024 application. Attach a power of attorney to the application. You may use Form 2848, Power of Attorney and Declaration of Representative, for this purpose.

Appeal Procedures

Your organization's application will be considered by the IRS which will either:

1. Issue a favorable determination letter;
2. Issue a proposed adverse determination letter denying the exempt status requested; or
3. Refer the case to the National Office.

If we send your organization a proposed adverse determination, we will advise it of its appeal rights at that time.

Language and Currency Requirements

Language requirements.—Prepare the Form 1024 and attachments in English. Provide an English translation if the organizational document or bylaws are in any other language. See the conformed copy requirements in the line 8 instructions under Part I.

You may be asked to provide English translations of foreign language publications that the organization produces or distributes and that are submitted with the application.

Financial requirements.—Report all financial information in U.S. dollars (specify the conversion rate used). Combine amounts from within and outside the United States and report the total for each item on the financial statements.

For example:

Gross Investment Income	
From U.S. sources	\$4,000
From non-U.S. sources	1,000
Amount to report on income statement	\$5,000

Annual Information Return

If an annual information return is due while the organization's application for recognition of exempt status is pending with the IRS (including any appeal of a proposed adverse determination), the organization should file:

Form 990, Return of Organization Exempt From Income Tax, or **Form 990-EZ**, Short Form Return of Organization Exempt From Income Tax, at the following address: Internal Revenue Service, Ogden Service Center, Ogden, UT 84201-0027

Indicate that an application is pending.

If an organization has unrelated business income of more than \$1,000, file **Form 990-T**, Exempt Organization Business Income Tax Return.

Applicants under sections 501(c)(5), (9), and (17) should see the Form 990 (or Form 990-EZ) instructions for special provisions regarding substitutions for certain parts of that form.

Public Inspection of Form 1024

Caution: Note the discussion below for the potential effect of the Taxpayer Bill of Rights 2 (TBOR2) on these instructions.

IRS responsibilities for public inspection.—If the organization's application for section 501(c) status is approved, the following items will be open to public inspection in any District office and at the National Office of the IRS (section 6104):

1. The organization's application and any supporting documents.
2. Any letter or other document issued by the IRS with regard to the application.

Note that the following items are not available for public inspection:

1. Any information relating to a trade secret, patent, style of work, or apparatus that, if released, would adversely affect the organization, or
2. Any other information that would adversely affect the national defense.

IMPORTANT: Applicants must identify this information by clearly marking it, "NOT SUBJECT TO PUBLIC INSPECTION," and must attach a statement to explain why the organization asks that the information be withheld. If the IRS agrees, the information will be withheld.

Organization's responsibilities for public inspection.—The organization must make available a copy of its approved application and supporting documents, along with any document or letter issued by the IRS, for public inspection.

These documents must be available during regular business hours at the organization's principal office and at each of its regional or district offices having at least three paid employees. See Notice 88-120, 1988-2 C.B. 454.

A penalty of \$20 a day will be imposed on any person under a duty to comply with the public inspection requirements for each day a failure to comply continues.

Furnishing copies of documents under TBOR2.

—The Taxpayer Bill of Rights 2 (TBOR2), enacted July 30, 1996, modified prospectively the section 6685 penalty and the rules for the public inspection of returns and exemption applications. An organization must furnish a copy of its Form 990, Form 990-EZ, or exemption application, and certain related documents, if a request is made in writing or in person.

For a request made in person, the organization must make an immediate response.

For a response to a written request, the organization must provide the requested copies within 30 days.

The organization must furnish copies of its Forms 990, or Forms 990-EZ, for any of its 3 most recent taxable years. No charge is to be made other than charging a reasonable fee for reproduction and actual postage costs.

An organization need not provide copies if:

1. The organization has made the requested documents widely available in a manner provided in Treasury regulations, or
2. The Secretary of the Treasury determined, upon application by the organization, that the organization was subject to a harassment campaign such that a waiver of the obligation to provide copies would be in the public interest.

Penalty for failure to allow public inspection or provide copies.—The section 6685 penalty for willful failure to allow public inspections or provide copies is increased from the present-law level of \$1,000 to \$5,000 by TBOR2.

Effective date of TBOR2.—These public inspection provisions governing tax-exempt organizations under TBOR2 generally apply to requests made no earlier than 60 days after the date on which the Treasury Department publishes the regulations required under the provisions. However, Congress, in the legislative history of TBOR2, indicated that organizations would comply voluntarily with the public inspection provisions prior to the issuance of such regulations.

Special Rule for Certain Canadian Organizations

A religious, scientific, literary, educational, or charitable organization formed in Canada that has received a **Form T2051**, Notification of Registration, from Revenue Canada (Department of National Revenue, Taxation) and whose registration has not been revoked may apply for recognition of exemption as a social welfare organization under section 501(c)(4) without completing all parts of Form 1024 that would otherwise be required. Such an organization must complete only Part I and the signature portion of Form 1024.

To indicate that this special rule applies, the organization should write "Registered Canadian Organization" across the top of page 1 of Form 1024.

The organization must also attach a copy of its current Form T2051 and a copy of Application for Registration, **Form T2050**, together with all required attachments that it submitted to Revenue Canada.

If any of the attachments to Form T2050 were prepared in French, an English translation must be furnished with Form 1024.

In the case of organizing documents and bylaws, see the line 8 instructions under Part I.

An organization that wants recognition of exemption under section 501(c)(3) must complete **Form 1023**, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

Exemption under section 501(c)(3) is needed to establish eligibility to receive contributions that are deductible by U.S. residents to the extent provided by the U.S.–Canada tax treaty.

Specific Instructions

The following instructions are keyed to the line items on the application form:

Part I. Identification of Applicant

Line 1. Full name and address of organization.—Enter the organization's name exactly as it appears in its creating documents, including amendments. If the organization will be operating under another name, show the other name in parentheses.

For a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice in placing the postal code in the address. **Do not** abbreviate the country name.

Line 2. Employer identification number (EIN).—All organizations must have an EIN. Enter the nine-digit EIN the IRS assigned to the organization. See **Form SS-4**, Application for Employer Identification Number, for information on how to obtain an EIN immediately by telephone, if the organization does not have an EIN. Enter, "applied for," if the organization has applied for an EIN number previously. Attach a statement giving the date of the application and the office where it was filed. **Do not** apply for an EIN more than once.

Line 3. Person to contact.—Enter the name and telephone number of the person to be contacted during business hours if more information is needed. The contact person should be an officer, director, or a person with power of attorney who is familiar with the organization's activities and who is authorized to act on its behalf. Attach Form 2848 or other power of attorney.

Line 4. Month the annual accounting period ends.—Enter the month the organization's annual accounting period ends. The organization's accounting period is usually the 12-month period that is the organization's tax year. The organization's first tax year depends on the accounting period it chooses. The first tax year could be less than 12 months.

Line 5. Date incorporated or formed.—Enter the date the organization became a legal entity. For corporations this is the date that the articles of incorporation were approved by the appropriate state official. For unincorporated organizations, it is the date its constitution or articles of association were adopted.

Line 6.—Indicate if the organization has ever filed Form 1023, Form 1024, or other exemption application with the IRS.

Line 7.—Indicate if the organization has ever filed Federal income tax returns as a taxable organization or filed returns as an exempt organization (e.g., Forms 990, 990-EZ, 990-PF, and 990-T).

Line 8. Type of organization and organizational documents.—

Organizing instrument.—Submit a conformed copy of the organizing instrument. If the organization does not have an organizing instrument, it will not qualify for exempt status.

- A conformed copy is one that agrees with the original and all amendments to it. The conformed copy may be:

- A photocopy of the original signed and dated organizing document, OR
- A copy of the organizing document that is unsigned but is sent with a written declaration, signed by an authorized individual, that states that the copy is a complete and accurate copy of the original signed and dated document.

Corporation.—In the case of a corporation, a copy of the articles of incorporation, approved and dated by an appropriate state official, is sufficient by itself.

If an unsigned copy of the articles of incorporation is submitted, it must be accompanied by the written declaration discussed above.

Signed or unsigned copies of the articles of incorporation must be accompanied by a declaration stating that the original copy of the articles was filed with and approved by the state. The date filed must be specified.

Unincorporated association.—In the case of an unincorporated association, the conformed copy of the constitution, articles of association, or other organizing document must indicate in the document itself, or in a written declaration, that the organization was formed by the adoption of the document by two or more persons.

Bylaws.—If the organization has adopted bylaws, include a current copy. The bylaws need not be signed if submitted as an attachment to the Form 1024 application. The bylaws of an organization alone are not an organizing instrument. They are merely the internal rules and regulations of the organization.

Trust.—In the case of a trust, a copy of the signed and dated trust instrument must be furnished.

Part II. Activities and Operational Information

Line 1.—It is important that you report all activities carried on by the organization to enable the IRS to make a proper determination of the organization's exempt status.

It is also important that you provide detailed information about the nature and purpose of each of the activities. The organization will be contacted for such information if it is not furnished.

Line 2.—If it is anticipated that the organization's principal sources of support will increase or decrease substantially in relation to the organization's total support, attach a statement describing anticipated changes and explaining the basis for the expectation.

Line 3a.—Furnish the mailing addresses of the organization's principal officers, directors, or trustees. Do not give the address of the organization.

Line 3b.—The annual compensation includes salary, bonus, and any other form of payment to the individual for services performed for the organization.

Line 4.—If your organization's activities were formerly performed under another name or if your organization was a part of another organization (tax-exempt or nonexempt), furnish the requested information. Otherwise, indicate "N/A."

Line 5.—Indicate your organization's current or planned connection with any tax-exempt or nonexempt organization.

Line 6.—If your organization has issued stock as a means of indicating ownership by its members or others, furnish the requested information. Otherwise, indicate "N/A."

Line 7.—If your organization is a membership organization, furnish the requested information. Otherwise, indicate "N/A."

Line 8.—If your organization should cease operations as a tax-exempt organization, explain to whom its assets will be distributed.

Line 9.—Indicate if the organization distributes, or plans to distribute, any of its property or funds (such as a distribution of profits) to its shareholders or members.

Line 10.—Indicate if the organization performs any services for any other organization or individual for which it is paid a fee.

Line 11.—Do not include the normal salary of officers or employees.

Line 12.—Answer "Yes," if the organization either provides insurance through a third party or provides the insurance itself.

Line 13.—Examples of public regulatory bodies are: HUD, HHS, Public Utilities Commission, Housing Commission, and a state insurance commission.

Line 14.—Provide the specified information about leased property whether it is used for exempt functions or for other purposes.

Line 15.—Provide the specified information about political expenditures whether they were made to support or to oppose particular candidates.

Line 16.—This includes any printed material that may be used to publicize the organization's activities, or as an informational item to members or potential members.

Part III. Financial Data

The Statement of Revenue and Expenses must be completed for the current year and each of the 3 years immediately before it (or the years the organization has existed, if less than 4).

Any applicant that has existed for less than 1 year must give financial data for the current year and proposed budgets for the following 2 years.

Any applicant that has been in existence more than 1 year but seeks recognition of exemption only for the current year and future years (rather than from the date of its formation), should give financial data for the current year and proposed budgets for the following 2 years.

We may request financial data for more than 4 years if necessary.

All financial information for the current year must cover the period beginning on the first day of the organization's established annual accounting period and ending on any day that is within 60 days of the date of this application.

If the date of this application is less than 60 days after the first day of the current accounting period, no financial information is required for the current year.

Financial information is required for the 3 preceding years regardless of the current year requirements.

Note that if no financial information is required for the current year, the preceding year's financial information can end on any day that is within 60 days of the date of this application.

Prepare the statements using the method of accounting and the accounting period the organization uses in keeping its books and records.

If the organization uses a method other than the cash receipts and disbursements method, attach a statement explaining the method used.

A. Statement of Revenue and Expenses

Line 1.—Include amounts received from the members that represent the annual dues and any special assessments or initiation fees.

Line 2.—Do not include amounts received from the general public or a governmental unit for the exercise or performance of the organization's exempt function.

Line 3.—Examples of such income include: the income derived by a social club from the sale of food or beverage to its members; the sale of burial lots by a cemetery association; and fees charged by a social welfare organization or trade association for an educational seminar it conducted.

Line 4.—Enter the organization's gross income from activities that are regularly carried on and not related to the organization's exempt purposes.

Examples of such income include: fees from the commercial testing of products; income from renting office equipment or other personal property; and income from the sale of advertising in an exempt organization periodical. See Pub. 598 for information about unrelated business income and activities.

Line 5.—Attach a schedule showing the description of each asset, the name of the person to whom sold, and the amount received. In the case of publicly traded securities sold through a broker, the name of the purchaser is not required.

Line 6.—Include on this line the income received from dividends, interest, payments received on securities loans (as defined in section 512(a)(5)), rents, and royalties.

Line 7.—Enter the total income from all sources that is not reported on lines 1 through 6. Include, for example, income from special events such as raffles and dances that is not taxable as unrelated business income. Attach a schedule that lists each type of revenue source and the amount derived from each.

Line 9.—Enter the expenses directly related to the income sources reported on line 3 of this part.

Line 10.—Enter the expenses directly related to the income sources reported on line 4 of this part.

Line 11.—Attach a schedule showing the name of the recipient, a brief description of the purposes or conditions of payment, and the amount paid.

Line 12.—Attach a schedule showing the total amount paid for each benefit category, such as disability, death, sickness, hospitalization, unemployment compensation, or strike benefits.

Lines 13–18.—Use lines 13 through 18 to report expenses that are not directly related to the expense categories listed on lines 9 and 10.

For example, salaries attributable to the organization's exempt purpose activities should be included with any other expenses reportable on line 9 rather than being reported separately on line 14.

Salaries reportable on line 14 include, for example, those attributable to special events; to the solicitation of contributions; and to the overall management and operation of the organization.

Line 13.—Attach a schedule that shows the name of the person compensated; the office or position; the average amount of time devoted to business per week, month, etc.; and the amount of annual compensation.

Line 14.—Enter the total of employees' salaries not reported on line 13.

Line 15.—Enter the total interest expense for the year, excluding mortgage interest treated as occupancy expense on line 16.

Line 16.—Enter the amount paid for the use of office space or other facilities; heat; light; power; and other utilities; outside janitorial services; mortgage interest; real estate taxes; and similar expenses.

Line 17.—If your organization records depreciation, depletion, and similar expenses, enter the total.

Line 18.—Attach a statement listing the type and amount of each **significant** expense for which a separate line is not provided. Report other miscellaneous expenses as a single total if not substantial in amount.

B. Balance Sheet

Line 1.—Enter the total interest- and non-interest-bearing cash in checking and savings accounts, temporary cash investments (money market funds, CDs, treasury bills, or other obligations that mature in less than 1 year), change funds, and petty cash funds.

Line 2.—Enter the total accounts receivable that arose from the sale of goods and/or performance of services.

Line 3.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period.

Line 4.—Attach a schedule that shows the name of the borrower, a brief description of the obligation, the rate of return on the principal indebtedness, the due date, and the amount due.

Line 5.—Attach a schedule listing the organization's corporate stock holdings.

For stock of closely held corporations, the schedule should show the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held, and their value as carried on the organization's books. If such valuation does not reflect current fair market value, also include fair market value.

For stock traded on an organized exchange or in substantial quantities over the counter, the schedule should show the name of the corporation, a description of the stock and

the principal exchange on which it is traded, the number of shares held, and their value as carried on the organization's books.

Line 6.—Attach a schedule that shows the borrower's name, purpose of loan, repayment terms, interest rate, and original amount of loan.

Report each loan separately, even if more than one loan was made to the same person.

Line 7.—Enter the book value of securities held of the U.S., state, or municipal governments. Also enter the book value of buildings and equipment held for investment purposes. Attach a schedule identifying each.

Line 8.—Enter the book value of buildings and equipment not held for investment. This includes plant and equipment used by the organization in conducting its exempt activities. Attach a schedule listing these assets held at the end of the current tax-year period and the cost or other basis.

Line 9.—Enter the book value of land not held for investment.

Line 10.—Enter the book value of each category of assets not reported on lines 1 through 9. Attach a schedule listing each.

Line 12.—Enter the total of accounts payable to suppliers and others, such as salaries payable, accrued payroll taxes, and interest payable.

Line 13.—Enter the unpaid portion of grants and contributions that the organization has made a commitment to pay to other organizations or individuals.

Line 14.—Enter the total of mortgages and other notes payable at the end of the year. Attach a schedule that shows each item separately and the lender's name, purpose of loan, repayment terms, interest rate, and original amount.

Line 15.—Enter the amount of each liability not reported on lines 12 through 14. Attach a separate schedule.

Line 17.—Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to restrictions on the use of certain assets. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses.

If the organization uses fund accounting, report the total of all fund balances on line 17. If the organization does not use fund accounting, report only the "net assets" account balances, such as capital stock, paid-in capital, and retained earnings or accumulated income.

Part IV. Notice Requirements

Part IV only applies to section 501(c)(9) and (17) organizations. Organizations applying for tax-exempt status under other sections of the Code should not fill in Part IV.

Line 1.—If you answer "Yes," do not answer questions 2 through 4. If you answer "No," proceed to line 2.

Line 2.—Relief from the 15-month filing requirement is granted automatically if the organization submits a completed Form 1024 within 12 months from the end of the 15-month period.

To get this extension, an organization must add the following statement at the top of its application: "Filed Pursuant to Section 301.9100-2." No request for a letter ruling is required to obtain an automatic extension.

Line 3.—See Regulation sections 301.9100-1 and 301.9100-3 for information about a discretionary extension beyond the 27-month period. Under this regulation, the IRS will allow an organization a reasonable extension of time to file a Form 1024 if it submits evidence to establish that:

(a) It acted reasonably and in good faith, and

(b) Granting relief will not prejudice the interests of the government.

Showing reasonable action and good faith.—An organization acted reasonably and showed good faith if at least one of the following is true.

1. The organization filed its application before the IRS discovered its failure to file.

2. The organization failed to file because of intervening events beyond its control.

3. The organization exercised reasonable diligence but was not aware of the filing requirement.

To determine whether the organization exercised reasonable diligence, it is necessary to take into account the complexity of filing and the organization's experience in these matters.

4. The organization reasonably relied upon the written advice of the IRS.

5. The organization reasonably relied upon the advice of a qualified tax professional who failed to file or advise the organization to file Form 1024. An organization cannot rely on the advice of a qualified tax professional if it knows or should know that he or she is not competent to render advice on filing exemption applications or is not aware of all the relevant facts.

Not acting reasonably and in good faith.—An organization has not acted reasonably and in good faith if it chose not to file after being informed of the requirement to file and the consequences of failure to do so.

Furthermore, an organization has not acted reasonably and in good faith if it used hindsight to request an extension of time to file. That is, if after the original deadline to file passes, specific facts have changed so that filing an application becomes advantageous to an organization, the IRS will not ordinarily grant an extension. To qualify for an extension in this situation, the organization must prove that its decision to file did not involve hindsight.

No prejudice to the interest of the government.—Prejudice to the interest of the government results if granting an extension of time to file to an organization results in a lower total tax liability for the years to which the filing applies than would have been the case if the organization had applied on time. Before granting an extension, the IRS may require the organization requesting it to submit a statement from an independent auditor certifying that no prejudice will result if the extension is granted.

Procedure for requesting extension.—To request a discretionary extension, an organization must submit the following with its Form 1024.

• A statement showing the date Form 1024 should have been filed and the date it was actually filed.

• An affidavit describing in detail the events that led to the failure to apply and to the discovery of that failure. If the organization

relied on a qualified tax professional's advice, the affidavit must describe the engagement and responsibilities of the professional and the extent to which the organization relied on him or her.

- All documents relevant to the election application.
- A dated declaration, signed by an individual authorized to act for the organization, that includes the following statement: "Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete." The individual who signs for the organization must have personal knowledge of the facts and circumstances at issue.
- A detailed affidavit from individuals having knowledge or information about the events that led to the failure to make the application and to the discovery of that failure. These individuals include accountants or attorneys knowledgeable in tax matters who advised the organization concerning the application. Any affidavit from a tax professional must describe the engagement and responsibilities of the professional as well as the advice that the professional provided to the organization. The affidavit must also include the name, current address, and taxpayer identification number of the individual making the affidavit (the affiant). The affiant must also forward with the affidavit a dated and signed declaration that states: "Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete."

The reasons for late filing should be specific to your particular organization and situation. Regulation section 301.9100-3 (see above) lists the factors the IRS will consider to determine if good cause exists for granting a discretionary extension of time to file the application. To address these factors your response on line 3 should provide the following information:

1. Whether the organization consulted an attorney or accountant knowledgeable in tax matters, or communicated with a responsible IRS employee (before or after the organization was created), to ascertain the organization's Federal filing requirements and, if so, the names and occupations or titles of the persons contacted, the approximate dates, and the substance of the information obtained;
2. How and when the organization learned about the 15-month deadline for filing Form 1024;
3. Whether any significant intervening circumstances beyond the organization's control prevented it from submitting the application timely or within a reasonable period of time after it learned of the requirement to file the application within the 15-month period; and

4. Any other information that you believe may establish reasonable action and good faith and no prejudice to the interest of the government for not filing timely or otherwise justify granting the relief sought.

A request for relief under this section is treated as part of the request for the exemption determination letter and is covered by the user fee submitted with Form 8718.

Line 4.—If you answer "No," the organization may receive an adverse letter limiting the effective date of its exempt status to the date its application was received.

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 1024 application are covered in Code section 6104.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing and sending the form to the IRS
1024, Parts I-III	53 hr., 5 min.	2 hr., 17 min.	3 hr., 15 min.
Part IV	1 hr., 12 min.	35 min.	52 min.
Sch. A	2 hr., 52 min.	18 min.	21 min.
Sch. B	1 hr., 40 min.	18 min.	20 min.
Sch. C	58 min.	12 min.	13 min.
Sch. D	4 hr., 4 min.	18 min.	22 min.
Sch. E	1 hr., 40 min.	18 min.	20 min.
Sch. F	2 hr., 23 min.	6 min.	8 min.
Sch. G	1 hr., 55 min.	6 min.	8 min.
Sch. H	1 hr., 40 min.	6 min.	8 min.
Sch. I	5 hr., 30 min.	30 min.	37 min.
Sch. J	2 hr., 23 min.	6 min.	8 min.
Sch. K	3 hr., 21 min.	6 min.	10 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the application to this address. Instead, see **Where To File** on page 1.

Procedural Checklist

Make sure the application is complete.

If you do not complete all applicable parts or do not provide all required attachments, we may return the incomplete application for the organization to resubmit with the missing information or attachments. This will delay the processing of the application and may delay the effective date of your organization's exempt status. The organization may also incur additional user fees.

Have you . . .

- _____ Attached **Form 8718** (User Fee for Exempt Organization Determination Letter Request) and the appropriate fee?
 - _____ Prepared the application for mailing? (See **Where To File** addresses in Form 8718.)
 - _____ Completed all Parts and Schedules that apply to the organization?
 - _____ Shown your organization's **Employer Identification Number (EIN)**?
 - a. If your organization has an EIN, write it in the space provided.
 - b. If this is a newly formed organization and does not have an Employer Identification Number, obtain an EIN by telephone. (See Specific Instructions, Part I, Line 2, on page 2.)
 - _____ If applicable, described your organization's **specific activities** as directed in Part II, question 1 of the application?
 - _____ Included a **conformed copy** of the complete organizing instrument? (Part I, question 8 of the application.)
 - _____ Had the application signed by one of the following:
 - a. An officer or trustee who is authorized to sign (e.g., president, treasurer); **or**
 - b. A person authorized by a power of attorney (submit Form 2848 or other power of attorney)?
 - _____ If applicable, enclosed **financial statements** (Part III)?
 - a. Current year (must include period up to within 60 days of the date the application is filed) and 3 preceding years.
 - b. Detailed breakdown of revenue and expenses (no lump sums).
 - c. If the organization has been in existence less than 1 year, it must also submit proposed budgets for 2 years showing the amounts and types of receipts and expenditures anticipated.
- Note:** *During the technical review of a completed application, it may be necessary to contact the organization for more specific or additional information.*

Do not send this checklist with the application.

Exhibit F
State Registration Forms

INITIAL SOLICITATION FORM

Charitable Organizations and Solicitations Act (COSA)

This form is primarily used to register organizations for the first time under the Charitable Organizations and Solicitations Act (COSA) MCL 400.271 *et seq.* However, Michigan-based organizations, and those also selecting "Yes" under item 8, will also be registered under the Supervision of Trustees for Charitable Purposes Act (STCPA), MCL 14.251 *et seq.*

Who should file this form?

- Charitable Organizations filing for the first time to solicit in Michigan.

Who should not file this form?

- Charitable organization renewing their solicitation registration. Instead, use Form CTS-02, Renewal Solicitation Form.
- Organizations whose prior solicitation registration has expired. Instead, use Form CTS-02. Also provide copies of any changes to your organizing documents, bylaws, IRS status, or charitable purposes since your previous submission.
- Organizations exempt from solicitation registration. See Form CTS-03, Request for Exemption.

INSTRUCTIONS

GENERAL INFORMATION

Exemptions – Both COSA and STCPA contain certain exemptions from their respective registration requirements. To see if you qualify for exemption from one or both acts, refer to the [Request for Exemption](#) form.

Expiration– Your solicitation registration will expire 7 months after the close of your fiscal year (financial accounting period). Your renewal form is due 30 days before the expiration of your registration.

Use of file number – The organization will be assigned a file number that must be used on all correspondence and forms sent to this office. Your file number will be printed on the registration.

Fees – There is currently no fee to register to solicit in Michigan.

Filing the initial form – You may submit your registration by email, efilng, fax, or by mail. **For faster processing, use email or efilng.**

Email - The Form and all required documents should be attached in PDF form. Send it to: ct_email@michigan.gov.

Efile – On the Attorney General's website, <http://www.mi.gov/charity>, scroll down to the link for [Efilng](#).

Mail - Send the solicitation form to:

Department of Attorney General
Charitable Trust Section
PO Box 30214
Lansing, MI 48909

Telephone: (517) 373-1152
Fax: (517) 241-7074

Verify that we have received your filing

Search for the organization at www.mi.gov/CharitySearch. The search results will state, "Application/registration pending."

SPECIFIC INSTRUCTIONS

To avoid delays and unnecessary correspondence, answer all questions completely.

Name – Enter the organization's exact legal name on the form. This will be the same name as is currently on the articles of incorporation or other organizing document. If you use any names other than the legal name, enter each name on the solicitation form in the space *All other names under which you intend to solicit*.

Item 4. Summarize in 50 words or less the organization's charitable purposes. This summary will appear on our searchable website. Do not simply quote or refer to the articles of incorporation or standard IRS 501(c)(3) language.

Item 5. A Michigan resident agent must be named for the acceptance of process issued by any court. The form will not be processed without this information. You must provide a street address, not a P.O. box. The organization cannot name itself, the Michigan Attorney General, or the Michigan Secretary of State as its resident agent. You may designate a private individual residing in Michigan. If you need information on companies that will act as resident agent for a fee, you may

wish to do your own internet research. Our office does not provide lists of such companies.

Item 10. Most charitable organizations formed in Michigan are required to register as a charitable trust under the STCPA. If the organization was not incorporated or organized in Michigan, STCPA registration will usually only be required if it holds assets or is physically present in Michigan. Assets include cash, bank or investment accounts, land, building, equipment, etc.

See our Request for Exemption form for exemptions from registration as a charitable trust.

There is an annual financial report requirement with the STCPA registration. However, if you are also registered to solicit contributions under COSA, your annual renewal registration will serve as the STCPA annual financial report.

Item 11. Select YES and provide the information requested on the form if you are a parent organization that directly supervises and controls a local, county, or area division or chapter that is also a separate legal entity.

Parent organizations not incorporated in Michigan must obtain a certificate of authority to transact business or conduct affairs in Michigan from the Michigan Department of Licensing and Regulatory Affairs, Corporation Division.

When submitting the Initial Solicitation Form, you MUST also provide:

- appropriate documentation to show that you directly supervise and control the chapter;
- names and addresses of each chapter to be included in your registration; and
- separate financial statements for each chapter;
- a copy of your organization's IRS group return (if applicable).

Item 12. The engagement and compensation of all professional fundraisers and fundraising consultants providing services on Michigan campaigns must be reported in the PFR List.

A professional fundraiser (PFR) is anyone who "plans, conducts, manages, or carries on a drive or campaign of soliciting contributions for or on behalf of a charitable organization." This includes fundraising consultants who assist with organizing or structuring solicitation activities, as well as those who actually conduct the solicitation activity. Employees of a charitable organization are PFRs if they are paid wholly or in part by commissions – including bonuses – based on funds raised.

If you are unsure if the services provided by a person or firm you contracted with are such that a PFR license is required, provide a copy of the contract with your renewal form and request to have the contract reviewed. You will be notified if you must complete the PFR List and if the contractor should be licensed as a PFR.

Verification of license of PFR - Michigan law requires that you verify that any PFR with which you contract for fundraising in Michigan is currently licensed with this office.

PFR Contract - You are required to provide copies of contracts with PFRs within 10 days of signing a new contract or extending an existing contract.

Campaign Financial Statement -

Campaign Financial Statements, Form CTS-10, are required for all campaigns conducted by a PFR with which you have contracted, except those who are solely consultants. The Campaign Financial Statement will be filed by the PFR, but you will be required to provide additional campaign expense information and sign the form. Campaign financial statements are due within 90 days of the conclusion of any campaign. If the campaign lasts more than a year, a Campaign Financial Statement must be filed annually.

PFR List

Sum of all payments to / retained by PFR during the year reported – Include all fees, reimbursements, or other payments to the PFR that were related to the campaign or activity conducted by the PFR for the organization. Any monies that were retained by the professional fundraiser before remitting the proceeds of a campaign or activity to the charity must also be included here. If the PFR listed was engaged after the close of the fiscal year reported with the form, enter "N/A" in this column.

Contract type - To qualify as a fundraising consultant contract, all of the following conditions must be met:

- the PFR is usually retained by a charitable or religious organization for a fixed fee or rate that is not computed on the basis of funds raised or to be raised;
- the PFR does not solicit funds, assets or property, but only plans, advises, consults, or prepares materials for a solicitation or fundraising event in Michigan;
- the PFR does not receive or control funds, assets, or property solicited in Michigan; and
- the PFR does not employ, procure, or engage any compensated person to solicit, receive, or control funds, assets, or property.

Item 13. An organization registering to solicit must provide a financial statement for its most recently completed fiscal year. If an organization files Form 990, 990-EZ, or 990-PF with the IRS, a copy must be provided with the form. We do not accept Form 990-N. Organizations that do not complete a Form 990, 990-EZ, or 990-PF should complete items 14 and 15 on the form.

The IRS return must be prepared in accordance with IRS instructions. If you do not follow the instructions, we may question the return even if the IRS does not. All applicable schedules and attachments required by the IRS form or instructions must be submitted. However, if you file Form 990 or 990-EZ, do not provide a copy of Schedule B, Schedule of Contributors.

Organizations in first accounting period. If your organization was formed within the past year and is in its first financial accounting period, or the period was recently completed and financial information is not yet available, check the box beside "In first financial accounting period" on page 6, item 13. Use the following worksheet to help determine if you should provide financial information with the registration form.

Worksheet	
1. Date organization was created:	<u> / / </u> mm/dd/yy
2. The day set as the <u>last</u> day or the organization's annual accounting period. (This should be the last day of a month):	<u> / </u> mm/dd
3. The first time the day in box 2 occurs after the date in box 1:	<u> / / </u> mm/dd/yy
If more than 6 months have passed since the date in box 3, you must provide us with financial information. If the organization had no financial activity before that date, enter 0 on each line.	

The registration of an organization that indicated that it is in its first financial accounting period will expire 7 months after its first accounting period was to have ended.

Item 14. - Briefly describe the organization's activities or accomplishments during the fiscal period. Provide a sheet if additional space is needed. Do not simply restate the organization's charitable purpose.

Item 15. - Complete all lines. You must enter the end date of the accounting period. Do not leave any lines blank. Enter "0" if applicable.

On line D, enter all costs related to conducting the charitable activities and accomplishments discussed in Item 14.

Item 16. Audited or reviewed financial statements requirement - If audited financial statements have been prepared for the year being reported, provide a copy with the form. It is not necessary to complete the Financial Statements Worksheet.

For all others, complete the worksheet to calculate if audited or reviewed financial statements will be required. Total support may be reduced by the amount of governmental grants received during the year.

Audited financial statements must be prepared in accordance with generally accepted accounting principles.

If audited or reviewed financial statements are required, but they have not been prepared:

- You may request a one-time waiver of the reviewed or audited financial statements requirement. In your request, specify the fiscal year for which the waiver is requested and state that the necessary financial statements will be provided in all future years in which reviewed or audited financial statements are required. If you have already received a waiver of the financial statements requirement for a prior year, engage an auditor and see below to request a conditional registration.
- If the required financial statements are in the process of being prepared or you have already engaged an auditor to perform the necessary review or audit, provide a letter requesting a conditional registration. In your letter, state when you expect the financial statements to be available. Also, provide a copy of the signed engagement letter agreement with the audit firm. The solicitation registration will include the condition that the required financial statements are to be provided by a specified date.
- The financial statements requirement may be suspended for food banks and similar organizations whose contributions are substantially non-cash. However, suspension of the requirement is unlikely if the organization's cash contributions exceed the audited or reviewed financial statements thresholds, or if donated non-cash items are typically converted to cash. Provide your suspension request with the registration form.

INITIAL SOLICITATION FORM

Full <u>exact legal</u> name of organization		
All other names under which you intend to solicit		
Attorney General File Number	Telephone number	Fax number
Employer Identification Number (EIN)	Organization email address	Organization website

All items must be answered. Provide additional sheets if necessary. If you have questions, see the instructions.

1. Organization addresses –

A. Street address of principal office. If you do not have a principal office, provide the name and address of the person having custody of the financial records.

B. Organization mailing address, if different.

C. Provide the address of all other offices in Michigan.

2. Type of Organization - Check one:

Nonprofit corporation - State of incorporation _____ Date incorporated _____

Provide copies of your articles of incorporation, bylaws and, if applicable, Mich. Certificate of Authority

If incorporated in Michigan, provide your Corporate Identification Number: _____

Trust – Provide a copy of the trust instrument.

Unincorporated association – Enter date created _____

Provide a copy of your Articles of Association, Constitution and Bylaws, or other organizing document.

Other – Describe and provide a copy of the relevant document: _____

3. Federal Tax Exempt Status – Check one:

Exempt under 501(c)(3) - Provide a copy of your determination letter.

Applied, or will apply, for tax exempt status under section 501(c)(3). Date of application _____

If you checked either box above, indicate the form used to apply for exempt status. Form 1023 Form 1023-EZ

Exempt under another section: Section 501(c) _____ Provide a copy of your determination letter.

The organization is not tax exempt and will not apply for tax exempt status.

4. Summarize organization's purposes below in 50 words or less. This summary appears on our website.

5. You **must** designate a resident agent located in Michigan authorized to receive official mail sent to your organization.

Name _____

Address (Michigan street address, not PO box) _____

6. Methods of solicitation. Check all that apply.

- Mail Personal contact Special events Other (specify) _____
 Telephone Radio / television Newspaper/magazines None (explain) _____
 Internet Email

7. List all current officers and directors unless they are included on your IRS return. Mark the box to indicate whether the person is an officer, director, or both. Provide an additional sheet if necessary.

Name	Officer	Director	Name	Officer	Director

8. Is there any officer or director who cannot be reached at the organization's mailing address? Yes No
 If "yes," provide the names and addresses on an additional sheet.

9. Has the organization or any of its officers, directors, employees or fundraisers:

	Yes	No
A. Been enjoined or otherwise prohibited by a government agency/court from soliciting?	<input type="checkbox"/>	<input type="checkbox"/>
B. Had its solicitation registration or license denied or revoked by any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>
C. Been the subject of a proceeding regarding any license, registration, or solicitation?	<input type="checkbox"/>	<input type="checkbox"/>
D. Entered into a voluntary agreement of compliance with a government agency or in a case before a court or administrative agency?	<input type="checkbox"/>	<input type="checkbox"/>

If any "yes" box is checked, provide a complete explanation on a separate sheet.

10. Will the organization hold any assets (cash, bank accounts, land, building, etc.) in Michigan? _____ Yes No
 Charitable organizations created in Michigan and out-of-state organizations holding assets in Michigan will be registered as a charitable trust under the Supervision of Trustees for Charitable Purposes Act, 1961 PA 101, MCL 14.251 et seq. See Request for Exemption, Form CTS-03, for possible exemptions.

11. Do you have chapters that solicit in Michigan that are to be included in the solicitation registration? Yes No
Tip: If you have offices in Michigan with no separate reporting or filing requirements, answer "no."

If yes, provide the following:

- appropriate documentation to show that you directly supervise and control the chapters
- a listing of the names and addresses of all Michigan chapters to be included
- a financial report for each chapter (see instructions)
- a copy of your organization's IRS group return (if applicable)

12. Has the organization engaged a professional fundraiser or fundraising consultant for Michigan fundraising activity for either the financial accounting period reported in item 13 or the current period? Yes No
 If no, go to question 13.

Under Michigan law, fundraising consultants are considered professional fundraisers (PFRs). See instructions for definition.

If yes, in the chart below list all PFRs that your organization has engaged for Michigan fundraising activity. Provide additional sheets if necessary. Provide copies of contracts for each PFR listed if not already provided.

Contract types: A – Consulting – See instructions for definition
 B – Solicitation / Event

Note – You are required to verify that all PFRs under contract for Michigan campaigns are currently licensed.

PFR List					
Name	Mailing address	Sum of all payments to / retained by PFR during year reported	Is contract currently in effect?	If no, enter date contract ended	Contract Type
			y <input type="checkbox"/> n <input type="checkbox"/>	End date:	A <input type="checkbox"/> B <input type="checkbox"/>
			y <input type="checkbox"/> n <input type="checkbox"/>	End date:	A <input type="checkbox"/> B <input type="checkbox"/>
			y <input type="checkbox"/> n <input type="checkbox"/>	End date:	A <input type="checkbox"/> B <input type="checkbox"/>

13. All organizations, except those in their first financial accounting period, must report on their most recently completed financial accounting period. Check the appropriate box in one of the following choices and follow the instruction:

If you file Form 990, 990-EZ, or 990-PF with the IRS, check the box to indicate the type of return:

- Form 990 or 990-EZ - Provide a copy of the return. Do not include Schedule B. Go to item 16 below.
- Form 990-PF - Provide a copy of the Form 990-PF. Enter the amount the organization spent directly on its charitable program in the space below. Complete item 14 and go to 16.

Total program services expense: \$ _____

If your organization does not, or has not yet, filed the above returns with the IRS, check the appropriate box below to explain the reason:

- Files Form 990-N. Complete 14 and 15 below, and then go to item 17.
- Included in IRS group return. Provide a copy of the group return. Complete 14 and 15 below; go to 16.
- In first financial accounting period. See instructions. Enter the date the organization's first accounting period will end. The date should be the last day of a month. Go to item 17. ___/___/___
- Other reason. Explain: _____
 Complete 14 and 15 below. Go to 16.

14. Briefly describe your charitable accomplishments during the period. _____

15. Complete this section only if directed to in item 13 because your organization does not complete a Form 990, 990-EZ, or 990-PF. Complete all lines of the following schedules. You must enter the end date of the accounting period being reported. Enter "0" or "none" where appropriate or if you had no financial activity in the period.

Enter the end date of the financial accounting period reported below: ____ / ____ / ____

Revenue	
A	Contributions and fundraising received
B	All other revenue
C	Total revenue (add lines A and B)
Expenses	
D	Charitable program services expense
E	All remaining expenses (supporting services)
F	Total expense (Sum of lines D and E)
G	Revenue less expenses (subtract line F from line C)
Balance Sheet	
H	Total assets at end of fiscal period
I	Liabilities at end of fiscal period
J	Net assets (subtract line I from line H)

16. Audited or reviewed financial statements requirement

Complete the following worksheet to determine if audited or reviewed financial statements are required. If audited or reviewed financial statements are required, but they have not been prepared, see the instructions.

Financial Statements Worksheet		
Item	Where to Find it:	Amount
A. Contributions from IRS return	Form 990: Part VIII, line 1h; Form 990-EZ: line 1; Form 990-PF: line 1	
B. Net income from special fundraising events	Form 990: Part VIII, line 8c; Form 990-EZ: line 6c	
C. Net income from gaming activities	Form 990: Part VIII, line 9c	
D. Total contributions and fundraising	Add lines A, B, and C	
E. Governmental grants	Form 990: Part VII, line 1e; Form 990-EZ: enter governmental grants included above on line A.	
F. Contributions	Subtract line e from line d	

After completing the schedule:

- If line F is \$525,000 or more, audited financial statements are required. They must be audited by an independent certified public accountant and prepared in accordance with generally accepted accounting principles.
- If line F is greater than \$275,000, but not greater than \$525,000, financial statements either reviewed or audited by a certified public accountant are required.

17. I certify that I am an authorized representative of the organization and that to the best of my knowledge and belief the information provided, including all accompanying documents, is true, correct, and complete. False statements are prohibited by MCL 400.288(1)(u) and MCL 400.293(2)(c) and are punishable by civil and criminal penalties.

Type or print name (must be legible): _____

Title: _____ Date: _____

THIS IS A PUBLIC RECORD, COPIES OF WHICH ARE SENT, UPON REQUEST, TO ANY INTERESTED PERSON.

CHECKLIST:

- Have all parts of the form been fully completed unless instructed otherwise?
- Have you provided the name and Michigan street address of a resident agent in item 5?
- Is a list of the officers and directors provided, or included with the IRS return?
- Have you provided a complete IRS 990, 990-EZ, OR 990-PF?
- If you file Form 990-PF, did you complete item 14?
- If you file Form 990-N, did you complete items 14 and 15? Do not submit Form 990-N.
- If audited or reviewed financial statements are required, are they provided? If not, have you requested a conditional registration or one-time waiver? (See instructions.)
- Are the Form 990 and financial statements prepared for the same reporting period?
- Have you submitted contracts and addenda to contracts with professional fundraisers that have not been previously submitted?
- Have you typed or printed your name, date, and title in Item 17 to certify the form?

Return the completed registration form by:	
Email (preferred method)	ct_email@michigan.gov
Mail	Attorney General Charitable Trust Section PO Box 30214 Lansing, MI 48909
Overnight mail	Attorney General-CT Section 525 West Ottawa Williams Building - 1st Floor Lansing, MI 48933
Fax	(517) 241-7074

Revised
10/19/15

REQUEST FOR EXEMPTION
Charitable Organizations and Solicitations Act (COSA)
Supervision of Trustees for Charitable Purposes Act (STCPA)

Complete this form to request exemption from the two laws listed above. Some exemptions apply to both laws. Although you may be exempt from registration under COSA, registration may be required under STCPA and vice versa.

PLEASE TYPE OR PRINT IN INK – Attach additional pages if more space is needed.

Legal Name of Organization				Attorney General File # (CS/CT/T) if applicable	
Address of Organization					
City	County	State	Zip	Area Code	Telephone Number
Organization Email Address		Website		Organization Fax Number	
Other names used by organization				Employer Identification Number (EIN)	

GENERAL INFORMATION

A. Type of Organization – Check one.

- Nonprofit corporation – State of incorporation _____ Date incorporated _____
 If incorporated in Michigan, enter your Corporate Identification Number: _____ Provide copy of bylaws.
 If not incorporated in Michigan, provide copies of your articles of incorporation, bylaws and, if applicable, Mich. Certificate of Authority.
- Trust – Provide a copy of the trust instrument.
- Unincorporated Association – Provide a copy of your Articles of Association, Constitution and Bylaws, or other organizing document.
- Other – explain and provide a copy of the relevant document:

B. Organization's Federal Tax Exempt Status – Check one.

- Exempt under 501(c)(3) – Provide a copy of your determination letter.
- Exempt under another section: Section 501(c) ____ Provide a copy of your determination letter.
- Applied, or will apply, for tax exempt status under section 501(c) ____ Date of application _____
- The organization is not tax exempt and will not apply for tax exempt status. Explain:

C. Summarize the organization's purpose in 50 words or less. Do not simply refer to articles of incorporation or quote required IRS language.

**MICHIGAN DEPARTMENT OF ATTORNEY GENERAL
REQUEST FOR EXEMPTION**

D. **Specific exemptions.** Check all that apply to the organization. Additional information and required documentation is listed in the right column.
See the Key at the end to determine if any additional forms must be filed.

Exemption	Required Documentation
Section I <i>The exemptions in the following section apply to both COSA and STCPA.</i>	
<input type="checkbox"/> 1. An organization that requests contributions only for the relief or benefit of a named individual or family with all fundraising conducted by persons who are unpaid for their service.	Enter the name, address, and telephone number of the beneficiary: _____
<input type="checkbox"/> 2. A Michigan educational institution approved by the Michigan Board of Education. <i>Michigan approval is separate from accreditation or other certifications.</i>	Provide appropriate documentation from the Michigan Department of Education.
<input type="checkbox"/> 3. A veterans organization incorporated under federal law.	Submit proof of federal charter.
<input type="checkbox"/> 4. A hospital licensed in the State of Michigan. <i>Michigan health systems and other affiliates are <u>not</u> exempt even if they include a licensed hospital.</i>	Provide a copy of the hospital license.
<input type="checkbox"/> 5. A school booster organization operating with the knowledge and approval of an educational institution for the support or promotion of educational, artistic, musical, or athletic programs or events.	The school booster organization must serve only one school which must be an approved school in Michigan. Provide the name of the school and attach documentation of its knowledge and approval.
<input type="checkbox"/> 6. A governmental unit or instrumentality.	Provide explanation and copies of appropriate documentation. <i>If you merely receive government funding, or you intend to become a governmental instrumentality in the future, the exemption does not apply to you.</i>
<input type="checkbox"/> 7. An advocacy or lobbying organization, or an organization associated with an advocacy organization, political party, candidate or committee, that does <u>not</u> have 501(c)(3) status.	Provide explanation, articles of incorporation, and a copy of the IRS determination letter.
<input type="checkbox"/> 8. A duly constituted religious organization or group affiliated with and forming an integral part of a religious organization. <i>Note - If the organization's IRS 501(c)(3) determination letter requires it to file a Form 990, 990-EZ, or 990-N, the organization likely does not qualify for this exemption.</i>	Provide explanation and appropriate documentation, including a copy of the IRS determination letter that states that filing Form 990 is not required.
<input type="checkbox"/> 9. An organization that will not have 501(c)(3) status and whose principal purpose is not charitable but that solicits from time to time for a charitable purpose. <i>Note - To qualify for this exemption:</i> <ul style="list-style-type: none"> • The organization must not have, or intend to receive, 501(c)(3) status. • All fundraising must be performed by members of the organization who are not paid for their services. • All funds must be wholly used for the purposes for which they were solicited. 	Provide the IRS determination of tax-exempt status that is not 501(c)(3). If the organization annually files a Form 990 or 990-EZ with the IRS, provide a copy.
Section II <i>The exemptions in the following section apply only to COSA.</i>	
<input type="checkbox"/> 10. An organization that confines solicitations to drives solely among members, directors and their immediate families, where the general public is not invited to become a member. This includes a private foundation for IRS tax purposes that receives contributions solely from incorporators, directors, stockholders or their families, or from a sponsoring business.	Provide an explanation of your membership requirements, your solicitation activities, and/or your relationship with expected contributors.
<input type="checkbox"/> 11. An organization whose sole source of contributions is a charitable organization registered with this office to solicit contributions.	Enter the name and registration number of the registered organization:

Michigan Sales and Use Tax Certificate of Exemption

INSTRUCTIONS: DO NOT send to the Department of Treasury. Certificate must be retained in the seller's records. This certificate is invalid unless all four sections are completed by the purchaser.

SECTION 1: TYPE OF PURCHASE

- A. One-Time Purchase
Order or Invoice Number: _____
- B. Blanket Certificate. Recurring Business Relationship
- C. Blanket Certificate
Expiration Date (maximum of four years): _____

The purchaser hereby claims exemption on the purchase of tangible personal property and selected services made from the vendor listed below. This certifies that this claim is based upon the purchaser's proposed use of the items or services, OR the status of the purchaser.

Vendor's Name and Address

SECTION 2: ITEMS COVERED BY THIS CERTIFICATE

Check one of the following:

- All items purchased.
- Limited to the following items: _____

SECTION 3: BASIS FOR EXEMPTION CLAIM

Check one of the following:

- For Lease. Enter Use Tax Registration Number: _____
- For Resale at Retail. Enter Sales Tax License Number: _____

The following exemptions DO NOT require the purchaser to provide a number:

- Agricultural Production. Enter percentage: _____%
- Church, Government Entity, Nonprofit School, or Nonprofit Hospital (Circle type of organization).
- Contractor (must provide *Michigan Sales and Use Tax Contractor Eligibility Statement (Form 3520)*).
- For Resale at Wholesale.
- Industrial Processing. Enter percentage: _____%
- Nonprofit Internal Revenue Code Section 501(c)(3) or 501(c)(4) Exempt Organization (must provide IRS authorized letter with this form).
- Nonprofit Organization with an authorized letter issued by the Michigan Department of Treasury prior to June 1994 (must provide copy of letter with this form).
- Rolling Stock purchased by an Interstate Motor Carrier.
- Qualified Data Center
- Other (explain): _____

SECTION 4: CERTIFICATION

I declare, under penalty of perjury, that the information on this certificate is true, that I have consulted the statutes, administrative rules and other sources of law applicable to my exemption, and that I have exercised reasonable care in assuring that my claim of exemption is valid under Michigan law. In the event this claim is disallowed, I accept full responsibility for the payment of tax, penalty and any accrued interest, including, if necessary, reimbursement to the vendor for tax and accrued interest.

Business Name	Type of Business (see codes on page 2)
Business Address	City, State, ZIP Code
Business Telephone Number (include area code)	Name (Print or Type)
Signature and Title	Date Signed

Instructions for completing *Michigan Sales and Use Tax Certificate of Exemption (Form 3372)*

Purchasers may use this form to claim exemption from Michigan sales and use tax on qualified transactions. It is the Purchaser's responsibility to ensure the eligibility of the exemption being claimed. All claims are subject to audit. Non-qualified transactions are subject to tax, statutory penalty and interest.

Sellers are required to maintain records, paper or electronic, of completed exemption certificates for a period of four years. Michigan does not issue "tax exempt numbers" and a seller may not rely on a number for substitution of an exemption certificate. Other documentation that sellers in the State of Michigan may accept are the Uniform Sales and Use Tax Certificate approved by the Multistate Tax Commission, the Streamlined Sales and Use Tax Agreement Certificate of Exemption, the same information in another format from the purchaser, or resale or exemption certificates or other written evidence of exemption authorized by another state or country.

SECTION 1:

Place a check in the box that describes how you will use this certificate.

- A) Choose "One-Time Purchase" and include the invoice number this certificate covers.
- B) Choose "Blanket Certificate" if there is a "recurring business relationship." This exists when a period of not more than 12 months elapses between sales transactions between the seller and purchaser.
- C) Choose "Blanket Certificate" and enter the expiration date (maximum four years) when there is a period of more than 12 months between sales transactions.

Print the vendor's name and address in the area provided.

SECTION 2:

Place a check in the box for "All items purchased" or choose "Limited to" and list the items that are covered by the exemption claim.

SECTION 3:

Place a check in the box that applies and provide the additional information requested for that exemption. The exemptions listed are the most common. If the exemption you are claiming is not listed use "Other" and enter the qualifying exemption.

SECTION 4:

Use the number that describes your business or explain any other business type not provided.

01	Accommodations	10	Utilities
02	Agricultural	11	Wholesale
03	Construction	12	Advertising, newspaper
04	Manufacturing	13	Non-Profit Hospital
05	Government	14	Non-Profit Educational
06	Rental or leasing	15	Non-Profit 501(c)(3) or 501(c)(4)
07	Retail	16	Qualified Data Center
08	Church	17	Other
09	Transportation		

Print the name of the business, address, city, state and ZIP code. Sign and provide your title (i.e. owner, president, treasurer, etc.). Provide your printed name and date the certificate.

DO NOT SEND THIS EXEMPTION CERTIFICATE TO THE DEPARTMENT OF TREASURY.

Handling Contributions and Tax Deductions

Submitted by Patrick Sweeney

Tax Exempt Organizations From Start to Finish

Handling Contributions and Tax Deductions

Patrick M. Sweeney, CPA
Croskey Lanni, PC

“Embracing Extraordinary”

Handling Contributions and Tax Deductions

A. Types of Gifts

Cash Contributions:

- ▶ Cash
- ▶ Check
- ▶ EFT
- ▶ Credit Card / Debit Card
- ▶ Payroll Deduction

Non-Cash Contributions:

- ▶ Clothing and Household Goods
- ▶ Jewelry and Gems
- ▶ Paintings, Antiques, and Other Objects of Art
- ▶ Collections
- ▶ Cars, Boats, and Aircraft
- ▶ Inventory
- ▶ Patents
- ▶ Stocks and Bonds
- ▶ Real Estate
- ▶ Interest in a Business
- ▶ Annuities
- ▶ Life Insurance
- ▶ Partial Interest in Property

Handling Contributions and Tax Deductions

A. Types of Gifts - continued

- ▶ Generally speaking, the deduction for a non-cash charitable contributions is equal to fair market value...provided the donor itemizes...
- ▶ Special rules apply to certain types of contributions for example:
 - Partial Interest in Property – generally speaking, donations of a partial interest in property is not deductible.
 - Inventory – deduction is limited to the lesser of FMV or basis with basis equal to the cost included in inventory as of the opening of the tax year* (*special provision available for food inventory).
 - Patents/Intellectual Property – deduction is limited to the lesser of FMV or basis with additional deductions in future years based on the income from the donated property.
 - Qualified Conservation Contributions & Buildings in Registered Historic Districts – limitations placed on the type of organization receiving the contribution as well as additional substantiation/reporting is required, i.e. appraisals, photographs and a description of any restrictions on the property.
 - Property Subject to a Debt – donor must reduce the amount of the contribution by any allowable deductions for prior investment interest and the amount of the debt assumed.

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Handling Contributions and Tax Deductions

B. Handling Unanticipated Funds with “Facts and Circumstances” Test

- ▶ Donor’s deductibility of contributions made to private foundations are subject to more restrictive limitations. Additionally, private foundations may be subject to excise taxes (imposed on the organization, its officers, and directors).
- ▶ All 501(c)(3) entities are classified as a private foundation unless they otherwise qualify for an exemption i.e. the public support test.

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Handling Contributions and Tax Deductions

B. Handling Unanticipated Funds with “Facts and Circumstances” Test - continued

- ▶ Public support test
 - The organization receives a substantial part of its support in the form of contributions from publicly supported organizations, governmental units, and/or the general public.
 - Test applies after the organizations initial five years (first tested in the organizations sixth year) and is performed using the organization’s current year and four years immediately preceding.
 - If a public charity fails the public support test for two consecutive years, it will be classified as a private foundation.

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Handling Contributions and Tax Deductions

B. Handling Unanticipated Funds with “Facts and Circumstances” Test - continued

- Numerator = Public Support (excluding amounts received from disqualified persons).
- Denominator = Total Support.
- A disqualified person includes officers, directors, substantial contributors having given the greater of \$5,000 or more than 2% of the total contributions during the testing period, the family of an officer, director or substantial contributor and any entity owned more than 35% by an officer, director, substantial contributor or their family.

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Handling Contributions and Tax Deductions

B. Handling Unanticipated Funds with “Facts and Circumstances” Test - continued

- In applying the public support test, contributions received from disqualified persons are excluded from the denominator.
- An otherwise publicly supported organization can apply a “facts and circumstances” test when the public support percentage drops below 33 1/3%.

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Handling Contributions and Tax Deductions

B. Handling Unanticipated Funds with “Facts and Circumstances” Test - continued

- ▶ Consider “unusual” gifts or grants

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements

Individuals may deduct charitable contributions up to a percentage of their adjusted gross income depending on the type of property they give and to which type of organization(s)...

▶ Type of Property:

1. Cash and ordinary income property
2. Capital gain property

▶ Type of Organization(s):

1. Churches
2. Educational organizations
3. Hospitals and certain medical research organizations
4. Organizations that are operated only to receive, hold, invest, and administer property and to make expenditures to or for the benefit of state and municipal college and universities
5. A governmental unit
6. Publicly supported charities and organizations that may not qualify as publicly supported but that meet other tests showing they respond to the needs of the general public
7. Most organizations operated or controlled for the benefit of those organizations above
8. Private operating foundations
9. Private non-operating foundations that make qualifying distributions of 100% of contributions within 2.5 months following the year they receive the contribution
10. Veterans' organizations, fraternal societies, non-profit cemeteries and certain private non-operating foundations

Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

50% Limitation	30% Limitation	20% Limitation
----------------	----------------	----------------

▶ Cash or property (other than capital gain property) contributed to organizations found in 1. – 9. of previous slide under “type of organization(s)”

▶ Capital gain property contributed to organizations found in 1. – 9. of previous slide under “type of organization(s)”

▶ Cash or property (other than capital gain property) contributed to organizations found in 10. of previous slide under “type of organization(s)”

▶ Capital gain property contributed to organizations found in 10. of previous slide under “type of organization(s)”

Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ The ultimate responsibility to obtain written acknowledgement rests with the donor when claiming a charitable contribution deduction.
- ▶ Certain contributions which require written acknowledgment / disclosure from the charitable organization:
 - Contributions in excess of \$250
 - Quid pro quo contributions
 - Cars, boats, or aircraft

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Contributions in excess of \$250
 - Contributions of less than \$250 require only a bank record or written receipt (or a letter or other written communication) from the donee.
 - Donor is required to request and obtain contemporaneous written acknowledgement prior to the date the donor files their return for the year the contribution was made (earlier of the due date (including extensions) of the donor's return or the date the donor actually files their return).
 - Requirement applies to any single contribution of \$250 or more.

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Contributions in excess of \$250 - continued
 - Written acknowledgement must include:
 1. Name of the organization
 2. Amount of cash contribution
 3. Statement that no goods or services were provided by the organization in return for the contribution or a description and good faith estimate of the value of goods and services that an organization provided in return for the contribution.
 4. If services provided consisted of intangible religious benefits, acknowledgement should state this fact, need not state the value of the intangible religious benefit.
 - Donations other than cash
 - If the contribution was in a form other than cash, the written acknowledgement must also include a description (but not the value) of the non-cash contribution.

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Contributions in excess of \$250 - continued
 - Non-cash contributions for which a deduction is claimed in excess of \$5,000 generally require a qualified appraisal made by a qualified appraiser.
 - Non-cash contributions for which a deduction is claimed in excess of \$500,000 the qualified appraisal which is required to be attached to the taxpayer's tax return.
 - In both instances above, there are specific exceptions to this rule.

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Quid pro quo contributions
 - Contributions from which the donor benefits.
 - Charitable organization is required to provide written disclosure to a donor who receives goods or services in exchange for a single payment in excess of \$75.
 - Excludes small /token items.

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Quid pro quo Contributions - continued
 - Written disclosure; I.R.C. Section 6115.
 - Needs to inform the donor that the amount of the charitable contribution that is deductible for Federal income tax purposes is limited to the excess of the contribution over the value of goods or services provided by the organization, and
 - Provide the donor with a good-faith estimate of the fair market value of the goods / services provided.
 - A penalty may be assessed on a charitable organization for failing to make the disclosure required under IRC Section 6115.

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Cars, Boats, and Aircraft
 - The penalty is equal to \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing.
 - Contemporaneous written acknowledgement required from the charitable organization (Form 1098-C) provides the following information:
 1. Donor's name and taxpayer identification number
 2. The vehicle identification number
 3. The date of the contribution, and one of the following
 - a. Statement that no goods or services were provided by the charity in return for the donation, if that was the case, or
 - b. A description and good faith estimate of the value of goods or services, if any, that the charity provided in return for the donation, or
 - c. A statement that goods or services provided by the charity consisted entirely of intangible religious benefits, if that was the case.

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Cars, Boats, and Aircraft - continued
 4. Information on what the charity did or intends to do with the vehicle:
 - a. Sell the vehicle
 - b. Significant intervening use of the vehicle
 - c. Make material improvement to the vehicle
 - d. Give or sell the vehicle to a needy individual
 - Form 1098-C to be filed with the IRS by February 28 (March 31 if filed electronically) of the year following the year in which the charity provides the acknowledgement to the donor.

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Handling Contributions and Tax Deductions

C. Tax Deductions and Substantiation Requirements - continued

- ▶ Cars, Boats, or Aircraft - continued
 - Forms 8282 and 8283
 - As with other non-cash contributions in excess of \$500, donor is required to complete Form 8283 – Noncash Charitable Contributions and include with the filing of their return.
 - If the amount claimed as a charitable contribution exceeds \$5,000, the donor must complete Section B of Form 8283 and it must be signed by an authorized official of the charity.
 - If a charity is required to sign Form 8283, it is also required to file Form 8282 – Donee Information Return if it disposed the vehicle within three years after the date it received the vehicle.

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Handling Contributions and Tax Deductions

D. Recent Changes and Current IRS Focus

- ▶ Qualified charitable distributions
 - Individuals age 70½ at the time of the distribution may make a charitable contribution directly out of their IRA up to \$100,000 per year

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Handling Contributions and Tax Deductions

- ▶ Additional information can be found in:
 - IRS Publication 526 - <https://www.irs.gov/pub/irs-pdf/p526.pdf>
 - IRS Publication 561 - <https://www.irs.gov/pub/irs-pdf/p561.pdf>
 - IRS Publication 1771 - <https://www.irs.gov/pub/irs-pdf/p1771.pdf>

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Unrelated Business Taxable Income (UBTI)

Submitted by Elizabeth A. Carrie

Unrelated Business Taxable Income (UBTI)

Elizabeth A. Carrie
Barris, Sott, Denn & Driker, P.L.L.C.

A. Defining UBTI / UBIT

1. History. Prior to the 1950s, tax-exempt organizations could operate businesses free of income tax as long as the income generated by the business was used for exempt activities. The case from this period that ultimately caused Congress to act is *C.F. Mueller v. Commissioner*, 190 F.2d 120 (3rd Cir. 1951) in which the IRS was unsuccessful in its attempt to tax the profits generated by New York University's operation of the Mueller Spaghetti Company, a corporation which NYU had formed to acquire an existing pasta company as a tax-free source of cash for the university. To eliminate the unfair competitive advantage tax-exempt organizations had over their taxable competitors, Congress created the unrelated business income tax ("UBIT") which is imposed on a tax-exempt organization's unrelated business taxable income ("UBTI"), i.e., income generated by business activities that are unrelated to the organization's exempt purpose. While the UBTI rules are primarily designed to even the playing field, it is also important to remember that if an organization's unrelated business activity becomes its primary activity, its tax-exempt status could be revoked.
2. UBTI. UBTI is the gross income derived from any unrelated trade or business regularly carried on by an exempt organization, less the deductions connected with the carrying on of such trade or business computed with certain modifications and exceptions. IRC § 512(a). Thus, the initial steps in the analysis are as follows:
 - a. Unrelated Trade or Business. Is the organization engaging in an unrelated trade or business within the meaning of IRC § 513(a)?
 - i. Trade or Business. Trade or business is broadly defined and generally includes any activity carried on for the production of income from the sale of goods or the performance of services. Treas. Reg. § 1.513-1(b). Activities, such as those falling within IRC § 162, engaged in with the intention of generating a profit in a manner similar to commercial businesses will constitute a "trade or business."

Fragmentation Rule. Under the fragmentation rule of IRC § 513(c), an exempt organization's activities are looked at individually and organization's trade or business activities will not lose their identity as such merely because they are carried on alongside an exempt activity. IRC § 513(c). For example, while "educational" items sold in a museum store do not generate unrelated business income, sales of "souvenir" type items can.
 - ii. Not Substantially Related. Is the trade or business activity substantially related to the organization's exempt purpose or is it an unrelated trade or

business? Any business the conduct of which is not substantially related (aside from need for income or funds or the use it makes of profits derived) to the performance of an organization's charitable, educational, or other purposes or functions constituting the basis of its exemption is unrelated. Treas. Reg. § 1.513-1(a). However, gross income derived from charges for the performance of the organization's exempt functions does not constitute gross income from the conduct of unrelated trade or business. Treas. Reg. § 1.513-1(d)(4)(i).

Whether an organization's business activity is substantially related to its exempt purpose is a facts and circumstances test requiring an examination of the relationship between the business activities generating the particular income in question—the activities, that is, of producing or distributing the goods or performing the services involved—and the accomplishment of the organization's exempt purposes. Treas. Reg. § 1.513-1(d)(1).

“Related” activities are those having a “causal” relationship to the achievement of the organization's exempt purpose (other than generating funding). Treas. Reg. § 1.513-1(d)(1)-(2). For example, the sale of science books by an art museum, although educational, does not further the art museum's specific exempt purpose and therefore is unrelated. Rev. Rul. 73-105, 1973-1 C.B. 264.

Activities that “contribute importantly” to the achievement of the organization's exempt purpose, considering the size and extent of the activities, are “substantially” related to organization's exempt purpose. Treas. Reg. § 1.513-1(d)(3). However, if activities are conducted on a scale that is larger than reasonably necessary for the performance of exempt functions, the excess income will be deemed to be income from an unrelated activity. Treas. Reg. § 1.513-1(d)(3).

- b. Activities Excepted From the Definition of “Unrelated Trade or Business” Do any of the unrelated trade or business activities fall within one of the statutory exceptions from “unrelated trade or business”?
- i. Volunteers. A business, substantially all (80 to 85%) of the work is performed by volunteers, when labor is an income-producing factor is not an unrelated trade or business. IRC § 513(a)(1).
 - ii. Convenience. The operation of a cafeteria, bookstore, residence or other activity carried on “primarily for the convenience of its members, students, patients, officers, or employees” is not an unrelated trade or business. IRC § 513(a)(2).

Note: The fragmentation rule may still apply to cause income to be unrelated. For example, operating a parking lot that is also open to the general public will generate unrelated income with respect to the public's use.

- iii. Thrift Shop Sales. The sale of merchandise, “substantially all of which has been received by the organization as gifts or contributions” is not an unrelated trade or business. IRC § 513(a)(3).
- iv. Public Entertainment; Qualified Conventions and Trade Shows.
 - (1) Public entertainment and recreational activities traditionally conducted by a § 501(c)(3), (4) or (5) organization at fairs or expositions promoting agriculture and educational purposes held in conjunction with an international, national, state, regional or local fair or exposition are not unrelated trades or businesses. IRC § 513(d)(2)
 - (2) Activities traditionally conducted by a § 501(c)(3), (4), (5) or (6) organization at its convention, annual meeting, or trade show intended to attract persons in an industry generally and the general public to promote industry products and sales of products or services or to educate persons in the industry in the development of new products or services or rules and regulations charges for display places at conventions or trade shows targeting both persons in the industry are not unrelated trade or businesses. IRC § 513(d)(2) and (d)(3).
- v. Mailing Lists. The rental or sale or exchange of mailing lists by and between 501(c)(3) and veterans organization is not an unrelated business trade or business. IRC § 513(h)(1)(B).
- vi. Low-Cost Gift Premiums. Distributions of unsolicited low-cost gift premiums (\$5 or less, adjusted for inflation) by 501(c)(3) and veterans organizations in connection with solicitations of contributions which make it clear that the distributee may retain the item regardless of whether the distributee makes a contribution are excluded from the meaning of unrelated trade or business. IRC § 513(h)(1)(A), (2) and (3).
- vii. Qualified Corporate Sponsorship Payments. The solicitation and receipt of “qualified sponsorships payments,” i.e., payments received from a sponsor with no arrangement or expectation that the person will receive any substantial return benefit other than the use or acknowledgment of the name or logo (or product lines) of the person’s trade or business in connection with the exempt organization’s activities is not an unrelated trade or business. IRC § 513(i)(1) and (2)(A).

However, sponsorship payments (A) that constitute advertising of the sponsor’s products or services (e.g., include qualitative language, pricing, an endorsement), (B) that are contingent upon the level of attendance at the event, broadcast ratings, or other factors indicating public exposure, of (C) that entitle sponsor to the use or acknowledgment of its name, logo, or product lines in the exempt organization’s regularly scheduled and printed

materials not related to and primarily distributed in connection with a specific event conducted by the exempt organization or received in connection with qualified convention or trade show activity will constitute an unrelated trade or business. IRC § 513(i)(2)(B). If a portion of a payment would be “qualified,” the payment can be broken into qualifying and non-qualifying portions. IRC § 513(i)(3).

viii. Bingo Games. Bingo games not conducted in violation of state or local laws are excluded from unrelated business income IRC § 513(f).

c. Regularly Carried On. Is the unrelated trade or business regularly carried on? The determination of whether a business is regularly carried on is made with reference to (i) the frequency and continuity with which the activities are conducted, and (ii) the manner in which they pursued. Treas. Reg. § 1.513-1(c)(1). Generally, if the activities are carried out in a manner similar to comparable commercial activities of nonexempt entities, they will be found to be regularly carried on.

Intermittent activities carried on discontinuously or periodically are not regularly carried on as long as they are carried on without commercial or competitive efforts typical of commercial endeavors. Occasional or sporadic activities carried on for a short period of time are also permitted.

B. Tax Computation. The UBIT is calculated under the normal income tax rules using the normal tables for taxpayers, i.e., §1(e) for trusts and §11 for corporations, on Form 990-T (See Exhibit A). The organization must make estimated tax payments if it expects to have income (minus applicable credits) of \$500 or more.

1. Determine the Organization’s Unrelated Business Taxable Income. Include all income from unrelated trades or businesses the organization directly or indirectly engages in. Income from partnerships is characterized as unrelated business income or excluded based on the nature of the activity of the partnership. IRC § 513(c). However, income from an S corporation is always unrelated business income. IRC § 512(e). Even if it is determined that an organization is engaging in an unrelated trade or business, it is possible that some or perhaps all of income from those activities may avoid taxation following the application of the modifications to income set forth in IRC § 512(b).

a. Modifications to Unrelated Business Income. Subject to certain exceptions, IRC § 512(b) excludes many types of passive income (and the deductions directly connected thereto) from UBTI.

i. Passive Investment Income. Generally, dividends, interest, payments with respect to securities loans, annuities, income from notional principal, other substantially similar income from ordinary and routine investments (as determined by the Commissioner), and all deductions directly connected therewith are excluded in computing UBTI. IRC § 512(b)(1) and Treas. Reg. § 1.512(b)-1(a)(1).

Exception: If the income was derived from debt-financed property (as defined in IRC § 514(b)) e.g., income from securities acquired with margin account loan proceeds, the exception will not apply in full and the amount of income (and related deductions) included in computing the organization's UBTI will be determined under the debt-financing rules of IRC § 514. Treas. Reg. § 1.512(b)-1(a)(1).

- ii. Royalties. Royalties, including overriding royalties, whether measured by production or by gross or taxable income from the property, and all deductions directly connected with such income are also excluded in computing unrelated business taxable income. IRC § 512(b)(2) and Treas. Reg. § 1.512(b)-1(b)(1).

Exception: This exception will not apply if the exempt organization is providing services in connection with the activity, e.g., a working interest in mineral properties where the organization is not relieved of its share of the development costs by the terms of any agreement with an operator, or the income was derived from debt-financed property (as defined in IRC § 514(b)) in which case the exception will not apply in full and the amount of income (and related deductions) included in computing the organization's UBTI will be determined under the debt-financing rules of IRC § 514. Treas. Reg. § 1.512(b)-1(b)(1)

- iii. Rental Income. Subject to certain exceptions, rent received or accrued from real property and personal property leased with it (if rent attributable to the personal property is incidental) and the deductions directly connected therewith are excluded in computing UBTI. IRC § 512(b)(3)(A).

Exceptions. The exception for rental income will not apply as to all or a portion of the organization's rental income (and the deductions directly connected therewith) under the following circumstances:

- (A) Stand-Alone Personal Property Rentals. Income (and the deductions directly connected therewith) from stand-alone rentals of equipment and personal property except where the rental serves an exempt purpose, e.g., a rental by a museum of artwork that would be held in storage to another museum for display to the public, will not qualify for the exception from UBTI. IRC § 512(b)(3).
- (B) Excess Personal Property Rent in Leases of Real and Personal Property. In the case of a lease of real property with personal property, if at the time the personal property is first placed in service by the lessee the portion of the rent attributable to personal property is more than "an incidental amount of the total rents" (i.e., more than 10% of total rents), a portion, or possibly all, of the rental income (and the deductions directly connected therewith) will not qualify for the exception from UBTI. If the portion of the rent for the personal

property is more than 10% but less than or equal to 50% of the total rent, the rent attributable to the personal property will not qualify and only the rent attributable to the real property will be excluded in computing UBTI. IRC § 512(b)(3)(B)(ii). However, if the rent attributable to the personal property is more than 50% of the rent, no portion of the rent will be excluded and all of the rent will be included in computing the organization's UBTI. IRC § 512(b)(3)(B)(ii) and Treas. Reg. § 1.512(b)-1(c)(2)(iii).

- (C) Rents Based on Lessee's Profits. Rents that depend in whole or in part on income or profits derived by any person from the leased property (other than a fixed percentage of gross receipts or sales) are included in computing UBTI. IRC § 512(b)(3)(B)(ii).
 - (D) Rents From Debt-Financed Property. In the case of rental income derived from debt-financed property (as defined in IRC § 514(b)), the exception will not apply in full and the amount of income (and related deductions) included in computing the organization's UBTI will be determined under the debt-financing rules of IRC § 514. IRC § 512(b)(4).
 - (E) Lease of Space With Services. Payments for the use or occupancy of rooms and other space where services are also rendered to the occupant do not constitute rent from real property. Generally, services are considered rendered to the occupant if they are primarily for his convenience and are other than those usually or customarily rendered in connection with the rental of rooms or other space for occupancy only. Treas. Reg. § 1.512(b)-1(c)(5).
- iv. Gains and Losses. Gains and losses from the sale, exchange or other disposition of property (including involuntary conversions and casualties) other than: sales of inventory or property held primarily for sale to customers in the ordinary course of business. IRC § 514(b)(5).

Exceptions. The exclusion will not apply to income (and related deductions) from timber cutting which the organization elects to treat as a sale or exchange or, if the property is debt-financed, the exception will not apply in full and the amount of income (and related deductions) included in computing the organization's UBTI will be determined under the debt-financing rules of IRC § 514. IRC § 512(b)(4).

- v. Income From Research. Research income is excluded if the research is performed for governmental agencies; by a college; is received by a university or hospital from private or governmental contractors; is fundamental research, the results of which are freely available to the general public. IRC §§ 512(b)(7), (b)(8) and (b)(9).

- vi. Amounts Received From Controlled Subsidiaries. Generally, the portion of “specified payments” (i.e., interest, rents, royalties, or annuities (but not dividends)) received or accrued by an exempt parent from either a controlled (greater than 50% owned) taxable or tax-exempt subsidiary is included in the controlling organization’s UBTI to the extent the payment reduces the net unrelated income (or increases any net unrelated loss) of the controlled entity (determined, in the case of a taxable subsidiary, as if the entity were tax exempt). IRC § 512(b)(13)(A)-(C). This rule is intended to (i) prevent subsidiaries of tax-exempt organizations from reducing their otherwise taxable income by borrowing, leasing, or licensing assets from a tax-exempt parent organization at inflated levels and, (ii) even if such payments arguably satisfy an arm’s-length transaction standard, prevent a tax-exempt parent from obtaining what is, in effect, a tax-free return on capital invested in its subsidiary. There is modification of this rule for certain “qualifying specified payments.”

Exception. The general “specified payments rule” described above is modified for certain “qualifying specified payments” by a controlled organization to a controlling organization pursuant to a binding written contract in effect on August 17, 2006 (or renewal of such a contract on substantially similar terms). Such payments will be included in UBTI only to the extent they exceed the amounts that would have been paid if made as if the parties were not related (i.e., in an arms-length transaction).

- b. Debt-Financed Income. A portion of an organization’s passive investment income such as rent, interest, dividends, or capital gains derived from investments acquired or improved with borrowed funds will be included in computing its UBTI. IRC § 514(a) and Treas. Reg. § 1.514(a)-1(a).
- i. Debt-Financed Property. Subject to certain exceptions, “debt-financed property” means any property which is held to produce income and with respect to which there is acquisition indebtedness during the year (or if disposed of during the year, within the last 12-month period. IRC § 514(b)(1).

It does not include the following:

- (A) Exempt Use Property. Property whose use is substantially (85% or more) related to the organization’s exempt function. IRC § 514(b)(1)(A).
- (B) Income Otherwise Excluded From UBTI. Income generated from the property that is included in UBTI under another section is not again included as debt-financed income, but gain from the sale of the property would be. Treas. Reg. § 1.514(b)-1(b)(2). Excluded income from research activities under IRC §§ 512(b)(7)-(9), from activities not treated as unrelated trades or business under IRC §§ 513(a)(1)-(3) (by volunteers, for convenience in connection with exempt

activities, and thrift shops) are also not treated as debt-financed. Treas. Reg. § 1.514(b)-1(b)(2), (4) and (5).

(C) Future Use Property. Unless the intention is abandoned, property in the neighborhood of an organization's property acquired for the principal purpose of and intention for use for the organization's exempt activities within 10 years of acquisition is not treated as debt financed. After the first 5 years, the organization must submit a ruling request to the IRS establishing that it is reasonably certain the land will be so used. IRC § 514(b)(3)(A). For churches, the period is 15 years and the neighborhood location requirement does not apply. IRC § 514(b)(3)(E).

ii. Acquisition Indebtedness. "Acquisition indebtedness" is the unpaid amount of any (A) debt incurred by the organization to acquire or improve property; (B) debt incurred prior to acquisition or improvement that would not have been incurred but for such acquisition or improvement; or (C) was incurred after the acquisition or improvement and would not have been incurred but for the acquisition or improvement and its incurrence was foreseeable at the time of such acquisition or improvement. IRC § 514(c)(1).

Except for bequeathed or gifted property, the amount of debt secured by property acquired subject to a mortgage or lien is considered acquisition indebtedness of the organization *even if it does not assume or agree to pay the indebtedness*. IRC § 514(c)(2)(A). Indebtedness with respect to bequeathed property or gifted property (as long as the donor held the property and the mortgage was placed on the property more than 5 years prior to donation) is not treated as acquisition indebtedness for 10 years following the date of acquisition as long as the organization does not assume or agree to pay the indebtedness or pay the donor for the equity in the property. IRC § 514(c)(2)(B).

iii. Percentage Includible in UBTI. The amount of income the organization must include in (and deductions allowed in computing) its UBTI is the percentage of income from the property equal to the "average acquisition indebtedness" for the taxable year over the average amount of adjusted basis for the year. IRC § 514(a)(1).

Average acquisition indebtedness is computed by determining the amount of the outstanding principal indebtedness on the first day in each calendar month during the tax year that the organization holds the property, adding these amounts together, and then dividing this sum by the total number of months during the tax year that the organization held the property. A fractional part of a month is treated as a full month. Treas. Reg. § 1.514(a)-1(a)(3)(ii).

Average adjusted basis is the average of the adjusted basis of the property as of the first day during the tax year that the organization holds the property and the adjusted basis of the property as of the last day during the tax year that the organization holds the property. Treas. Reg. § 1.514(a)-1(a)(2)(i).

2. Deductions in Computing UBTI. Deduct expenses directly connected with the operation of the trade or business. To be deductible, expenses must both qualify under the general deductibility rules and be “directly connected with” the operation of the trade or business, i.e., the must have a “proximate and primary relationship to” the carrying on of the business. Treas. Reg. § 1.512-1(a)-1(a). If a deduction is attributable to both an exempt purpose and an unrelated business (e.g., dual use facilities and personnel), the expense, depreciation, or other deductible item must be allocated on a “reasonable basis” between the activities. Treas. Reg. § 1.512-1(a)-1(c).

C. Planning to Avoid UBIT

1. Use Wholly-Owned For-Profit Subsidiaries for Service Activities. One way to avoid UBTI, is to break activities that would otherwise generate income that would be excluded in UBTI into two parts: (a) a pure licensing of the organization’s intellectual property, such as its trademarks or mailing lists or use of an organization’s facilities during periods not used in connection with its exempt activities, such as a parking lot or rental of a museum for a private event, and (b) provide services associated therewith through a wholly-owned for-profit subsidiary pursuant to a separate contract. As long as the subsidiary’s separate existence is respected and it is separately run, its activities should not be attributed to its parent. The for-profit subsidiary will distribute its profits to its parent via dividends which are excluded from UBTI. Because dividend payments are not deductible by the subsidiary, their receipt by the parent will be not treated as the receipt of taxable income from a controlled organization under IRC § 512(b)(13).
2. Limit Transactions Between the Parent and its Controlled Subsidiaries. To the extent it’s possible to do so with unrelated third parties, avoid non arm’s length leasing and borrowing transactions between a parent and a controlled subsidiary.
3. Convert Income Through Use Licensing Agreements. As long as an organization is not providing services in connection with the licensing of its intellectual property, the payments it receives should qualify as royalty income. However, the provision of services in connection with the licensing of trademarks and logos or mailing lists can cause what would otherwise be excludible royalties to be included in UBTI. To the extent services need to performed, contract them out to third parties (including wholly-owned, for profit subsidiaries).

Affinity Card Programs. The organization licenses its trademark to a bank with its member/donor list for the bank’s use in promoting its card in exchange for a fee for the cards issued and a percentage of purchases made using the card. While the organization can review and take actions to protect its name and mark, it should not

provide endorsements or control or participate in marketing plans for the card. If it advertises the card in its publications, it should enter into a separate agreement for the advertisement and charge a market rate.

Mailing Lists. To obtain royalty treatment for amounts received for the use of its mailing list, the organization should not be providing marketing and database maintenance services in connection with making its list available.

4. Use Blocker Entities. An organization can also avoid UBTI by investing in debt-financed property through a foreign corporation (and receiving dividends from the foreign corporation) as long as the organization did not incur debt to acquire its interest in the foreign corporation. Investments in debt-financed properties through REITs are also an option.
5. Where Possible Use of Volunteers. As noted earlier, commercial activities where substantially all of the work is performed by unpaid volunteers is exempt from UBIT. For example, income from fundraiser raffles, casino nights, and similar gambling activities (other than bingo) will be subject the UBIT unless they are conducted by volunteers.
6. Turn an Unrelated Business Into a Related Activity. Consider expanding or changing the organization's exempt purposes by amending its governing documents to cause a desired activity to not be unrelated (notice of the change must also be provided to the IRS). It may also be possible to change the manner in which the activity is being carried out to cause unrelated elements to become related.

Form **990-T**

**Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))**

OMB No. 1545-0687

2015

Department of the Treasury
Internal Revenue Service

For calendar year 2015 or other tax year beginning _____, 2015, and ending _____, 20____

▶ Information about Form 990-T and its instructions is available at www.irs.gov/form990t.
▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Open to Public Inspection for
501(c)(3) Organizations Only

A <input type="checkbox"/> Check box if address changed B Exempt under section <input type="checkbox"/> 501() () <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)	Print or Type	Name of organization (<input type="checkbox"/> Check box if name changed and see instructions.)	D Employer identification number (Employees' trust, see instructions.)
		Number, street, and room or suite no. If a P.O. box, see instructions.	
		City or town, state or province, country, and ZIP or foreign postal code	
C Book value of all assets at end of year		F Group exemption number (See instructions.) ▶ G Check organization type ▶ <input type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust	

H Describe the organization's primary unrelated business activity. ▶

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . . . ▶ Yes No
If "Yes," enter the name and identifying number of the parent corporation. ▶

J The books are in care of ▶ _____ Telephone number ▶ _____

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1a Gross receipts or sales				
b Less returns and allowances				
c Balance ▶	1c			
2 Cost of goods sold (Schedule A, line 7)	2			
3 Gross profit. Subtract line 2 from line 1c	3			
4a Capital gain net income (attach Schedule D)	4a			
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b			
c Capital loss deduction for trusts	4c			
5 Income (loss) from partnerships and S corporations (attach statement)	5			
6 Rent income (Schedule C)	6			
7 Unrelated debt-financed income (Schedule E)	7			
8 Interest, annuities, royalties, and rents from controlled organizations (Schedule F)	8			
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10 Exploited exempt activity income (Schedule I)	10			
11 Advertising income (Schedule J)	11			
12 Other income (See instructions; attach schedule)	12			
13 Total. Combine lines 3 through 12	13			

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)			
14 Compensation of officers, directors, and trustees (Schedule K)		14	
15 Salaries and wages		15	
16 Repairs and maintenance		16	
17 Bad debts		17	
18 Interest (attach schedule)		18	
19 Taxes and licenses		19	
20 Charitable contributions (See instructions for limitation rules)		20	
21 Depreciation (attach Form 4562)	21		
22 Less depreciation claimed on Schedule A and elsewhere on return	22a	22b	
23 Depletion		23	
24 Contributions to deferred compensation plans		24	
25 Employee benefit programs		25	
26 Excess exempt expenses (Schedule I)		26	
27 Excess readership costs (Schedule J)		27	
28 Other deductions (attach schedule)		28	
29 Total deductions. Add lines 14 through 28		29	
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13		30	
31 Net operating loss deduction (limited to the amount on line 30)		31	
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30		32	
33 Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions)		33	
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32		34	

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 11291J

Form **990-T** (2015)

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here. 36 Trusts Taxable at Trust Rates. See instructions for tax computation. 37 Proxy tax. See instructions. 38 Alternative minimum tax. 39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies.

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116). 40b Other credits (see instructions). 40c General business credit. Attach Form 3800 (see instructions). 40d Credit for prior year minimum tax (attach Form 8801 or 8827). 40e Total credits. Add lines 40a through 40d. 41 Subtract line 40e from line 39. 42 Other taxes. Check if from: Form 4255, Form 8611, Form 8697, Form 8866, Other (attach schedule). 43 Total tax. Add lines 41 and 42. 44a Payments: A 2014 overpayment credited to 2015. 44b 2015 estimated tax payments. 44c Tax deposited with Form 8868. 44d Foreign organizations: Tax paid or withheld at source (see instructions). 44e Backup withholding (see instructions). 44f Credit for small employer health insurance premiums (Attach Form 8941). 44g Other credits and payments: Form 2439, Form 4136, Other. Total. 45 Total payments. Add lines 44a through 44g. 46 Estimated tax penalty (see instructions). Check if Form 2220 is attached. 47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed. 48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid. 49 Enter the amount of line 48 you want: Credited to 2016 estimated tax, Refunded.

Part V Statements Regarding Certain Activities and Other Information (see instructions)

1 At any time during the 2015 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here. 2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file. 3 Enter the amount of tax-exempt interest received or accrued during the tax year \$.

Schedule A—Cost of Goods Sold. Enter method of inventory valuation

1 Inventory at beginning of year. 2 Purchases. 3 Cost of labor. 4a Additional section 263A costs (attach schedule). 4b Other costs (attach schedule). 5 Total. Add lines 1 through 4b. 6 Inventory at end of year. 7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2. 8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? Yes No.

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer, Date, Title. May the IRS discuss this return with the preparer shown below (see instructions)? Yes No.

Paid Preparer Use Only Print/Type preparer's name, Preparer's signature, Date, Check if self-employed, PTIN, Firm's name, Firm's EIN, Firm's address, Phone no.

Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)
(see instructions)

1. Description of property		
(1)		
(2)		
(3)		
(4)		
2. Rent received or accrued		
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	Total	(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) ▶
(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) . . . ▶		

Schedule E—Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property		2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
			(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)				
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 × column 6)	8. Allocable deductions (column 6 × total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		
Totals ▶			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
Total dividends-received deductions included in column 8 ▶				

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					
Nonexempt Controlled Organizations					
7. Taxable Income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10	
(1)					
(2)					
(3)					
(4)					
Totals ▶			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).	

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals	Enter here and on page 1, Part I, line 9, column (A).			Enter here and on page 1, Part I, line 9, column (B).

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals	Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).				Enter here and on page 1, Part II, line 26.

Schedule J—Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))						

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals from Part I						
Totals, Part II (lines 1-5)	Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).				Enter here and on page 1, Part II, line 27.

Schedule K—Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14			

2015



Department of the Treasury
Internal Revenue Service

Instructions for Form 990-T

Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

Section references are to the Internal Revenue Code unless otherwise noted.

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Future Developments

The IRS has created a page on IRS.gov for information about Form 990-T and its

instructions, at www.irs.gov/form990t. Information about any future developments affecting Form 990-T (such as legislation enacted after we release it) will be posted on that page.

What's New

For tax years beginning after 2014, the following changes apply.

Section 179D deductions. The energy efficient commercial buildings deduction under section 179D has been extended for property placed in service after December 31, 2014. You can claim a deduction for energy efficient buildings in Part II, line 28.

Qualified specified payments. The exclusion from unrelated business taxable income for qualified specified payments under section 512(b)(13)(E)(iv) has been extended and shall apply to payments received or accrued after December 31, 2014.

America Samoa economic development credit. The American Samoa economic development credit has been extended and shall apply to taxable years beginning after December 31, 2014 and before January 1, 2017.

Reminder

Do not include social security numbers on publicly disclosed forms. Because the IRS is required to publicly disclose a 501(c)(3) organization's Form 990-T returns, Social Security numbers should not be included on this form. Documents subject to disclosure include schedules and attachments filed with the form. See *Public Inspection Requirements of Section 501(c)(3) Organizations*.

For tax years beginning after 2013, the following changes apply. The maximum credit for small employer health insurance premiums claimed on line 44f increases to 35% of premiums paid for tax-exempt eligible small employers. To be eligible for the credit, an eligible small employer generally must pay premiums on behalf of employees enrolled in a qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace. The credit is available to eligible small employers for a 2 consecutive tax year credit period. For more information, see the Instructions for Form 8941, Credit for Small Employer Health Insurance Premiums.

General Instructions

Purpose of Form

Use Form 990-T to:

- Report unrelated business income,
- Figure and report unrelated business income tax liability,
- Report proxy tax liability,
- Claim a refund of income tax paid by a regulated investment company (RIC) or a real estate investment trust (REIT), on undistributed long-term capital gain,
- Request a credit for certain federal excise taxes paid or for small employer health insurance premiums paid, and
- Report unrelated business income tax on reinsurance entities.

Who Must File

The following entities must file Form 990-T.

- Any domestic or foreign organization exempt under section 501(a) or section 529(a) if it has gross income of \$1,000 or more from a regularly conducted unrelated trade or business (see Regulations section 1.6012-2(e)). Gross income is gross receipts minus the cost of goods sold (see Regulations section 1.61-3). For a discussion of cost of goods sold see Schedule A. Cost of Goods Sold, later.



The gross receipts from a gaming business include all amounts wagered in games, not just the net proceeds after payment of prizes and other expenses. Cash prizes are not included in cost of goods sold but are reported on line 28 as other deductions.



A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, is treated as a branch or division of its parent organization for federal tax purposes. Therefore, financial information applicable to a disregarded entity must be reported as the parent organization's financial information.

- Organizations liable for the proxy tax on lobbying and political expenditures. See *Line 37. Proxy Tax* later for a discussion of the proxy tax. If your organization is only required to file because of the proxy tax, see *Proxy Tax Only* under *Which Parts To Complete*, later.
- Colleges and universities of states and other governmental units, and subsidiary

corporations wholly owned by such colleges and universities. However, a section 501(c)(1) corporation that is an instrumentality of the United States and both organized and exempted from tax by an Act of Congress does not have to file.

- Applicable reinsurance entities under Affordable Care Act of 2010 (ACA), section 1341(c)(1), must write "Applicable Reinsurance Entity" across the top of Form 990-T.

- Organizations that are liable for other taxes (such as the section 1291 tax (Form 990-T, line 35c or 36) or recapture taxes (Form 990-T, line 42)). See a discussion of these items, later. If your organization is only required to file Form 990-T because of these taxes, see Other Taxes under *Which Parts To Complete*, later.

- Qualified tuition programs described under section 529 that have \$1,000 or more of unrelated trade or business gross income.

- Trustees for the following trusts that have \$1,000 or more of unrelated trade or business gross income:

1. Individual retirement accounts (IRAs), including traditional IRAs described under section 408(a),
2. Simplified employee pension IRAs (SEP IRAs) described under section 408(k),
3. Savings incentive match plan for employees of small employers IRAs (SIMPLE IRAs) described under section 408(p),
4. Roth IRAs described under section 408A,
5. Coverdell education savings accounts (ESAs) described under section 530(b),
6. Archer medical savings accounts (Archer MSAs) described under section 220(d) and
7. Health savings accounts (HSAs) described under section 223(d).

TIP Each account of a type listed above is treated as a separate trust for unrelated business income tax purposes (even if there is a single owner or beneficiary for multiple accounts). A custodian is treated as a trustee. See section 408(h). Individual retirement annuities, unlike individual retirement accounts, are not subject to unrelated business income tax.

TIP IRAs and other tax-exempt shareholders in a RIC or REIT filing Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains should complete Form 990-T as explained in IRAs and other tax-exempt shareholders in a RIC or REIT, later.

Definitions

Section 501(c)(3) organization.

Section 501(c)(3) describes certain organizations which are exempt from taxation under section 501(a). A 501(c)(3) organization is an organization organized and operated exclusively for charitable purposes. See Regulations section 1.501(c)(3)-1(a).

Annual return. An annual return (for purposes of the public inspection rules discussed below) is an exact copy of the Form 990-T that was filed with the IRS, including all schedules and attachments. It also includes any amendments to the original return (amended return).

By annual return (for purposes of the public inspection rules discussed below), we mean any annual return (defined above) that is not more than 3 years old from the later of:

- The date the return is required to be filed (including extensions), or
- The date that the return is actually filed.

Applicable Reinsurance Entity. An applicable reinsurance entity is a not-for-profit organization:

- The purpose of which is to help stabilize premiums for coverage in the individual and small group markets in a state during the first 3 years of operation of the state's American Health Benefit Exchange for such markets within the state when the risk of adverse selection related to new rating rules and market changes is greatest; and
- The duties of which are to conduct the reinsurance program under ACA section 1341 by coordinating the funding and operation of the risk-spreading mechanisms designed to implement the reinsurance program of the Act.

Directly connected expenses. To be deductible in computing unrelated business taxable income, expenses, depreciation, and similar items, must qualify as deductions allowed by section 162, 167, or other sections, and must be directly connected with the conduct of an unrelated trade or business activity.

To be directly connected with the conduct of an unrelated trade or business activity, expenses, depreciation, and similar items must bear a proximate and primary relationship to the conduct of the activity. For example, where facilities and/or personnel are used both to conduct exempt activities and to conduct unrelated trade or business activities, expenses and similar items attributable to such facilities and/or personnel must be allocated between the two uses on a reasonable basis. The portion of any such item allocated to the unrelated trade or business activity must bear a proximate and primary relationship to that business activity.

Not substantially related to. Not substantially related to means the activity that produces the income does not contribute importantly to the exempt purposes of the organization, other than the need for funds, etc. Whether an activity contributes importantly depends in each case on the facts involved.

For details, see Pub. 598, Tax on Unrelated Business Income of Exempt Organizations.

Trade or business. A trade or business is any activity conducted for the production of income from selling goods or performing services. An activity must be conducted with intent to profit to constitute a trade or business. An activity does not lose its identity as a trade or business merely because it is conducted within a larger group of similar activities that may or may not be related to the exempt purpose of the organization. If, however, an activity conducted for profit is an unrelated trade or business, no part of it can be excluded from this classification merely because it does not result in profit.

Unrelated trade or business income. Unrelated trade or business income is the gross income derived from any trade or business (defined above) regularly carried on and not substantially related to (defined above) the organization's exempt purpose or function (aside from the organization's need for income or funds or the use it makes of the profits).

Generally, for section 501(c)(7), (9), or (17) organizations, unrelated trade or business income is derived from nonmembers with certain modifications (see section 512(a)).

For a section 511(a)(2)(B) state college or university, or a corporation wholly owned by such a college or university, unrelated trade or business income is derived from activities not substantially related to exercising or performing any purpose or function described in section 501(c)(3).

An unrelated trade or business does not include a trade or business:

1. In which substantially all the work is performed for the organization without compensation; or
2. That is conducted by a section 501(c)(3) or 511(a)(2)(B) organization mainly for the convenience of its members, students, patients, officers, or employees; or
3. That sells items of work-related equipment and clothes, and items normally sold through vending machines, food dispensing facilities or by snack bars, by a local association of employees described in section 501(c)(4), organized before May 27, 1969, if the sales are for

the convenience of its members at their usual place of employment; or

4. That sells merchandise substantially all of which was received by the organization as gifts or contributions; or

5. That consists of qualified public entertainment activities regularly conducted by a section 501(c)(3), (4), or (5) organization as one of its substantial exempt purposes (see section 513(d)(2) for the meaning of qualified public entertainment activities); or

6. That consists of qualified convention or trade show activities regularly conducted by a section 501(c)(3), (4), (5), or (6) organization as one of its substantial exempt purposes (see section 513(d)(3) for the meaning of qualified convention and trade show activities); or

7. That furnishes one or more services described in section 501(e)(1)(A) by a hospital to one or more hospitals subject to conditions in section 513(e); or

8. That consists of qualified pole rentals, as defined in section 501(c)(12)(D), by a mutual or cooperative telephone or electric company; or

9. That includes activities relating to the distribution of low-cost articles, each costing \$10.50 or less, by an organization described in section 501 and contributions to which are deductible under section 170(c)(2) or (3) if the distribution is incidental to the solicitation of charitable contributions; or

10. That includes the exchange or rental of donor or membership lists between organizations described in section 501 and contributions to which are deductible under section 170(c)(2) or (3); or

11. That consists of bingo games as defined in section 513(f). Generally, a bingo game is not included in any unrelated trade or business if:

a. Wagers are placed, winners are determined, and prizes are distributed in the presence of all persons wagering in that game, and

b. The game does not compete with bingo games conducted by for-profit businesses in the same jurisdiction, and

c. The game does not violate state or local law; or

12. That consists of conducting any game of chance by a nonprofit organization in the state of North Dakota and the conducting of the game does not violate any state or local law; or

13. That consists of soliciting and receiving qualified sponsorship payments that are solicited or received after December 31, 1997. Generally, qualified sponsorship payment means any payment

to a tax-exempt organization by a person engaged in a trade or business in which there is no arrangement or expectation of any substantial return benefit by that person other than the use or acknowledgment of that person's name, logo, or product lines in connection with the activities of the tax-exempt organization. See section 513(i).

When To File

An employees' trust defined in section 401(a), an IRA (including SEPs and SIMPLEs), a Roth IRA, a Coverdell ESA, or an Archer MSA must file Form 990-T by the 15th day of the 4th month after the end of its tax year. All other organizations must file Form 990-T by the 15th day of the 5th month after the end of their tax years. If the regular due date falls on a Saturday, Sunday, or legal holiday, file no later than the next business day. If the return is filed late, see *Interest and Penalties* on this page.

Extension. Corporations may request an automatic 6-month extension of time to file Form 990-T by using Form 8868, Application for Extension of Time To File an Exempt Organization Return.

Trusts may request an automatic 3-month extension of time to file by using Form 8868. Also, if more than the initial automatic 3 months is needed, trusts may file a second Form 8868 to request that an additional, but not automatic, 3-month extension be granted by the IRS.

Amended return. To correct errors or change a previously filed return, write "Amended Return" at the top of the return. Also, include a statement that indicates the line number(s) on the original return that was changed and give the reason for each change. Generally, the amended return must be filed within 3 years after the date the original return was due or 3 years after the date the organization filed it, whichever is later.

Where To File

To file Form 990-T, mail or deliver it to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

Private delivery services (PDSs). In addition to the United States mail, exempt organizations can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following:

- Federal Express (FedEx): FedEx First Overnight, FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Next Flight Out, FedEx International Priority, FedEx

International First, and FedEx International Economy.

- United Parcel Service (UPS): UPS Next Day Air Early AM, UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

For filing using a private delivery service, deliver to:

Internal Revenue Service
1973 Rulon White Blvd.
Ogden, UT 84201

For other private delivery service delivery addresses, go to [www.irs.gov/uac/Submission-Processing-Center-Street-Addresses-for-Private-Delivery-Service-\(PDS\)](http://www.irs.gov/uac/Submission-Processing-Center-Street-Addresses-for-Private-Delivery-Service-(PDS)), or go to IRS.gov and enter "street address private delivery service" in the search box.

The private delivery service can tell you how to get written proof of the mailing date.



Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

Estimated Tax Payments

Generally, an organization filing Form 990-T must make installment payments of estimated tax if its estimated tax (tax minus allowable credits) is expected to be \$500 or more. Both corporate and trust organizations use Form 990-W, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations, to figure their estimated tax liability. Do not include the proxy tax when computing your estimated tax liability for 2015.

To figure estimated tax, trusts and corporations must take the alternative minimum tax (if applicable) into account. See Form 990-W for more information.

Depository Method of Tax Payment

The organization must pay any tax due in full by the due date of the return without extensions.

Electronic Deposit Requirement

The organization must deposit all depository taxes (such as employment tax, excise tax, and corporate income tax) electronically. Generally, electronic fund transfers are made using the Electronic Federal Tax Payment System (EFTPS). For more information about EFTPS or to enroll in EFTPS, visit the EFTPS website at www.eftps.gov, or call 1-800-555-4477. You can also get Pub. 966, Electronic Federal Tax Payment System: A Guide to Getting Started.

Depositing on time. For EFTPS deposits to be made timely, the organization must initiate the deposit by 8 p.m. Eastern time the day before the deposit is due.

Same-day wire payment option. If you fail to initiate a deposit transaction on EFTPS by 8 p.m. Eastern time the day before the date a deposit is due, you can still make your deposit on time by using the Federal Tax Application (FTA), a same-day federal tax payment system that works in conjunction with EFTPS. Make arrangements with your financial institution ahead of time, noting the institution's availability, deadlines, and costs, if you believe you would ever need the same-day wire payment option. To learn more, visit <http://fms.treas.gov/ftcs/index.html> and also download the *Same-Day Payment Worksheet*.

Timeliness of deposits. Beginning January 1, 2011, the IRS will use business days to determine the timeliness of deposits. Business days are any day that is not a Saturday, Sunday or legal holiday in the District of Columbia. To provide transitional relief for 2012, the IRS will not assert penalties for federal tax deposits that are untimely solely because the depositor used a statewide legal holiday instead of a District of Columbia legal holiday. See Notice 2010-87, 2010-52 I.R.B. 908, available at www.irs.gov/irb/2010-52_IRB/ar12.html.

See Pub. 583, *Starting a Business and Keeping Records*.



If the organization owes tax when it files Form 990-T, do not include the payment with the tax return. Instead, use EFTPS.

Interest and Penalties

Your organization may be subject to interest and penalty charges if it files a late return or fails to pay tax when due. Generally, the organization is not required to include interest and penalty charges on Form 990-T because the IRS can figure the amount and bill the organization for it.

Interest. Interest is charged on taxes not paid by the due date even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, substantial valuation misstatements, and substantial understatements of tax from the due date (including extensions) to the date of payment. The interest charge is figured at the underpayment rate determined under section 6621.

Late filing of return. An organization that fails to file its return when due (including extensions of time for filing) is subject to a penalty of 5% of the unpaid tax for each month or part of a month the

return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a return that is more than 60 days late is the smaller of the tax due or \$135. If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable-cause criteria. Do **not** include an explanation when you file your return.

Late payment of tax. The penalty for late payment of taxes is usually $\frac{1}{2}$ of 1% of the unpaid tax for each month or part of a month the tax is unpaid. The penalty cannot exceed 25% of the unpaid tax. If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable-cause criteria. Do **not** include an explanation when you file your return.

Estimated tax penalty. An organization that does not make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. Generally, an organization is subject to this penalty if its tax liability for the tax year is \$500 or more and it did not make estimated tax payments of at least the smaller of its tax liability for the tax year or 100% of the prior year's tax. See section 6655 for details and exceptions.

Form 2220, *Underpayment of Estimated Tax by Corporations*, is used by corporations and trusts filing Form 990-T to see if the organization owes a penalty and its amount. Generally, the organization is not required to file this form because the IRS can figure the amount of any penalty and notify the organization. However, even if the organization does not owe the penalty, you must complete and attach Form 2220 if either of the following applies.

- The annualized income or adjusted seasonal installment method is used.
- The organization is a "large organization" computing its first required installment based on the prior year's tax.

If you attach Form 2220, check the box on Form 990-T, line 46, and enter the amount of any penalty on this line.

Trust fund recovery penalty. This penalty may apply if certain excise, income, social security, and Medicare taxes that must be collected or withheld are not paid to the United States Treasury. These taxes are generally reported on:

- Form 720, Quarterly Federal Excise Tax Return;
- Form 941, Employer's QUARTERLY Federal Tax Return;
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees; or
- Form 945, Annual Return of Withheld Federal Income Tax.

The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to have been responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. The penalty is equal to the unpaid trust fund tax. See the Instructions for Form 720; Pub. 15 (Circular E), *Employer's Tax Guide*; or Pub. 51 (Circular A), *Agricultural Employer's Tax Guide*, for details, including the definition of responsible persons.

Other penalties. There are also penalties that can be imposed for negligence, substantial understatement of tax, reportable transaction understatements, and fraud. See sections 6662, 6662A, and 6663.

Which Parts To Complete

TIP *If you are filing Form 990-T only because of the proxy tax, other taxes, or only to claim a refund, go directly to Proxy Tax Only, Other Taxes, or Claim for Refund, later. If you are filing Form 990-T only to claim the credit for small employer health insurance premiums, see the instructions for line 44f, later.*

Is Gross Income More Than \$10,000?

If the amount in Part I, line 13, column (A), is more than \$10,000, complete all lines and schedules that apply.

Is Gross Income \$10,000 or Less?

If Part I, line 13, column (A) is \$10,000 or less, complete the following.

- The heading (above Part I);
- Part I, lines 1–13, column (A);
- Part I, line 13, for columns (B) and (C);
- Part II, lines 29–34;
- Parts III–V, and
- Signature area.

Filers with \$10,000 or less on line 13, column (A) do not have to complete Schedules A through K (however, refer to applicable schedules when completing column (A) and in determining the deductible expenses to include on line 13 of column (B)).

Proxy Tax Only

Organizations that are required to file Form 990-T only because they are liable for the proxy tax on lobbying and political expenditures must complete the following:

- The heading (above Part I) except items E, H, and I;
- Lines 37 and 39;
- Part IV;
- Signature area; and

- Attach a statement showing the proxy tax computation.

Other Taxes

Organizations that are required to file Form 990-T only because they are liable for recapture taxes, the section 1291 tax, or other items listed in the instructions for line 42 must complete the following:

- The heading above Part I except items E, H, and I;
- The appropriate lines of Parts III and IV;
- Signature area, and
- Attach all appropriate forms and/or schedules showing the computation of the applicable tax or taxes.

Claim For Refund

If your only reason for filing a Form 990-T is to claim a refund, complete the following:

- The heading above Part I except items E, H, and I;
- Enter -0- on line 13, column (A), line 34, and line 43;
- Enter the credit or payment on the appropriate line (44a–44g);
- Lines 45, 48, and 49;
- Signature area, and
- For claims described below, follow the additional instructions for that claim.

IRAs and other tax-exempt shareholders in a RIC or REIT. If you are an IRA or other tax-exempt shareholder that is invested in a RIC or a REIT and file Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains, follow steps above under *Claim For Refund*; write "Claim for Refund Shown on Form 2439" at the top of Form 990-T; and attach Copy B of Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

Composite Form 990-T. If you are a trustee of more than one IRA invested in a RIC, you may be able to file a composite Form 990-T to claim a refund of tax under section 852(b) instead of filing a separate Form 990-T for each IRA. See Notice 90-18, 1990-1 C.B. 327, for information on who can file a composite return. Complete steps above under *Claim For Refund* and follow the additional requirements in the notice.

Backup withholding. If your only reason for filing Form 990-T is to claim a refund of backup withholding, complete steps above under *Claim For Refund* and attach a copy of the Form 1099 showing the withholding.

Consolidated Returns

The consolidated return provisions of section 1501 do not apply to exempt organizations, except for organizations having title holding companies. If a title

holding corporation described in section 501(c)(2) pays any amount of its net income for a tax year to an organization exempt from tax under section 501(a) (or would, except that the expenses of collecting its income exceeded that income), and the corporation and organization file a consolidated return as described below, then treat the title holding corporation as being organized and operated for the same purposes as the other exempt organization (in addition to the purposes described in section 501(c)(2)).

Two organizations exempt from tax under section 501(a), one a title holding company and the other earning income from the first, will be includible corporations for purposes of section 1504(a). If the organizations meet the definition of an affiliated group and the other relevant provisions of Chapter 6 of the IRC, then these organizations may file a consolidated return. The parent organization must attach Form 851, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, the title holding company must attach Form 1122, Authorization and Consent of Subsidiary Corporation To Be Included in a Consolidated Income Tax Return. See Regulations section 1.1502-100.

Other Forms That May Be Required

Forms W-2 and W-3. File Form W-2, Wage and Tax Statement, and Form W-3, Transmittal of Wage and Tax Statements, to report wages, tips, other compensation, withheld income taxes, and withheld social security/Medicare taxes for employees.

Form 720. File Form 720, Quarterly Federal Excise Tax Return, to report environmental excise taxes, communications and air transportation taxes, fuel taxes, manufacturer's taxes, ship passenger tax, and certain other excise taxes.

 See Trust fund recovery penalty, earlier.

Form 926. File Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, if the organization is required to report certain transfers to foreign corporations under section 6038B.

Form 940. File Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, if the organization is liable for FUTA tax.

Form 941 and Form 943. File Form 941, Employer's QUARTERLY Federal Tax Return, or Form 943, Employer's Annual Federal Tax Return for Agricultural

Employees, to report income tax withheld, and employer and employee social security and Medicare taxes. Also, see *Trust fund recovery penalty*, earlier.

Form 945. File Form 945, Annual Return of Withheld Federal Income Tax, to report income tax withheld from nonpayroll distributions or payments, including pensions, annuities, IRAs, gambling winnings, and backup withholding.

Form 1098. File Form 1098, Mortgage Interest Statement, to report the receipt from any individual of \$600 or more of mortgage interest (including points) in the course of the organization's trade or business and reimbursements of overpaid interest.

Forms 1099-A, B, DIV, INT, LTC, MISC, OID, R, S, and SA. Organizations engaged in an unrelated trade or business may be required to:

- File an information return on Forms 1099-A, B, DIV, INT, LTC, MISC, OID, R, S, and SA;
- Report acquisitions or abandonments of secured property through foreclosure;
- Report proceeds from broker and barter exchange transactions;
- Report certain dividends and distributions;
- Report interest income;
- Report certain payments made on a per diem basis under a long-term care insurance contract, and certain accelerated death benefits;
- Report miscellaneous income (such as payments to providers of health and medical services, miscellaneous income payments, and nonemployee compensation);
- Report original issue discount;
- Report distributions from retirement or profit-sharing plans, IRAs, SEPs, SIMPLEs, insurance contracts;
- Report proceeds from real estate transactions; and
- Report distributions from an HSA, Archer MSA, or Medicare Advantage MSA.

 When filing the above noted information returns, the organization must also file Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

Form 4466. File Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, to apply for a quick refund if the organization overpaid its estimated tax for the year by at least 10% of its expected income tax liability and at least \$500.

Form 5498. File Form 5498, IRA Contribution Information, to report contributions (including rollover contributions) to any IRA, including a SEP, SIMPLE, Roth IRA, and to report Roth IRA

conversions, IRA recharacterizations, and the fair market value of the account.

Form 5498-ESA. File Form 5498-ESA, Coverdell ESA Contribution Information, to report contributions (including rollover contributions) to a Coverdell education savings account (ESA).

Form 5498-SA. File Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information, to report contributions to an HSA or Archer MSA and the fair market value of an HSA, Archer MSA, or Medicare Advantage MSA. See the Instructions for Forms 1099-SA and 5498-SA.

Form 5713. File Form 5713, International Boycott Report, if the organization had operations in, or related to, certain "boycotting" countries.

Form 6198. File Form 6198, At-Risk Limitations, if the organization has a loss from an at-risk activity conducted as a trade or business or for the production of income.

Form 8275 and 8275-R. Taxpayers and income tax return preparers file Form 8275, Disclosure Statement, and Form 8275-R, Regulation Disclosure Statement, to disclose items or positions taken on a tax return or that are contrary to Treasury regulations (to avoid parts of the accuracy-related penalty or certain preparer penalties).

Form 8300. File Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, if the organization received more than \$10,000 in cash or foreign currency in one transaction or in a series of related transactions. See Form 8300 and Regulations section 1.60501-1(c).

Form 8582. File Form 8582, Passive Activity Loss Limitations, for trusts that have losses (including prior year unallowed losses) from passive activities.

Form 8697. File Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the look-back method of section 460(b)(2). The look-back method applies to certain long-term contracts that are accounted for under either the percentage method or the completion-capitalized cost method.

Form 8810. File Form 8810, Corporate Passive Activity Loss and Credit Limitations, for closely held corporations that have losses or credits (including prior year unallowed losses and credits) from passive activities.

Form 8865. File Form 8865, Return of U.S. Persons With Respect To Certain Foreign Partnerships, if the organization:

1. Controlled a foreign partnership (that is, owned more than a 50% direct or indirect interest in the partnership).

2. Owned at least a 10% direct or indirect interest in a foreign partnership while U.S. persons controlled that partnership.

3. Had an acquisition, disposition, or change in proportional interest in a foreign partnership that:

a. Increased its direct interest to at least 10% or reduced its direct interest of at least 10% to less than 10%.

b. Changed its direct interest by at least a 10% interest.

4. Contributed property to a foreign partnership in exchange for a partnership interest if:

a. Immediately after the contribution, the organization directly or indirectly owned at least a 10% interest in the foreign partnership; or

b. The FMV of the property the organization contributed to the foreign partnership in exchange for a partnership interest, when added to other contributions of property made to the foreign partnership by the organization or a related person during the preceding 12-month period, exceeds \$100,000.

Also, the organization may have to file Form 8865 to report certain dispositions by a foreign partnership of property it previously contributed to that foreign partnership if it was a partner at the time of the disposition. See Form 8865 and its separate instructions.

Form 8886. File Form 8886, Reportable Transaction Disclosure Statement, to disclose information for each reportable transaction in which the organization participated. Form 8886 must be filed for each tax year that the federal income tax liability of the organization is affected by its participation in the transaction. The organization may have to pay a penalty if it is required to file Form 8886 but does not do so. The following are reportable transactions.

- Any listed transaction that is the same as, or substantially similar to tax avoidance transactions identified by the IRS.

- Any transaction offered under conditions of confidentiality for which the organization paid an advisor a fee of at least \$250,000.

- Certain transactions for which the organization has contractual protection against disallowance of the tax benefits.

- Any transaction resulting in a loss of at least \$10 million in any single year or \$20 million in any combination of years.

- Certain transactions identified by the IRS in published guidance as a "transaction of interest" (a transaction that

the IRS believes has a potential for tax avoidance or evasion, but has not yet been identified as a listed transaction).

Form 8886-T. File Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction, to disclose information with respect to each prohibited tax shelter transaction to which the organization is a party.

Penalties. The organization may have to pay a penalty if it is required to disclose a reportable transaction under section 6011 and fails to properly complete and file Form 8886. The penalty is \$50,000 (\$200,000 if the reportable transaction is a listed transaction) for each failure to file Form 8886 with its return or for failure to provide a copy of Form 8886 to the Office of Tax Shelter Analysis (OTSA). Other penalties, such as an accuracy-related penalty under section 6662A, may also apply. See the Instructions for Form 8886 for details.

Form 8899. File Form 8899, Notice of Income from Donated Intellectual Property, to report income from qualified intellectual property.

Form 8903. File Form 8903, Domestic Production Activities Deduction, to deduct a portion of income from certain qualified domestic production activities.

Form 8925. File Form 8925, Report of Employer-Owned Life Insurance Contracts, which must be filed by every applicable policyholder owning one or more employer-owned life insurance contracts issued after August 17, 2006.

Accounting Methods

An accounting method is a set of rules used to determine when and how income and expenses are reported. Figure taxable income using the method of accounting regularly used in keeping the organization's books and records.

Generally, permissible methods include:

- Cash,
- Accrual, or
- Any other method authorized by the IRC.

In all cases, the method used must clearly show taxable income.

See Pub. 538, Accounting Periods and Methods.

Change in accounting method. To change the method of accounting used to report taxable income (for income as a whole or for the treatment of any material item), the organization must file with the IRS either an (a) advanced consent request for a ruling or (b) automatic change request for certain specific changes in accounting method.

In either case, the organization must file Form 3115, Application for Change in Accounting Method. See Pub. 538.

Section 481(a) adjustment. The organization may have to make an adjustment under section 481(a) to prevent amounts of income or expense from being duplicated or omitted. The section 481(a) adjustment period is generally 1 year for a net negative adjustment and 4 years for a net positive adjustment. However, an organization may elect to use a 1-year adjustment period if the net section 481(a) adjustment for the change is less than \$25,000. The organization must complete the appropriate lines of Form 3115 to make the election.

Include any net positive section 481(a) adjustment on Form 990-T, line 12. If the net section 481(a) adjustment is negative, report it on Form 990-T, line 28.

Accounting Period

The return must be filed using the organization's established annual accounting period. If the organization has no established accounting period, file the return on the calendar-year basis.

To change an accounting period, some organizations may make a notation on a timely filed Form 990, 990-EZ, 990-PF, or 990-T. Others may be required to file Form 1128, Application To Adopt, Change, or Retain a Tax Year. For details on which procedure applies to your organization, see Rev. Proc. 85-58, 1985-2 C.B. 740, and the Instructions for Form 1128.

If the organization changes its accounting period, file Form 990-T for the short period that begins with the first day after the end of the old tax year and ends on the day before the first day of the new tax year. For the short period return, figure the tax by placing the organization's taxable income on an annual basis. For details, see section 443.

Reporting Form 990-T Information on Other Returns

Your organization may be required to file an annual information return on:

- Form 990, Return of Organization Exempt From Income Tax;
- Form 990-EZ, Short Form Return of Organization Exempt From Income Tax;
- Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation; or
- Form 5500, Annual Return/Report of Employee Benefit Plan.

If so, include on that information return the unrelated business gross income and expenses (but not including the specific deduction claimed on line 33, or any

expense carryovers from prior years) reported on Form 990-T for the same tax year.

Rounding Off to Whole Dollars

The organization may round off cents to whole dollars on Form 990-T and its schedules. If the organization does round to whole dollars, it must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Attachments

If you need more space on the form or schedules, attach separate sheets (statements). On the attachment, write the corresponding form or schedule number or letter and follow the same format. Show totals on the IRS-printed form. Also, include the organization's name and EIN. The separate sheets should be the same size as the IRS-printed form and should be attached after the IRS-printed form.

Public Inspection Requirements of Section 501(c)(3) Organizations

Under section 6104(d), a section 501(c)(3) organization that files Form 990-T must make its entire annual exempt organization business income tax return (including amended returns) available for public inspection.

The Form 990-T and related schedules must be made available for public inspection for a period of 3 years from the date the Form 990-T is required to be filed, including extensions.

What Schedules and Attachments to Form 990-T Must Be Made Available for Public Inspection?

Only schedules, attachments (statements), and supporting documents that relate to the imposition of tax on unrelated business income must be made available for public inspection when attached to a section 501(c)(3) organization's Form 990-T filed after August 17, 2006.

The following documents, when attached to a section 501(c)(3) organization's Form 990-T filed after August 17, 2006, are not required to be made available for public inspections:

- Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation;

- Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations;
- Form 8271, Investor Reporting of Tax Shelter Registration Number;
- Form 8594, Asset Acquisition Statement under Section 1060;
- Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund;
- Form 8832, Entity Classification Election;
- Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities;
- Form 8865, Return of U.S. Person with Respect to Certain Foreign Partnerships;
- Form 8886, Reportable Transaction Disclosure Statement;
- Form 8913, Credit for Federal Telephone Excise Tax Paid;
- Form 8925, Report of Employer-Owned Life Insurance Contracts; and
- Form 8941, Credit for Small Employer Health Insurance Premiums.

Public Inspection

How Does a 501(c)(3) Organization Make Its Annual Returns Available for Public Inspection?

A 501(c)(3) organization must make its annual returns available in two ways:

- By office visitation, and
- By providing copies or making them widely available.

Public Inspection by Office Visitation

A 501(c)(3) organization must make its annual returns available for public inspection without charge at its principal, regional, and district offices during regular business hours.

Conditions that may be set for public inspection at the office. A 501(c)(3) organization:

- May have an employee present,
- Must allow the individual conducting the inspection to take notes freely during the inspection, and
- Must allow an individual to make photocopies of documents at no charge but only if the individual brings photocopying equipment to the place of inspection.

Determining if a site is a regional or district office. A regional or district office is any office of a 501(c)(3) organization, other than its principal office, that has paid employees whose total number of paid hours a week are normally 120 hours or more. Include the hours worked by

part-time (as well as full-time) employees in making that determination.

What sites are not considered a regional or district office. A site is not considered a regional or district office if:

1. The only services provided at the site further the organization's exempt purposes (for example, day care, health care, or scientific or medical research), and
2. The site does not serve as an office for management staff, other than managers who are involved only in managing the exempt function activities at the site.

What if the 501(c)(3) organization does not maintain a permanent office?

If the 501(c)(3) organization does not maintain a permanent office, it will comply with the public inspection by office visitation requirement by making the annual returns available at a reasonable location of its choice. It must permit public inspection:

- Within a reasonable amount of time after receiving a request for inspection (normally, not more than 2 weeks), and
- At a reasonable time of day.

Optional method of complying. If a 501(c)(3) organization that does not have a permanent office wishes not to allow an inspection by office visitation, it may mail a copy of the requested documents instead of allowing an inspection. However, it must mail the documents within 2 weeks of receiving the request and may charge for copying and postage only if the requester consents to the charge.

501(c)(3) organizations with a permanent office but limited or no hours. Even if a 501(c)(3) organization has a permanent office but no office hours or very limited hours during certain times of the year, it must still meet the office visitation requirement. To meet this requirement during those periods when office hours are limited or not available, follow the rules above under *What if the 501(c)(3) organization does not maintain a permanent office?*

Public Inspection—Providing Copies

A 501(c)(3) organization must provide copies of its annual returns to any individual who makes a request for a copy in person or in writing unless it makes these documents widely available.

In-person requests for document copies. A 501(c)(3) organization must provide copies to any individual who makes a request in person at the 501(c)(3) organization's principal, regional, or district offices during regular business

hours on the same day that the individual makes the request.

Accepted delay in fulfilling an in-person request. If unusual circumstances exist and fulfilling a request on the same day places an unreasonable burden on the 501(c)(3) organization, it must provide copies by the earlier of:

- The next business day following the day that the unusual circumstances end, or
- The fifth business day after the date of the request.

Examples of unusual circumstances include:

- Receipt of a volume of requests (for document copies) that exceeds the 501(c)(3) organization's daily capacity to make copies,
- Requests received shortly before the end of regular business hours that require an extensive amount of copying, or
- Requests received on a day when the 501(c)(3) organization's managerial staff capable of fulfilling the request is conducting official duties (for example, student registration or attending an off-site meeting or convention) instead of its regular administrative duties.

Use of local agents for providing copies. A 501(c)(3) organization may use a local agent to handle in-person requests for document copies. If a 501(c)(3) organization uses a local agent, it must immediately provide the local agent's name, address, and telephone number to the requester.

The local agent must:

- Be located within reasonable proximity to the principal, regional, or district office where the individual makes the request, and
- Provide document copies within the same time frames as the 501(c)(3) organization.

Written requests for document copies.

If a 501(c)(3) organization receives a written request for a copy of its annual returns (or parts of these documents), it must give a copy to the requester.

However, this rule only applies if the request:

- Is addressed to a 501(c)(3) organization's principal, regional, or district office,
- Is delivered to that address by mail, electronic mail (email), facsimile (fax), or a private delivery service approved by the IRS (see *Private delivery services (PDSs)* earlier for a list), and
- Gives the address to which the document copies should be sent.

How and when a written request is fulfilled.

- Requested document copies must be mailed within 30 days from the date the

501(c)(3) organization receives the request.

- Unless other evidence exists, a request or payment that is mailed is considered to be received by the 501(c)(3) organization 7 days after the postmark date.
- If an advance payment is required, copies must be provided within 30 days from the date payment is received.
- If the 501(c)(3) organization requires payment in advance and it receives a request without payment or with insufficient payment, it must notify the requester of the prepayment policy and the amount due within 7 days from the date it receives the request.
- A request that is transmitted to the 501(c)(3) organization by email or fax is considered received the day the request is transmitted successfully.
- Requested documents can be emailed instead of the traditional method of mailing if the requester consents to this method.

A document copy is considered as provided on the:

- Postmark date,
- Private delivery date,
- Registration date for certified or registered mail,
- Postmark date on the sender's receipt for certified or registered mail, or
- Day the email is successfully transmitted (if the requester agreed to this method).

Requests for parts of a document copy. A person can request all or any specific part or schedule of the annual returns and the 501(c)(3) organization must fulfill their request for a copy.

Can an agent be used to provide copies? A 501(c)(3) organization can use an agent to provide document copies for the written requests it receives. However, the agent must provide the document copies under the same conditions that are imposed on the 501(c)(3) organization itself. Also, if an agent fails to provide the documents as required, the 501(c)(3) organization will continue to be subject to penalties.

Example. The ABC Organization retained an agent to provide copies for all written requests for documents. However, ABC Organization received a request for document copies before the agent did.

The deadline for providing a response is referenced by the date that the ABC Organization received the request and not when the agent received it. If the agent received the request first, then a response would be referenced to the date that the agent received it.

Can a fee be charged for providing copies? A 501(c)(3) organization may charge a reasonable fee for providing copies. Also, it can require the fee to be

paid before providing a copy of the requested document.

What is a reasonable fee? A fee is reasonable only if it is no more than the per-page copying fee charged by the IRS for providing copies, plus no more than the actual postage costs incurred to provide the copies.

What forms of payment must the 501(c)(3) organization accept? The form of payment depends on whether the request for copies is made in person or in writing.

Cash and money order must be accepted for in-person requests for document copies. The 501(c)(3) organization, if it wishes, may accept additional forms of payment.

Certified check, money order, and either personal check or credit card must be accepted for written requests for document copies. The 501(c)(3) organization, if it wishes, may accept additional forms of payment.

Other fee information. If a 501(c)(3) organization provides a requester with notice of a fee and the requester does not pay the fee within 30 days, the 501(c)(3) organization may ignore the request.

If a requester's check does not clear on deposit, the 501(c)(3) organization may ignore the request.

If a 501(c)(3) organization does not require prepayment and the requester does not prepay, the 501(c)(3) organization must receive consent from the requester if the copying and postage charge exceeds \$20.

501(c)(3) organizations subject to a harassment campaign. If the IRS determines that a 501(c)(3) organization is being harassed, it is not required to comply with any request for copies that it reasonably believes is part of the harassment campaign.

A group of requests for a 501(c)(3) organization's annual return is indicative of a harassment campaign if the requests are part of a single coordinated effort to disrupt the operations of the 501(c)(3) organization rather than to collect information about it.

Requests that may be disregarded without IRS approval. A 501(c)(3) organization may disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address.

Making the Annual Returns Widely Available

A 501(c)(3) organization does not have to provide copies of its annual returns if it makes these documents widely available. However, it must still allow public inspection by office visitation.

How does a 501(c)(3) organization make its annual returns widely available? A 501(c)(3) organization's annual returns are widely available if it meets all four of the following requirements:

1. The Internet posting requirement is met if:

- The document is posted on an Internet page that the 501(c)(3) organization establishes and maintains, or
- The document is posted as part of a database of like documents of other tax-exempt organizations on an Internet page established and maintained by another entity.

2. Additional posting information requirement is met if:

- The Internet page through which the document is available clearly informs readers that the document is available and provides instructions for downloading the document;
- After it is downloaded and viewed, the web document exactly reproduces the image of the annual return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view, and print the document without special computer hardware or software required for that format (except software that is readily available to members of the public without payment of any fee) and without payment of a fee to the 501(c)(3) organization or to another entity maintaining the web page.

3. The reliability and accuracy requirements are met if the entity maintaining the Internet page:

- Has procedures for ensuring the reliability and accuracy of the document that it posts on the page;
- Takes reasonable precautions to prevent alteration, destruction, or accidental loss of the document when posted on its page; and
- Corrects or replaces the document if a posted document is altered, destroyed, or lost.

4. The notice requirement is met if a 501(c)(3) organization notifies any individual requesting a copy of its annual return where the documents are available (including the Internet address). If the request is made in person, the 501(c)(3) organization must notify the individual immediately. If the request is in writing, it

must notify the individual within 7 days of receiving the request.

Penalties

A penalty may be imposed on any person who does not make the annual returns (including all required attachments) available for public inspection according to the section 6104(d) rules discussed, earlier. If more than one person fails to comply, each person is jointly and severally liable for the full amount of the penalty. The penalty amount is \$20 for each day during which a failure occurs. The maximum penalty that may be imposed on all persons for any one annual return is \$10,000.

Any person who willfully fails to comply with the section 6104(d) public inspection requirements is subject to an additional penalty of \$5,000.

Specific Instructions

Period Covered

File the 2015 return for calendar year 2015 or a fiscal year beginning in 2015 and ending in 2016. For a fiscal year, fill in the tax year information at the top of the form.

The 2015 Form 990-T may also be used if:

- The organization has a tax year of less than 12 months that begins and ends in 2016, and
- The 2016 Form 990-T is not available at the time the organization is required to file its return. The organization must show its 2016 tax year on the 2015 Form 990-T and take into account any tax law changes that are effective for tax years beginning after December 31, 2015.

Name and Address

The name and address on Form 990-T should be the same as the name and address shown on other Forms 990.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.



Change of name. If the organization has changed its name, it must check the box next to "Name of organization" and also provide the following when filing this return, if it is:

- A corporation, or is incorporated with the state—an amendment to the articles of incorporation along with proof of filing with the state.
- A trust—an amendment to the trust agreement with the trustee(s) signature.
- An association, or an unincorporated association—an amendment to the articles of association, constitution, by-laws or other organizing document with signatures of at least two officers/ members.

Blocks A through J

Block A. If the organization has changed its address since it last filed a return, check Block A.

TIP If a change in address occurs after the return is filed, use Form 8822-B, Change of Address or Responsible Party - Business, to notify the IRS of the new address.

Block B. Check the box under which the organization receives its tax exemption.

Qualified pension, profit-sharing, and stock bonus plans should check the 501 box and enter "a" between the first set of parentheses.

For other organizations exempt under section 501, check the box for 501 and enter the section that describes their tax exempt status, for example, 501(c)(3).

For tax exempts that do not receive their exemption under section 501, use the following guide.

IF you are a	THEN check this box
IRA, SEP, or SIMPLE	408(e)
Roth IRA	408A
Archer MSA	220(e)
Coverdell ESA	530(a)
Qualified State Tuition Program	529(a)

For an "applicable reinsurance entity" described in section 1341(c)(1) of the Affordable Care Act of 2010 (ACA), do not check any of the boxes. Instead, write "Applicable Reinsurance Entity" across the top of the Form 990-T.

Block C. Enter the total of the end-of-year assets from the organization's books of account.

Block D. An employees' trust described in section 401(a) and exempt under section 501(a) should enter its own trust identification number in this block.

An IRA trust enters its own EIN in this block. An IRA trust never uses a social security number or the trustee's EIN.

An EIN may be applied for:

- Online—Click on the *Employer ID Numbers (EINs)* link at www.irs.gov/businesses/small/index.html. The EIN is issued immediately once the application information is validated.
- By mailing or faxing Form SS-4, Application for Employer Identification Number.

Note. Only organizations located in the United States or U.S. possessions can use the online application. Foreign organizations must use one of the other methods to apply for an EIN.

Block E. Enter the applicable unrelated business activity code(s) that specifically describes the organization's unrelated business activity. If a specific activity code does not accurately describe the organization's activities, then choose a general code (listed later) that best describes its activity.

Block F. If the organization is covered by a group exemption, enter the group exemption number.

Block G. Check the box that describes your organization, unless you are an applicable reinsurance entity under section 1341(c)(1) of the ACA.

"Other trust" includes IRAs, SEPs, SIMPLEs, Roth IRAs, Coverdell IRAs, and Archer MSAs.

Section 529 organizations check the 501(c) corporation or 501(c) trust box depending on whether the organization is a corporation or a trust. Also, the box for 529(a) in Block B must be checked.

If you check "501(c) corporation," leave line 36 blank. If you check "501(c) trust," "401(a) trust," or "Other trust" leave lines 35a, b, and c blank.

An applicable reinsurance entity should check **none** of the boxes.

Block H. Describe the primary unrelated business activity of your organization based on unrelated income. Attach a statement if more space is needed.

Block I. Check the "Yes" box if your organization is a corporation and either 1 or 2 below applies:

1. The corporation is a subsidiary in an affiliated group (defined in section 1504) but is not filing a consolidated return for the tax year with that group.
2. The corporation is a subsidiary in a parent-subsidiary controlled group (defined in section 1563).

Excluded member. If the corporation is an "excluded member" of a controlled group (see section 1563(b)(2)), it is still considered a member of a controlled group for purposes of Block I.

Block J. Enter the name of the person who has the organization's books and

records and the telephone number at which he or she can be reached.

Part I. Unrelated Trade or Business Income

Complete lines 1 through 13, column (A). If the amount on line 13 is \$10,000 or less, you may complete only line 13 for columns (B) and (C). These filers do not have to complete Schedules A through K (however, refer to applicable schedules when completing column (A)). If the amount on line 13, column (A), is more than \$10,000, complete all lines and schedules that apply. Refer to the corresponding schedules to determine the amount to be reported on each line.

Member income of mutual or cooperative electric companies. Income of a mutual or cooperative electric company described in section 501(c)(12) which is treated as member income under subparagraph (H) of that section is excluded from unrelated business taxable income.

Income from qualifying shipping activities. The organization's gross income does not include income from qualifying shipping activities (as defined in section 1356) if the organization makes an election under section 1354 on a timely filed return (including extensions) to be taxed on its notional shipping income (as defined in section 1353) at the highest corporate rate (35%). If the election is made, the organization generally may not claim any loss, deduction, or credit with respect to qualifying shipping activities. An organization making this election also may elect to defer gain on the disposition of a qualifying vessel under section 1359. Use Form 8902, Alternative Tax on Qualifying Shipping Activities, to figure the tax. Include the alternative tax on Form 990-T, Part IV, line 42.

Passive loss and at-risk limitations. Under section 469, certain taxpayers, including certain tax-exempt organizations, may not deduct a passive activity loss (PAL). Such tax-exempt organizations ("affected tax-exempt organizations") include a trust (such as a trust described in section 501(c), a trust described in section 401(a), or an IRA), and a corporation if at any time during the last half of its tax year more than 50% in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for not more than five organizations that are private foundations under section 509(a) or are described in sections 401(a) or 501(c)(17) (for example, a stock corporation described in section 501(c)(2) with a 401(a) parent or private foundation parent).

A PAL occurs when total losses (including prior year unallowed losses)

from all your passive activities exceed the total income from all your passive activities. Generally, passive activities include: (1) trade or business activities in which you did not materially participate for the tax year; and (2) rental activities, regardless of your participation. If you have income or loss from a passive activity, several lines on the Form 990-T may be affected by these rules.

PALs cannot be used to offset income from nonpassive activities. Passive activity income does not include portfolio income. Portfolio income (see Temp. Reg. section 1.469-2T(c)(3)) is income from a nonpassive activity. Portfolio income includes all gross income, other than income derived in the ordinary course of a trade or business, that is attributable to interest, dividends, annuities, and royalties (by contrast, a bank's receipt of interest is in the ordinary course of a trade or business, as is a securities dealer's receipt of dividends). Portfolio income also includes gain or loss from the disposition of property that produces portfolio income or is held for investment (see section 163(d)(5)). The rule treating portfolio income as not from a passive activity does not apply to the extent that income, of a type generally regarded as portfolio income, is derived in the ordinary course of a trade or business. For example, the business income of a bank typically is largely interest. Similarly, a securities broker/dealer may earn a substantial portion of the income from the business in the form of dividends and gains on sales of dividend-bearing instruments. Interest income may also arise in the ordinary course of a trade or business with respect to installment sales and interest charges on accounts receivable. This means that portfolio income may not be reduced by PALs or passive activity credits. For example, any portfolio income earned by a trust described in section 501(a) that is unrelated business taxable income (such as unrelated debt-financed income) may not be offset by PALs from an unrelated trade or business.

Section 469(k) provides that the passive activity limitations must be applied separately to items from each publicly traded partnership (PTP). A PTP is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or its substantial equivalent). PALs from a PTP generally may be used only to offset income or gain from passive activities of the same PTP. This means that a partner in a PTP may not use PALs and passive activity credits from a PTP to offset income from other sources, including passive activity income from another PTP. Such PALs and passive activity credits are not allowed for the taxable year.

Generally, PALs are subject to other limitations (for example, basis and at-risk limitations) before they are subject to the PAL limitations. For example, the at-risk rules under section 465 generally prohibit trusts and corporations that are affected tax-exempt organizations from claiming losses from activities in excess of the taxpayer's amount at risk in the activity.

An affected tax-exempt organization may need to attach Form 6198, At-Risk Limitations, and either Form 8582, Passive Activity Loss Limitations, or Form 8810, Corporate Passive Activity Loss and Credit Limitations. For more information on these rules, see Publication 925, Passive Activity and At-Risk Rules.



How to report income received from a payment card and third party network transactions? An organization that receives a Form 1099-K reporting a "gross amount" received from payment card and third party network transactions in the tax year should report these amounts in the same manner as if the payments were not reported on a Form 1099-K. There is not any one specific line on which to report an amount from Form 1099-K; the correct line should be determined based on the nature of the payments. Some payments received may constitute unrelated business income; see the instructions below to determine the appropriate line. For instance, if some of the payments are sales income from an unrelated business, then those payments would be reported on line 1a. Retain Forms 1099-K with your other records.

Line 1a. Gross Receipts or Sales

Enter the gross receipts from any unrelated trade or business regularly conducted that involves the sale of goods or performance of services.



A section 501(c)(7) social club would report its restaurant and bar receipts from nonmembers on line 1, but would report its investment income on line 9 and in Schedule G.

Advance payments. In general, advance payments are reported in the year of receipt. To report income from long-term contracts, see section 460. For special rules for reporting certain advance payments for goods and long-term contracts, see Regulations section 1.451-5. For permissible methods for reporting advance payments for services and certain goods by an accrual method organization, see Rev. Proc. 2004-34, 2004-22 I.R.B. 991, available at www.irs.gov/irb/2004-22_IRB/ar16.html.

Installment sales. Generally, the installment method cannot be used for dealer dispositions of property. A "dealer

disposition" is (a) any disposition of personal property by a person who regularly sells or otherwise disposes of personal property of the same type on the installment plan or (b) any disposition of real property held for sale to customers in the ordinary course of the taxpayer's trade or business.

These restrictions on using the installment method do not apply to dispositions of property used or produced in a farming business or sales of timeshares and residential lots for which the organization elects to pay interest under section 453(l)(3).

For sales of timeshares and residential lots reported under the installment method, the organization's income tax is increased by the interest payable under section 453(l)(3). To report this addition to the tax, see the instructions for line 42.

Enter on line 1a and line 3, the gross profit on collections from installment sales for any of the following:

- Dealer dispositions of property before March 1, 1986.
- Dispositions of property used or produced in the trade or business of farming.
- Certain dispositions of timeshares and residential lots reported under the installment method.

Attach a statement showing the following information for the current and the 3 preceding years:

1. Gross sales,
2. Cost of goods sold,
3. Gross profits,
4. Percentage of gross profits to gross sales,
5. Amount collected, and
6. Gross profit on amount collected.

Nonaccrual experience method.

Accrual method organizations are not required to accrue certain amounts to be received from the performance of services that, on the basis of their experience, will not be collected, if:

- The services are in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting; or
- The organization's average annual gross receipts for the 3 prior tax years does not exceed \$5 million.

This provision does not apply to any amount if interest is required to be paid on the amount or if there is any penalty for failure to timely pay the amount. See Regulations section 1.448-2.

Organizations that qualify to use the nonaccrual experience method should attach a statement showing total gross receipts, amounts not accrued as a result of the application of section 448(d)(5), and

the net amount accrued. Enter the net amount on line 1a.

Gain or loss on disposition of certain brownfield property. Gain or loss from the qualifying sale, exchange, or other disposition of a qualifying brownfield property (as defined in section 512(b)(19)(C)), which was acquired by the organization after December 31, 2004, is excluded from unrelated business taxable income and is excepted from the debt-financed rules for such property. See section 512(b)(19) and 514(b)(1)(E).

Line 4a. Capital Gain Net Income

Generally, organizations required to file Form 990-T (except organizations described in sections 501(c)(7), (9), and (17)) are not taxed on the net gains from the sale, exchange, or other disposition of property. However, net capital gains on debt-financed property, capital gains on cutting timber, and ordinary gains on sections 1245, 1250, 1252, 1254, and 1255 property are taxed. See Form 4797, Sales of Business Property, and its instructions for additional information.

Also, any capital gain or loss passed through from an S corporation or any gain or loss on the disposition of S corporation stock by a qualified tax exempt (see S Corporations, later) is taxed as a capital gain or loss, and reported on line 4.

Capital gains and losses should be reported by a trust on Schedule D (Form 1041), Capital Gains and Losses, and by a corporation on Schedule D (Form 1120), Capital Gains and Losses (and Form 8949, Sale and Other Dispositions of Capital Assets). Schedule D of Form 1041 or Form 1120 (and Form 8949 if applicable) must be attached to Form 990-T.

An organization that transfers securities it owns for the contractual obligation of the borrower to return identical securities recognizes no gain or loss. To qualify for this treatment, the organization must lend the securities under an agreement that requires:

1. The return of identical securities;
2. The payment of amounts equivalent to the interest, dividends, and other distributions that the owner of the securities would normally receive; and
3. The risk of loss or opportunity for gain not be lessened.

See section 512(a)(5) for details.

Debt-financed property disposition. The amount of gain or loss to be reported on the sale, exchange, or other disposition of debt-financed property is the same percentage as the highest acquisition indebtedness for the property for the

12-month period before the date of disposition is to the average adjusted basis of the property. The percentage may not be more than 100%. See the instructions for Schedule E, column 5, to determine adjusted basis and average adjusted basis.

If debt-financed property is depreciable or depletable property, the provisions of sections 1245, 1250, 1252, 1254, and 1255 must be considered first.

Example. On January 1, 2014, an exempt educational corporation, using \$288,000 of borrowed funds, purchased an office building for \$608,000. The only adjustment to basis was \$29,902 for depreciation (straight line method under MACRS over the 39-year recovery period for nonresidential real property). The corporation (section 501(c)(3) organization) sold the building on December 31, 2015, for \$640,000. At the date of sale, the adjusted basis of the building was \$578,098 (\$608,000 – \$29,902) and the indebtedness remained at \$288,000. The adjusted basis of the property on the first day of the year of disposition was \$593,037. The average adjusted basis is \$585,568 $(\$593,037 + \$578,098) \div 2$. The debt/basis percentage is 49% $(\$288,000 \div \$585,568)$.

The taxable gain is \$30,332 $(49\% \times (\$640,000 - \$578,098))$. This is a long-term capital gain. A corporation should enter the gain on Schedule D (Form 1120) Part II, line 6. A trust should enter the gain on Schedule D (Form 1041), if applicable. In either scenario (a corporation or a trust), the educational organization must attach a statement to Form 990-T, in addition to the Schedule D attachment, showing how the gain was figured along the lines described in this example, if the details were not provided with the Schedule D attachment(s).

Disposition of property received from taxable subsidiary and used in unrelated business. A taxable 80%-owned subsidiary corporation of one or more tax-exempt entities is generally subject to tax on a distribution in liquidation of its assets to its exempt parent (or parents). See section 337. The assets are treated as if sold at fair market value.

“Tax-exempt entities” for this purpose include organizations described in sections 501(a), 529, and 115, charitable remainder trusts, U.S. and foreign governments, Indian tribal governments, international organizations, and similar non-taxable organizations.

A taxable corporation that transfers substantially all of its assets to a tax-exempt entity in a transaction that otherwise qualifies for nonrecognition treatment must recognize gain on the transaction as if it sold the assets at fair

market value. However, such a transfer is not taxable if it qualifies as a like-kind exchange under section 1031 or an involuntary conversion under section 1033. In such a case the built-in appreciation is preserved in the replacement property received in the transaction. A “taxable corporation” is any corporation that is not a tax-exempt entity as defined above, including S corporation.

A corporation that changes status from taxable to tax-exempt is treated generally as if it transferred all of its assets to a tax-exempt entity immediately before the change in status (thus subjecting it to the tax on a deemed sale for fair market value). This rule does not apply where the taxable corporation becomes exempt within 3 years of formation, or had previously been exempt and within several years (generally a period of 3 years) regains exemption, unless the principal purpose of the transactions is to avoid the tax on the change in status.

In the transactions described above, the taxable event is deferred for property that the tax-exempt entity immediately uses in an unrelated business. If the parent later disposes of the property, then any gain (not in excess of the amount not recognized) is included in the parent's unrelated business taxable income. If there is partial use of the assets in unrelated business, then there is partial recognition of gain or loss with respect to the assets not so used. Property is treated as disposed if the tax-exempt entity no longer uses it in an unrelated business.

Losses on the transfer of assets to a tax-exempt entity are disallowed if part of a plan having a principal purpose of recognizing losses.

Line 4b. Net Gain or (Loss)

Show gains and losses on other than capital assets on Form 4797. Enter on this line the net gain or (loss) from Form 4797, Part II, line 17.

An exempt organization using Form 4797 to report ordinary gain on sections 1245, 1250, 1252, 1254, and 1255 property will include only depreciation, amortization, or depletion allowed or allowable in figuring unrelated business taxable income or taxable income of the organization (or a predecessor organization) for a period when it was not exempt.

Line 4c. Capital Loss Deduction for Trusts

If a trust has a net capital loss, it is subject to the limitations of Schedule D (Form 1041). Enter on this line the loss figured on Schedule D (Form 1041).

Line 5. Income or (Loss) From Partnerships and S Corporations

In general, combine all partnership income or loss (determined later) with all S corporation income or loss and enter it on line 5. Also, for trusts and certain corporations, there are limitations on income and losses (including from partnerships and S corporations) under section 469 (the passive activity loss and credit limitation rules) and section 465 (at-risk limitations). For more information on these rules, see the discussion of the application of the passive loss and at-risk limitations to affected tax-exempt organizations in the introductory instructions to *Part I. Unrelated Trade or Business Income*.

Partnerships

If the organization is a partner in a partnership conducting an unrelated trade or business, enter the organization's share (whether or not distributed) of the partnership's income or loss from the unrelated trade or business. The organization is required to notify the partnership of its tax-exempt status.

Figure the gross income and deductions of the partnership in the same way you figure unrelated trade or business income the organization earns directly.

Attachment. Attach a statement to this return showing the organization's share of the partnership's gross income from the unrelated trade or business, and its share of the partnership deductions directly connected with the unrelated gross income. Also, see *Attachments*, earlier for other information you must include.

S Corporations

Qualified tax exempts can be shareholders in an S corporation without the S corporation losing its status as an S corporation. Qualified tax exempts that hold stock in an S corporation treat their stock interest as an interest in an unrelated trade or business. All items of income, loss, or deduction that the organization receives as a shareholder of the S corporation are taken into account in line 5 in figuring unrelated business taxable income and not reported on another line of Form 990-T that otherwise would apply, except capital gains and losses, which are reported on line 4. Report on line 4 any gain or loss on the disposition of S corporation stock.

Qualified tax exempts. A qualified tax exempt is an organization that is described in section 401(a) (qualified stock bonus, pension, and profit-sharing

plans) or 501(c)(3) and exempt from tax under section 501(a).

Exception. Employee stock ownership plans (ESOPs) do not follow these S corporation rules if the S corporation stock is an employer security as defined in section 409(l).

Attachment. Attach a statement to this return showing the qualified tax exempt's share of all items of income, loss, or deduction. Combine the income, loss, and deductions (except for the capital gains and losses) on the statement. If you hold stock in more than one S corporation, total the combined amounts. Show capital gains and losses separately and include them on line 4a. Also, see *Attachments* for other information you must include, earlier.

Line 6. Rent income

Report on line 6 all rent income described in the instructions for Schedule C.

Line 7. Unrelated Debt-Financed Income

Report on line 7 and Schedule E unrelated debt-financed income of the organization under sections 512(b)(4) and 514 only to the extent that the income does not constitute income from the conduct of an unrelated trade or business and is not specifically taxable under other provisions of the Code, such as taxable rents from personal property leased with real property reportable on line 6 and Schedule C, or taxable interest, annuities, royalties, and rents from a controlled entity reportable on line 8 and Schedule F. See Regulations section 1.514(b)-1(b)(2). Gain or loss from the sale or disposition of debt-financed property is reported on line 4 and not line 7 or Schedule E. Section 501(c)(7), (9), and (17) organizations should report income from debt-financed property on line 9 and Schedule G, not line 7 and Schedule E.

Line 8. Interest, Annuities, Royalties, and Rents from Controlled Organizations

Report on line 8 and Schedule F interest, annuities, royalties, and rents (other than rents reportable on line 6 and Schedule C) from controlled entities to the extent taxable under section 512(b)(13). See Regulations section 1.512(b)-1(l)(5).

Line 9. Investment Income of a Section 501(c)(7), (9), or (17) Organization

Report on line 9 and Schedule G all income of a section 501(c)(7), (9), or (17) organization from investments in securities and other similar investments income from nonmembers, other than rent income (gross rents are reportable on line 6 and Schedule C). For these

purposes, investment income includes all income from debt-financed property.

Line 12. Other Income

Enter on line 12 any item of unrelated business income that is not reportable elsewhere on the return. Include:

- Recoveries of bad debts deducted in earlier years under the specific charge-off method. Attach a separate statement of any items of other income to your return;
- The amount from Form 6478, Alcohol and Cellulosic Biofuel Fuels Credit;
- The amount from Form 8864, Biodiesel and Renewable Diesel Fuels Credit; and
- Proceeds received from employer-owned life insurance contracts issued after August 17, 2006. Complete Form 8925 and attach a copy to Form 990-T.

Organizations described in section 501(c)(19). Enter the net income from insurance business that was not properly set aside. These organizations may set aside income from payments received for life, sick, accident, or health insurance for members of the organization or their dependents.

1. To provide for the payment of insurance benefits.
2. For a purpose specified in section 170(c)(4) (religious, charitable, scientific, literary, educational, etc.).
3. For administrative costs directly connected with benefits described in 1 and 2 above.

Amounts set aside and used for purposes other than those in 1, 2, or 3 above must be included in unrelated business taxable income for the tax year if they were previously excluded from taxable income.

Any amount spent for a purpose described in section 170(c)(4) is first considered paid from funds earned by the organization from insurance activities if the income is not used for the insurance activities.

Expenditures for lobbying are not considered section 170(c)(4) expenses.

Income from property financed with qualified 501(c)(3) bonds. If any part of the property is used in a trade or business of any person other than a section 501(c)(3) organization or a governmental unit, and such use is not consistent with the requirement for qualified 501(c)(3) bonds under section 145, your section 501(c)(3) organization is considered to have received unrelated business income in the amount of the greater of the actual rental income or the fair rental value of the property for the period it is used. No deduction is allowed for interest on the private activity bond. Report the greater of the actual rent or the fair rental value on

line 12. Report allowable deductions in Part II. See sections 150(b)(3) and (c).

Passive foreign investment company (PFIC) shareholders. If your organization is a direct or indirect shareholder of a PFIC within the meaning of section 1296, it may have income tax consequences under section 1291 on the disposition of the PFIC stock or on receipt of an excess distribution from the PFIC, described in section 1291(a). Your organization may have current income under section 1293 if the PFIC is a qualified electing fund (QEF) with respect to the organization.

Include on line 12 the portion of an excess distribution or section 1293 inclusion that is taxable as unrelated business taxable income. See Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.

See the instructions for Part III, lines 35c and 36, for reporting the deferred tax amount that may be owed by your organization with respect to an excess distribution.

Part II. Deductions Not Taken Elsewhere

If the amount on Part I, line 13, column (A), is \$10,000 or less, you do not have to complete lines 14 through 28 of Part II. However, you must complete Part II, lines 29 through 34.

Directly connected expenses. Only expenses directly connected with unrelated trade or business income (except charitable contributions) may be deducted on these lines (see *Directly connected expenses*, earlier). Charitable contributions may be deducted, whether or not directly connected. Do not separately include in Part II any expenses that are reported in Schedules A through J, other than excess exempt expenses entered on line 26 and excess readership costs entered on line 27. For example, officers' compensation allocable to advertising income is reported on Schedule J only, and should not be included on Schedule K or Part II, line 14.

Limitations on Deductions

The following items discuss certain areas in which the deduction may to some extent be limited.

Activities Lacking a Profit Motive

In some instances it is necessary to report income whether or not it comes from a trade or business (including interest, annuities, royalties, and rents from controlled organizations, and income of a section 501(c)(7), (9), or (17) organization other than exempt function income). If income is attributable to an activity lacking

a profit motive, then a net loss from the activity cannot be claimed on Form 990-T. Therefore, in Part I, column (B) and Part II, the total of deductions for expenses directly connected with income from an activity lacking a profit motive is limited to the amount of that income. Generally, an activity lacking a profit motive is one that is not conducted for the purpose of producing a profit or one that has consistently produced losses when both direct and indirect expenses are taken into account.

Deductions Related to Property Leased to Tax-exempt Entities

For property leased to a governmental or other tax-exempt entity, or in the case of property acquired after March 12, 2004, that is treated as tax-exempt use property other than by reason of a lease, the organization may not claim deductions related to the property when they exceed the organization's income from the lease payments. Amounts disallowed may be carried over to the next year and treated as a deduction concerning the property. See section 470.

Transactions Between Related Taxpayers

Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See sections 163(e)(3), 163(j), and 267 for limitations on deductions for unpaid interest and expenses.

Preference Items

Corporations may be required to adjust deductions for depletion of iron ore and coal, intangible drilling and exploration and development costs, and the amortizable basis of pollution control facilities. See section 291 to determine the amount of the adjustment.

Section 263A Uniform Capitalization Rules

These rules require organizations to capitalize or include as inventory cost certain costs incurred in connection with:

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property held in inventory (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property produced by the organization for use in its trade or business or in an activity engaged in for profit.

Tangible personal property produced by an organization includes a film, sound recording, videotape, book, or similar property.

Indirect expenses. Organizations subject to the section 263A uniform capitalization rules are required to capitalize direct costs and an allocable part of most indirect costs (including taxes) that benefit the assets produced or acquired for resale or are incurred by reason of the performance of production or resale activities.

For inventory, some of the indirect expenses that must be capitalized are:

- Administration expenses,
- Taxes,
- Depreciation,
- Insurance,
- Compensation paid to officers attributable to services,
- Rework labor, and
- Contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans.

Regulations section 1.263A-1(e)(3) specifies other indirect costs that relate to production or resale activities that must be capitalized and those that may be currently deductible.

Interest expense. Interest expense paid or incurred during the production period of designated property must be capitalized and is governed by special rules. See Regulations section 1.263A-8 through 1.263A-15.

When are section 263A capitalized costs deductible? The costs required to be capitalized under section 263A are not deductible until the property (to which the costs relate) is sold, used, or otherwise disposed of by the organization.

Exceptions. Section 263A does not apply to:

- Personal property acquired for resale if the organization's average annual gross receipts for the 3 prior tax years were \$10 million or less;
- Timber;
- Most property produced under long-term contract;
- Certain property produced in a farming business;
- Research and experimental costs under section 174;
- Geological and geophysical costs amortized under section 167(h);
- Intangible drilling costs for oil, gas, and geothermal property;
- Mining exploration and development costs;
- Inventory of an organization that accounts for inventories in the same manner as materials and supplies that are not incidental. See *Schedule A. Cost of Goods Sold*, later.

See Regulations sections 1.263A-1 through 1.263A-3.

Travel, Meals, and Entertainment

Subject to limitations and restrictions discussed below, an organization can deduct ordinary and necessary travel, meals, and entertainment expenses paid or incurred in its trade or business. Also, special rules apply to deductions for gifts, skybox rentals, luxury water travel, convention expenses, and entertainment tickets. See section 274 and Pub. 463, Travel, Entertainment, Gift, and Car Expenses.

Travel. The organization cannot deduct travel expenses of any individual accompanying an organization's officer or employee, including a spouse or dependent of the officer or employee, unless:

- That individual is an employee of the organization and
- His or her travel is for a bona fide business purpose and would otherwise be deductible by that individual.

Meals and entertainment. Generally, the organization can deduct only 50% of the amount otherwise allowable for meals and entertainment expenses paid or incurred in its trade or business. In addition (subject to exceptions under section 274(k)(2)):

- Meals must not be lavish or extravagant;
- A bona fide business discussion must occur during, immediately before, or immediately after the meal; and
- An employee of the organization must be present at the meal.

Membership dues. The organization may deduct amounts paid or incurred for membership dues in civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards. However, no deduction is allowed if a principal purpose of the organization is to entertain, or provide entertainment facilities for members or their guests. In addition, organizations may not deduct membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion.

Entertainment facilities. The organization cannot deduct an expense paid or incurred for use of a facility (such as a yacht or hunting lodge) for an activity usually considered entertainment, amusement, or recreation.

Amounts treated as compensation.

The organization generally may be able to deduct otherwise nondeductible travel, meals, and entertainment expenses if the amounts are treated as compensation and reported on Form W-2 for an employee or Form 1099-MISC for an independent contractor and if the total amount of such compensation is not unreasonable.

Reducing Certain Expenses For Which Credits Are Allowable

The organization must reduce the otherwise allowable deductions for expenses used to figure the credit by the amount of the following current year credits.

- Disabled access credit.
- Employer credit for social security and Medicare taxes paid on certain employee tips.
- Credit for employer-provided childcare facilities and services.
- Orphan drug credit.
- Credit for small employer pension plan start-up costs.
- Mine rescue team training credit.
- Credit for employer differential wage payments.

If the organization has any of these credits, figure each current year credit before figuring the deduction for expenses on which the credit is based.

Business start-up and organizational costs

For business start-up and organizational costs paid or incurred after September 8, 2008, an organization can deduct up to \$5,000 of such costs in the year it begins business (unless the organization elects to capitalize the full amount of such costs). The \$5,000 deduction is reduced (but not below zero) by the amount the total costs exceed \$50,000. If the total costs are \$55,000 or more, the deduction is reduced to zero. Any costs not deducted must be amortized as explained, below.

Note. For start-up and organizational costs paid or incurred after September 8, 2008, the organization is not required to attach a statement or specifically identify the amount deducted for the election under sections 195(b) and 248(a) to be effective. It is a deemed election. Whether an organization deducts a portion of its start-up and organizational costs under Regulations sections 1.195-1 and 1.248-1 or elects to amortize the full amount of such costs, its election is irrevocable. For start-up and organizational costs paid or incurred after October 22, 2004, and before September 9, 2008, an organization generally must attach the statement required by Regulation sections

1.195-1(b) and 1.248-1(c) to make the election to deduct a portion of such costs (as explained above). This election is irrevocable. However, an organization can apply the provisions of these regulations to costs paid or incurred after October 22, 2004.

Amortization. Any costs not deducted under the above rules must be amortized ratably over the 180-month period, beginning with the month the organization begins business. See the Instructions for Form 4562, Depreciation and Amortization, for details. If the association elected to amortize business start-up and organizational costs paid or incurred before October 23, 2004, over a period of 60 months or more, it must continue to amortize those costs over the elected amortization period. Report the deductible amount of these costs and any amortization on line 28. For amortization that began during the tax year, complete and attach Form 4562.

Line 16. Repairs and Maintenance

Enter the cost of incidental repairs and maintenance not claimed elsewhere on the return, such as labor and supplies, that do not add to the value or appreciably prolong the life of the property.

Line 17. Bad Debts

Enter the total receivables from unrelated business activities that were previously included in taxable income and that became worthless in whole or in part during the tax year.

Line 18. Interest

Attach a separate statement listing the interest being claimed on this line.

• **Interest allocation.** If the proceeds of a loan were used for more than one purpose (for example, to purchase a portfolio investment and to acquire an interest in a passive activity), an interest allocation must be made. See Temp. Reg. section 1.163-8T for the interest allocation rules.

• **Tax-exempt interest.** Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest income is totally exempt from income tax. For exceptions, see section 265(b).

• **Prepaid interest.** Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years following the current tax year. For example, during the tax year a cash basis taxpayer prepaid interest on a loan. The taxpayer can deduct only that part of the prepaid interest that was for the use of the loaned funds during the tax year, not for the use of the loaned funds during the subsequent years.

- **Straddle interest.** Generally, the interest and carrying charges on straddles cannot be deducted and must be capitalized. See section 263(g).
- **Original issue discount.** See section 163(e)(5) for special rules for the disqualified portion of original issue discount on a high yield discount obligation.
- **Related party interest.** Certain interest paid or accrued by the organization (directly or indirectly) to a related person may be limited if no tax is imposed on such interest. See section 163(j).
- **Interest on certain underpayments of tax.** Interest paid or incurred on any portion of an underpayment of tax that is attributable to an understatement arising from an undisclosed listed transaction or an undisclosed reportable avoidance transaction (other than a listed transaction) entered into in tax years beginning after October 22, 2004.
- **Interest allocable to the production of designated property.** Do not deduct interest on debt allocable to the production of designated property. Interest that is allocable to such property produced by an organization for its own use or for sale must be capitalized. An organization must also capitalize any interest on debt allocable to an asset used to produce the earlier property. See section 263A(f) and Regulations sections 1.263A-8 through 1.263A-15.
- **Interest on below-market loans.** See section 7872 for special rules regarding the deductibility of foregone interest on certain below-market-rate loans.
- **Interest on which no tax is imposed (section 163(j)).** For tax years beginning after May 16, 2006, an organization that owns an interest in a partnership, directly or indirectly, must treat its distributive share of the partnership liabilities, interest income, and interest expense as liabilities, income, and expenses of the organization for purposes of applying the earnings stripping rules. See section 163(j)(8).

Line 19. Taxes and Licenses

Enter taxes and license fees paid or accrued during the year, but do not include the following taxes.

- Federal income taxes.
- Foreign or U.S. possession income taxes if a foreign tax credit is claimed.
- Taxes not imposed on your organization.
- Taxes, including state or local sales taxes, paid or incurred in connection with an acquisition or disposition of property. These taxes must be treated as part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition.

- Taxes assessed against local benefits that increase the value of the property assessed (such as for paving, etc.).
- Taxes deducted elsewhere on the return, such as those reflected in cost of goods sold.

See section 164(d) for apportionment of taxes on real property between the buyer and seller.

Line 20. Charitable Contributions

Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c). Also, enter any unused contributions carried over from earlier years. The deduction for contributions will be allowed whether or not directly connected with the conduct of a trade or business.

Corporations. The total amount claimed normally cannot be more than 10% of unrelated business taxable income figured without regard to the following.

- Any deduction for contributions.
- The domestic production activities deduction under section 199.
- Any net operating loss (NOL) carryback to the tax year under section 172.
- Any capital loss carryback to the tax year under section 1212(a)(1).

Corporations on the accrual basis can elect to deduct contributions paid by the 15th day of the 3rd month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach a declaration statement to the return stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. The declaration statement must also include the date the resolution was adopted. See Regulations section 1.170A-11.

Suspension of 10% limitation for farmers and ranchers. An organization that is a qualified farmer or rancher (as defined in section 170(b)(1)(E)) that does not have publicly traded stock can deduct contributions of qualified conservation property without regard to the general 10% limit. The total amount of the contribution claimed for the qualified conservation property cannot exceed "100%" of the excess of the organization's taxable income (as computed above substituting "100%" for "10%" over all other allowable charitable contributions). Any excess qualified conservation contributions can be carried over the next 15 years subject to the 100% limitation. See section 170(b)(2)(B).

Contributions of conservation property made after August 17, 2006 that is used in agriculture or live stock production must remain available for such productions.

Carryover. Charitable contributions over the 10% limitation cannot be deducted for the tax year, but may be carried over to the next 5 tax years.

In figuring the charitable contributions deduction, if the corporation has an NOL carryover to the tax year, the 10% limit is applied using the taxable income after taking into account any deduction for the NOL.

To figure the amount of any remaining NOL carryover to later years, taxable income must be modified. See section 172(b). To the extent charitable contributions are used to reduce taxable income for this purpose and increase a net operating loss carryover, a contributions carryover is not allowed. See section 170(d)(2)(B).

Trusts. In general:

1. For contributions to organizations described in section 170(b)(1)(A), the amount claimed may not be more than 50% of the unrelated business taxable income figured without this deduction; and
2. For contributions to other organizations, the amount claimed may not be more than the smaller of:
 - a. 30% of unrelated business taxable income figured without this deduction; or
 - b. The amount by which 50% of the unrelated business taxable income is more than the contributions allowed in 1, above.



Contributions not allowable in whole or in part because of the limitations may not be deducted as a business expense but may be carried over to the next 5 tax years.

Substantiation requirements.

Generally, no deduction is allowed for any contribution of \$250 or more, unless the organization gets a written acknowledgment from the donee organization that shows the amount of cash contributed, describes any property contributed, and either gives a description and a good faith estimate of the value of any goods or services provided in return for the contribution or states that no goods or services were provided in return for the contribution. The acknowledgment must be obtained by the due date (including extensions) of the organization's return, or, if earlier, the date the return is filed. However, see section 170(f)(8) and the related regulations for exceptions to this rule. Do not attach the acknowledgment to the return but keep it with the organization's records.

Note. For contributions of cash, check, or other monetary gifts (regardless of the amount), the organization must maintain a bank record, or a receipt, letter, or other written communication from the donee

organization indicating the name of the organization, the date of the contribution, and the amount of the contribution.

Contributions of property other than cash. If an organization contributes property other than cash and claims over a \$500 deduction for the property, it must attach a statement to the return describing the kind of property contributed and the method used to determine its fair market value (FMV). All organizations generally must complete and attach Form 8283, Noncash Charitable Contributions, to their returns for contributions or property (other than money) if the total claimed deduction for all property contributed was more than \$5,000. Special rules apply to the contribution of certain property. See the Instructions for Form 8283. A donee organization must use Form 8282, Donee Information Return, to report information to the IRS and donors about dispositions of certain charitable deduction property made within 3 years after the donor contributed the property. See the instructions for Form 8282.

Special rules for contributions of certain easements in registered historic districts. The following rules apply to certain contributions of real property interests located in a registered historic district.

- A deduction is allowed for the qualified real property interest, if the exterior of the building (including the front, side, rear, and space above the building) is preserved and no portion of the exterior is changed in a manner that is inconsistent with its historical character. See section 170(h)(4)(B).

- A deduction is allowed on the building only (no deduction is allowed for a structure or land) if located in a registered historic district. However, if listed in the National Register, a deduction is also allowed for structures or land areas. See section 170(h)(4)(C).

- The organization must also include the following information with the tax return.

1. A qualified appraisal (as defined in section 170(f)(11)(E)) of the qualified property interest,

2. Photographs of the entire exterior of the building, and

3. A description of all restrictions on the development of the building. See section 170(h)(4)(B)(iii).

- The organization's deduction may be reduced if rehabilitation credits were claimed on the building. See section 170(f)(14).

- A \$500 filing fee may apply to certain deductions over \$10,000. See section 170(f)(13).

Reduced deductions for contributions for certain property. The organization

must reduce its deduction for contributions of certain capital gain property and qualified appreciated stock. See sections 170(e)(1) and 170(e)(5).

Special rules for corporation. A larger deduction is allowed for certain contributions of:

- Inventory and other property to certain organizations for use in the care of the ill, needy, or infants (including contributions of apparently wholesome food and contributions of qualified book inventory to public schools) (see section 170(e)(3) and Regulations section 1.170A-4A); and
- Scientific equipment used for research to institutions of higher learning or to certain scientific research organizations (see section 170(e)(4)).

See section 170, the related regulations, and Pub. 526, Charitable Contributions.

Line 21. Depreciation

Besides depreciation, include on line 21 the part of the cost, under section 179, that the organization elected to expense for certain tangible property placed in service during the tax year or carried over from the prior tax year. See Form 4562 and its instructions.

Line 23. Depletion

See sections 613 and 613A for percentage depletion rates for natural deposits. Attach Form T, Forest Activities Schedules, if a deduction is taken for depletion of timber.

Line 24. Contributions to Deferred Compensation Plans

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file Form 5500. This requirement applies whether or not the plan is qualified under the IRC and whether or not a deduction is claimed for the current tax year. Section 6652(e) imposes a penalty for late filing of these forms. In addition, there is a penalty for overstating the pension plan deduction. See section 6662(f).

Line 25. Employee Benefit Programs

Enter the amount of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a deferred compensation plan included on line 24.

Line 28. Other Deductions

Enter on this line the deduction taken for amortization (see Form 4562) as well as other authorized deductions for which no space is provided on the return. Attach a separate statement listing the deductions claimed on this line. Deduct only items directly connected with the unrelated trade

or business for which income is reported in Part I.

Domestic production activities deduction. Complete Form 8903 and enter the deduction on this line.

Do not deduct fines or penalties paid to a government for violating any law.

Energy efficient commercial buildings.

You may deduct expenses for energy efficient commercial buildings placed in service after December 31, 2005, and before January 1, 2017. See section 179D.

Extraterritorial income exclusion.

Complete Form 8873 and enter the deduction from line 52, on this line.

Do not deduct fines or penalties paid to a government for violating any law. The exclusion was repealed generally for transactions after 2004, with some exceptions. See Form 8873 and its instructions.

Line 31. Net Operating Loss (NOL) Deduction

The NOL deduction is the total of the net operating loss carryovers and carrybacks that can be deducted in the tax year. To be deductible, an NOL must have been incurred in an unrelated trade or business activity. See section 172(a).

Enter on line 31 the total NOL carryover from other tax years, but do not enter more than the amount shown on line 30. An organization that claims the deduction with respect to any NOL carried through taxable years for which the organization was not required to file Form 990-T must show the amount of the deduction and how it was computed, but the organization need not file a Form 990-T in order to preserve an NOL carryover. The amount of an NOL carryback or carryover is determined under section 172. See Regulations section 1.512(b)-1(e). Attach a statement showing the computation of the NOL deduction.

Under Code section 172(b), an organization generally may carry an NOL back up to 2 tax years or forward up to 20 tax years. An organization that wishes to carry an NOL back to a prior year must file an amended Form 990-T for that year. Form 1045 or 1139 cannot be used for this purpose, though it may be attached to the amended Form 990-T to show the NOL computation. See Pub. 536, Net Operating Losses for Individuals, Estates and Trusts.

Line 33. Specific Deduction

A specific deduction of \$1,000 is allowed except for computing the net operating loss and the net operating loss deduction under section 172.

Only one specific deduction may be taken, regardless of the number of

unrelated businesses conducted. However, a diocese, province of a religious order, or convention or association of churches is allowed one specific deduction for each parish, individual church, district, or other local unit that regularly conducts an unrelated trade or business. This applies only to those parishes, districts, or other local units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, or association). Each specific deduction will be the smaller of \$1,000 or the gross income from any unrelated trade or business the local unit conducts. If you claim a total specific deduction larger than \$1,000, attach a statement showing how you figured the amount.

The diocese, province of a religious order, or convention or association of churches must file a return reporting the gross income and deductions of all its units that are not separate legal entities. These local units cannot file separate returns because they are not separately incorporated. Local units that are separately incorporated must file their own returns and cannot be included with any other entity except for a title holding company. See *Consolidated Returns*, earlier.

For details on the specific deduction, see section 512(b)(12) and the related regulations.

Part III. Tax Computation

Lines 35a and 35b

Corporate members of a controlled group, as defined in section 1563, must check the box on line 35 and complete lines 35a and 35b. Lines 35a and 35b must agree with amount(s) reported on the Schedule O (Form 1120), Consent Plan and Apportionment Schedule for a Controlled Group, filed by the other component members of the controlled group. See Schedule O (Form 1120) and its instructions.

The term "controlled group" means any parent-subsidiary group, brother-sister group, or combined group. See the definitions, below.

Parent-subsidiary group.

Parent-subsidiary group is one or more chains of corporations connected through stock ownership with a common parent corporation if:

- Stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of each of the corporations, except the common parent corporation, is directly or indirectly owned by one or more of the other corporations; and

- The common parent corporation directly or indirectly owns stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of at least one of the other corporations, excluding, in computing such voting power or value, stock owned directly by such other corporation.

Brother-sister group. A brother-sister group is two or more corporations if the same five or fewer persons who are individuals, estates, or trusts directly or indirectly own stock possessing:

1. At least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of the stock of each corporation, and

2. More than 50% of the total combined voting power of all classes of stock entitled to vote or more than 50% of the total value of shares of all classes of stock of each corporation, taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation.

The definition of a brother-sister group does not include item 1 earlier, for purposes of determining and allocating the following.

- Taxable income brackets,
- Accumulated earnings credit,
- Alternative minimum tax exemption amount,
- Phaseout of the alternative minimum tax exemption amount, or
- The additional tax.

For purposes of determining whether a corporation is a member of a brother-sister controlled group of corporations, within the meaning of section 1563(a)(2), stock owned by a person who is an individual, estate, or trust means:

- Stock owned directly by such person, and
- Stock owned with the application of section 1563(e).

Combined group. A combined group is three or more corporations each of which is a member of a parent-subsidiary group or a brother-sister group, and one of which is:

- A common parent corporation included in a group of corporations in a parent-subsidiary group, and also
- Included in a group of corporations in a brother-sister group.

See section 1563.

Members of a controlled group are entitled to one \$50,000, one \$25,000, and one \$9,925,000 taxable income bracket amount (in that order) on line 35a.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the amount in each taxable income bracket apportioned to that member. See Regulations section 1.1561-3(b) for other requirements and for the time and manner of making the consent.

Equal apportionment plan. If no apportionment plan is adopted, members of a controlled group must divide the amount in each taxable income bracket equally among themselves. For example, Controlled Group AB consists of Corporation A and Corporation B. They do not elect an apportionment plan. Therefore, Corporation A and Corporation B are each entitled to \$25,000 (one-half of \$50,000) in the \$50,000 taxable income bracket on line 35a(1), \$12,500 (one-half of \$25,000) in the \$25,000 taxable income bracket on line 35a(2), and \$4,962,500 (one-half of \$9,925,000) in the \$9,925,000 taxable income bracket on line 35a(3).

Unequal apportionment plan.

Members of a controlled group may elect an unequal apportionment plan and divide the taxable income brackets as they want. There is no need for consistency among taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the taxable income bracket. However, the total amount for all members cannot be more than the total amount in each taxable income bracket.

Additional 5% tax and additional 3% tax. Members of a controlled group are treated as one corporation to figure the applicability of the additional 5% tax that must be paid by corporations with taxable income over \$100,000 and the additional 3% tax that must be paid by corporations with taxable income over \$15 million. If either additional tax applies, each member of the controlled group will pay that tax based on the part of the amount that is used in each taxable income bracket to reduce that member's tax. See section 1561(a). Each member must enter its share of the additional 5% tax on line 35b(1) and its share of the additional 3% tax on line 35b(2) and attach to its tax return a statement that shows the taxable income of the entire group, as well as how its share of the additional tax was figured.

Lines 35c and 36

Deferred tax amount under section 1291.

If your organization has an excess distribution from a passive foreign investment company (PFIC) that is taxable as unrelated business taxable income, the organization may owe the deferred tax amount defined in section 1291(c)(1). The portion of the deferred tax amount that is the aggregate increases in taxes

(described in section 1291(c)(2)) must be included in the amount entered on line 35c or 36. Write to the left of line 35c or 36, "Sec. 1291" and the amount.

Do not include on line 35c or 36 the portion of the deferred tax amount that is the aggregate amount of interest determined under section 1291(c)(3). Instead, write "Sec. 1291 interest" and the amount in the bottom right margin of Form 990-T, page 2. See Part IV of Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.

Line 35c. Corporations

Use the *Tax Rate Schedule for Corporations* shown below to figure the tax.



Members of a controlled group use the Tax Computation Worksheet for Members of a Controlled Group shown below to figure the tax. Members of a controlled group should see the instructions earlier for lines 35a and 35b. Members of a controlled group must attach a statement showing the computation of the tax entered on line 35c.

Tax Rate Schedule for Corporations

If the amount on line 34 is:

Over—	But not over—	Tax is:	Of the amount over—
\$0	\$50,000	15%	\$0
50,000	75,000	\$7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	-----	35%	0

Tax Computation Worksheet for Members of a Controlled Group (Keep for your records)

Each member of a controlled group must compute the tax using the computation below:

1. Enter unrelated business taxable income (Form 990-T, line 34)
2. Enter line 1 or corporation's share of the \$50,000 taxable income bracket, whichever is less
3. Subtract line 2 from line 1
4. Enter line 3 or corporation's share of the \$25,000 taxable income bracket, whichever is less
5. Subtract line 4 from line 3
6. Enter line 5 or corporation's share of the \$9,925,000 taxable income bracket, whichever is less
7. Subtract line 6 from line 5
8. Enter 15% of line 2
9. Enter 25% of line 4
10. Enter 34% of line 6
11. Enter 35% of line 7
12. If the taxable income of the controlled group exceeds \$100,000, enter this member's share of the smaller of: (a) 5% of the excess over \$100,000, or (b) \$11,750 (see instructions for additional 5% and additional 3% tax).
13. If the taxable income of the controlled group exceeds \$15 million, enter this member's share of the smaller of: (a) 3% of the excess over \$15 million, or (b) \$100,000 (see instructions for additional 5% and additional 3% tax).
14. Add lines 8 through 13. Enter here and on Form 990-T, line 35c

Line 36. Trusts

Trusts exempt under section 501(a), which otherwise would be subject to subchapter J (estates, trusts, etc.), are taxed at trust rates. This rule also applies to employees' trusts that qualify under section 401(a). Most trusts figure the tax on the unrelated business taxable income amount on line 34 using the *Tax Rate Schedule for Trusts*, later. If the tax rate schedule is used, enter the tax on line 36 and check the "tax rate schedule" box on line 36. If the trust is eligible for the rates on net capital gains and qualified dividends, complete Schedule D (Form 1041) and enter on line 36 the tax from Schedule D (Form 1041). Check the "Schedule D" box on line 36 and attach Schedule D (Form 1041) to Form 990-T.

Tax Rate Schedule for Trusts

If the amount on line 34, is:

Over—	But not over—	Tax is:	Of the amount over—
\$0.00	\$2,500	15%	\$0.00
2,500	5,900	\$375 + 25%	2,500
5,900	9,050	1,225 + 28%	5,900
9,050	12,300	2,107 + 33%	9,050
12,300	-----	3,179.50 + 39.6%	12,300

Line 37. Proxy Tax

To pay the section 6033(e)(2) proxy tax on nondeductible lobbying and political expenditures, enter the proxy tax on line 37 and attach a statement showing the computation.

Exempt organizations, except section 501(c)(3) and certain other organizations, must include certain information regarding lobbying expenditures on Form 990. In addition, organizations may have to provide notices to members regarding their share of dues to which the expenditures are allocable. See the Instructions for Form 990 and Rev. Proc. 98-19, 1998-1 C.B. 547, for exceptions.

If the organization elects not to provide the notices described earlier, it must pay the proxy tax described in section 6033(e)(2). If the organization does not include the entire amount of allocable dues in the notices, it may have to pay the proxy tax. This tax is not applicable to section 501(c)(3) organizations. Figure the proxy tax by multiplying the aggregate amount not included in the notices described earlier by 35%. No deductions are allowed.

Line 38. Alternative Minimum Tax

Organizations liable for tax on unrelated business taxable income may be liable for alternative minimum tax on certain adjustments and tax preference items. Trusts attach Schedule I (Form 1041), Alternative Minimum Tax—Estates and Trusts, and enter any tax from Schedule I on this line. A corporation, unless it is treated as a "small corporation" exempt from the alternative minimum tax, may have to attach Form 4626, Alternative Minimum Tax—Corporations, and enter any tax from Form 4626 on this line. See the Instructions for Form 4626 for the definition of a small corporation.

Part IV. Tax and Payments

Line 40a. Foreign Tax Credit

- **Corporations.** See Form 1118, Foreign Tax Credit—Corporations, for an explanation of when a corporation can claim this credit for payment of income tax to a foreign country or U.S. possession.
- **Trusts.** See Form 1116, Foreign Tax Credit (Individual, Estate, or Trust), for rules on how the trust computes the foreign tax credit.

Complete the form that applies to the organization and attach the form to its Form 990-T. Enter the credit on this line.

Line 40b. Other Credits

- **American Samoa economic development credit.** An organization that is an existing credit claimant with respect to American Samoa, may be able to claim

the American Samoa economic development credit. See the Instructions for Form 5735.

• **Qualified plug-in electric and electric vehicle credit.** Include on line 40b any credit from Form 8834, Qualified Plug-in Electric and Electric Vehicle Credit. Complete and attach Form 8834.

• **Credit to holders of tax credit bonds.** Enter the amount of the credit to holders of clean renewable energy bonds (for bonds issued before 2010), new clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, qualified school construction bonds, and Build America bonds, and attach Form 8912.

Line 40c. General Business Credit

Enter on line 40c the organization's total general business credit (excluding the work opportunity credit, the empowerment zone employment credit, the Indian employment credit, and the credit for employer differential wage payments). Additionally, in some cases, certain general business credits should not be claimed if the seller of the property discloses to the organization that the seller intends to claim the credit and discloses the tentative amount of the credit. These include the qualified plug-in electric and electric vehicle credit, the alternative motor vehicle credit, the alternative fuel vehicle refueling property credit, and the qualified plug-in electric drive motor vehicle credit.

The organization is required to file Form 3800, General Business Credit, to claim any business credit. For a list of credits, see Form 3800. Include the allowable credit from Form 3800, Part II, line 32, on Form 990-T, line 40c.



An organization described in section 501(c) which is exempt from tax under section 501(a) should not use Form 3800 to claim the refundable small employer tax credit for certain health insurance premiums paid on behalf of its employees. See the instructions for line 44f.

Line 40d. Credit for Prior Year Minimum Tax

Use Form 8801 to figure the minimum tax credit and any carryforwards of that credit for trusts. For corporations, use Form 8827.

Line 42. Other Taxes

Recapture of investment credit. If property is disposed of, or ceases to be qualified property, before the end of the recapture period or the useful life applicable to the property, there may be a

recapture of the credit. See Form 4255, Recapture of Investment Credit.

Recapture of low-income housing credit. If the organization disposed of property (or there was a reduction in the qualified basis of the property) for which it took the low-income housing credit, it may owe a tax. See Form 8611, Recapture of Low-Income Housing Credit, and section 42(j) for details.

Interest due under the look-back method. If the organization used the look-back method for certain long-term contracts, see Form 8697 for information on figuring the interest the organization may have to include. The organization may also have to include interest due under the look-back method for property depreciated under the income forecast method. See Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method.

Other. Additional taxes and interest amounts may be included in the total entered on line 42. Check the box for "Other" if the organization includes any of the taxes and interest discussed, later. See *How to report*, below, for details on reporting these amounts on an attached statement.

- Recapture of qualified electric vehicle (QEV) credit. The organization must recapture part of the QEV credit it claimed in a prior year if within 3 years of the date the vehicle was placed in service, it ceases to qualify for the credit. See Regulations section 1.30-1 for details on how to figure the recapture.
- Tax and interest on a nonqualified withdrawal from a capital construction fund (section 7518).
- Interest on deferred tax attributable to (a) installment sales of certain timeshares and residential lots (section 453(l)(3)) and (b) certain nondealer installment obligations (section 453A(c)).
- Interest due on deferred gain (section 1260(b)).
- If the organization makes the election to be taxed on its income from qualifying shipping activities, complete and attach Form 8902 to Form 990-T. See *Income from qualifying shipping activities*, earlier.

How to report. If the organization checked the "Other" box, attach a statement showing the computation of each item included in the total for line 42. In addition, identify (a) the applicable IRC section, (b) the type of tax or interest, and (c) enter the amount of tax or interest. For example, if the organization is reporting \$100 of tax due from the recapture of the QEV credit, write "Section 30-QEV recapture tax—\$100" on the attached statement.

Line 43. Total Tax

Include any deferred tax on the termination of a section 1294 election applicable to shareholders in a qualified electing fund in the amount entered on line 43. See Form 8621, Part V, and *How to report*, later.

Subtract from the total entered on line 43 any deferred tax on the corporation's share of undistributed earnings of a qualified electing fund (see Form 8621, Part II).

How to report. Attach a statement showing the computation of each item included in, or subtracted from, the total on line 43. On the dotted line next to line 43, specify (a) the applicable IRC section, (b) the type of tax, and (c) enter the amount of tax.

Line 44b. Estimated Tax

Enter the total estimated tax payments made for the tax year.

If an organization is the beneficiary of a trust, and the trust makes a section 643(g) election to credit its estimated tax payments to its beneficiaries, include the organization's share of the estimated tax payment in the total amount entered here. In the entry space to the left of line 44b, write "T" and the amount attributable to it.

Line 44d. Foreign Organizations

Enter the tax withheld on unrelated business taxable income from U.S. sources that is not effectively connected with the conduct of a trade or business within the United States. Attach Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, or other form which verifies the withheld tax reported on line 44d.

Line 44e. Backup Withholding

Recipients of dividend or interest payments must generally certify their correct tax identification number to the bank or other payer on Form W-9. If the payer does not get this information, it must withhold part of the payments as "backup withholding." If your organization was subject to erroneous backup withholding because the payer did not realize you were an exempt organization and not subject to this withholding, you can claim credit for the amount withheld by including it on line 44e. See Backup withholding under *Which Parts To Complete*, earlier.

Line 44f. Credit for Small Employer Health Insurance Premiums

An organization described in section 501(c) which is exempt from tax under section 501(a) may be eligible to claim the refundable small employer tax credit for a

percentage of certain health insurance premiums paid on behalf of its employees.

A tax-exempt eligible small employer can request the refundable credit by attaching Form 8941, Credit for Small Employer Health Insurance Premiums, showing the calculation for the amount of the refundable credit claimed. A tax-exempt organization is not eligible for the refundable credit if it is not an organization that is described in section 501(c) which is exempt from tax under section 501(a). The organization must keep records to substantiate the amount of the credit claimed.



TIP If a tax-exempt eligible small employer is filing Form 990-T only to request a credit for small employer health insurance premiums paid, complete the following steps:

1. Fill in the heading (the area above Part I) except items E, H and I.
2. Enter -0- on line 13, column (A), line 34, and line 43.
3. Enter the credit from Form 8941, line 20, on line 44f.
4. Complete lines 45, 48, 49 and the signature area.
5. Write "Request for 45R Credit Only" on the top of the Form 990-T.

Line 44g. Other Credits and Payments

Check the appropriate box(es) and enter:

- From Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, the credit from regulated investment company (RIC) or real estate investment trust (REIT). Also, attach Form 2439. If you are filing a composite Form 990-T, see *Composite Form 990-T* under *Which Parts To Complete*, earlier.
- From Form 4136, the credit for federal tax paid on fuels. Also, attach Form 4136, Credit for Federal Tax Paid on Fuels, if the organization qualifies to claim this credit.
- The credit for ozone-depleting chemicals. Include any credit the organization is claiming under section 4682(g) for taxes paid on chemicals used as propellants in metered-dose inhalers.

After entering these amounts in the appropriate spaces, add them all together and enter the total on line 44g.



TIP Form 8849, Claim for Refund of Excise Taxes, may be used to claim a periodic refund of excise taxes instead of waiting to claim a credit on Form 4136. See the instructions for Form 8849 and Pub. 510, Excise Taxes (Including Fuel Tax Credits and Refunds).

Line 47. Tax Due

Domestic organizations owing less than \$500 and foreign organizations that do not

have an office or place of business in the United States should enclose a check or money order (in U.S. funds), made payable to the "United States Treasury," with Form 990-T.

Domestic organizations owing \$500 or more and foreign organizations with an office or place of business in the United States should see *Depository Method of Tax Payment* earlier.

Part V. Statements Regarding Certain Activities and Other Information

Complete all items in Part V.

Line 1. Check "Yes" if either item 1 or 2 below applies:

1. At any time during the year the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); and
 - a. The combined value of the accounts was more than \$10,000 at any time during the year; and
 - b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1, earlier.

If the "Yes" box is checked, write the name of the foreign country or countries. Attach a separate sheet if more space is needed.

Get FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to see if the organization is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). If the organization is required to file this form, file FinCEN Form 114 electronically by June 30, 2016, with the Department of the Treasury using FinCEN's BSA E-Filing System. Because FinCEN Form 114 is not a tax form, do not file it with Form 990-T.

See www.fincen.gov for more information

Line 2. The organization may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, if:

- It directly or indirectly transferred money or property to a foreign trust. For this purpose, any U.S. person who created a foreign trust is considered a transferor;

- It is treated as the owner of any part of the assets of a foreign trust under the grantor trust rules; or
- It received a distribution from a foreign trust.

See the Instructions for Form 3520.



CAUTION An owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner. For details, see the Instructions for Form 3520-A.

Line 3. Report any tax-exempt interest received or accrued in the space provided. Include any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Signature

Corporations. The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or by any other corporate officer (such as tax officer) authorized to sign. Receivers, trustees, or assignees must also sign and date any return filed on behalf of the organization.

Trusts. The return must be signed and dated by the individual fiduciary, or by the authorized officer of the trust receiving or having custody or control and management of the income of the trust. If two or more individuals act jointly as fiduciaries, any one of them may sign.

Special rule for IRA trusts. A trustee of IRA trusts may use a facsimile signature if all of the following conditions are met.

- Each group of returns sent to the IRS must be accompanied by a letter signed by the person authorized to sign the returns declaring, under penalties of perjury, that the facsimile signature appearing on the returns is the signature adopted by that person to sign the returns filed and that the signature was affixed to the returns by that person or at that person's direction.
- The letter must also list each return by the name and EIN of the IRA trust.
- After the facsimile signature is affixed, no entries on the return may be altered other than to correct discernible arithmetic errors.
- A manually signed copy (of the letter submitted to the IRS with the returns and a record of any arithmetic errors corrected) must be retained on behalf of the IRA trusts listed in the letter and it must be available for inspection by the IRS.

Paid preparer. If an officer of the organization filled in its return, the paid preparer's space should remain blank. Anyone who prepares the return but does not charge the organization should not

sign the return. Certain others who prepare the return should not sign. For example, a regular, full-time employee of the organization, such as a clerk, secretary, etc., should not sign.

Generally, anyone who is paid to prepare the organization's tax return must sign it and fill in the *Paid Preparer Use Only* area.

The paid preparer must complete the required preparer information:

- Sign the return in the space provided for the preparer's signature.
- Give a copy of the return to the organization.

Note. A paid preparer may sign original returns, amended returns, or requests for filing extensions by rubber stamp, mechanical device, or computer software program. Also, facsimile signatures are authorized.

Paid Preparer Authorization. If the organization wants to allow the IRS to discuss this tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer Use Only* section of its return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the organization is authorizing the IRS to call the paid preparer to:

- Give the IRS any information that is missing from its return,
- Call the IRS for information about the processing of its return or the status of its refund or payment(s), and
- Respond to certain IRS notices that the organization has shared with the preparer about a math error, offsets, and return preparation. The notices will not be sent to the preparer.

The organization is not authorizing the paid preparer to receive any refund check, bind the organization to anything (including any additional tax liability), or otherwise represent the organization before the IRS. If the organization wants to expand the paid preparer's authorization, see Pub. 947, *Practice Before the IRS and Power of Attorney*.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (excluding extensions) for filing next year's Form 990-T.



Enter the paid preparer's PTIN, not his or her Social Security number (SSN), in the "PTIN" box in the paid preparer's block. Because Form 990-T is publicly disclosable when filed by a 501(c)(3) organization, any information entered in this block will be publicly disclosed. For more information

about PTIN's, visit the IRS website at www.irs.gov/taxpros.

Schedule A. Cost of Goods Sold

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1.

However, if the organization is a qualifying taxpayer or a qualifying small business taxpayer, it may adopt or change its accounting method to account for inventoriable items in the same manner as materials and supplies that are not incidental (unless its business is a tax shelter (as defined in section 448(d)(3))).

A qualifying taxpayer is a taxpayer that, for each prior tax year ending after December 16, 1998, has average annual gross receipts of \$1 million or less for the 3-tax-year period ending with that prior tax year.

A qualifying small business taxpayer is a taxpayer (a) that has average annual gross receipts of \$10 million or less for the 3-tax-year period ending with that prior tax year, and (b) whose principal business activity is not an ineligible activity.

Under this accounting method, inventory cost for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year the organization paid for the raw materials or merchandise, if it is also using the cash method). For additional guidance on this method of accounting for inventoriable items, see Pub. 538 and the Instructions for Form 3115.

Enter amounts paid for all raw materials and merchandise during the tax year on line 2. The amount the organization can deduct for the tax year is figured on line 7.

All filers not using the cash method of accounting should see Section 263A uniform capitalization rules, earlier in the instructions for *Limitations on Deductions* before completing Schedule A. The instructions for lines 1, 4a, 4b, and 6 later apply to Schedule A.

Inventory valuation methods.

Inventories can be valued at:

1. Cost as described in Regulations section 1.471-3,
2. Lower of cost or market as described in Regulations section 1.471-4, or
3. Any other method approved by the IRS that conforms to the requirements of the applicable regulations cited below.

However, if the organization is using the cash method of accounting, it is required to use cost.

A small producer is one whose average annual gross receipts are \$1 million or less. Small producers that account for inventories in the same manner as materials and supplies that are not incidental may currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs.

The average cost (rolling average) method of valuing inventories generally does not conform to the requirement of the regulations. See Rev. Rul. 71-234, 1971-1 C.B. 148.

Organizations that use erroneous valuation methods must change to a method permitted for federal income tax purposes. File Form 3115 to make this change.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are subnormal because of damage, imperfections, shop wear, etc., within the meaning of Regulations section 1.471-2(c). The goods may be valued at the bona fide selling price, minus direct cost of disposition (but not less than scrap value). Bona fide selling price means actual offering of goods during a period ending not later than 30 days after inventory date.

If this is the first year the Last-in First-out (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method provided in section 472, attach Form 970, *Application To Use LIFO Inventory Method*, or a statement with the information required by Form 970.

If the organization changed or extended its inventory method to LIFO and had to write up the opening inventory to cost in the year of election, report the effect of this write-up as other income (line 12) proportionately over a 3-year period that begins in the tax year the LIFO election was made (section 472(d)).

Schedule A, line 1. If the organization is changing its method of accounting to no longer account for inventories, it must refigure last year's closing inventory using the new method of accounting and enter the result on line 1. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring the organization's section 481(a) adjustment (explained earlier).

Schedule A, line 4a. An entry is required on this line only for organizations that have elected a simplified method of accounting.

For organizations that have elected the simplified production method, additional

section 263A costs are generally those costs, other than interest, that are now required to be capitalized under section 263A but that were not capitalized under the organization's method of accounting immediately prior to the effective date of section 263A. For details, see Regulations section 1.263A-2(b).

For organizations that have elected the simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories:

- Off-site storage or warehousing;
- Purchasing;
- Handling, such as processing, assembling, repackaging, and transporting; and
- General and administrative costs (mixed service costs).

For details, see Regulations section 1.263A-3(d).

Enter on line 4a the balance of section 263A costs paid or incurred during the tax year not included on lines 2 and 3.

Schedule A, line 4b. Enter on line 4b any costs paid or incurred during the tax year not entered on lines 2 through 4a.

Schedule A, line 6. See Regulations sections 1.263A-1 through 1.263A-3 for details on figuring the amount of additional section 263A costs to be included in ending inventory.

If the organization accounts for inventories in the same manner as materials and supplies that are not incidental, enter on line 6 the portion of its raw materials and merchandise purchased for resale that are included on line 5 and were not sold during the year.

Schedule C. Rent Income

Section 501(c)(7), (9), and (17) organizations, enter gross rents in Part I, line 6, and applicable expenses in Part II, lines 14 through 28. All rents except those that are exempt function income must be included.

All organizations that have applicable rent income, other than section 501(c)(7), (9), and (17) organizations, should complete Schedule C. For organizations other than section 501(c)(7), (9), and (17) organizations, only the following rents are taxable in Part I, line 6:

1. Rents from personal property leased with real property, if the rents from the personal property are more than 10% of the total rents received or accrued under the lease, determined at the time the personal property is placed in service.
2. Rents from real and personal property if:

a. More than 50% of the total rents received or accrued under the lease are for personal property; or

b. The amount of the rent depends on the income or profits derived by any person from the property leased (except an amount based on a fixed percentage of receipts or sales).

A redetermination of the percentage of rent for personal property is required when either:

1. There is an increase of 100% or more by the placing of additional or substitute personal property in service; or
2. There is a modification of the lease that changes the rent charged.

Rents from both real and personal property not taxable in Part I, line 6, may be taxable on line 8 if the income is from a controlled organization or on line 7 if the property is debt-financed. Taxability of the rents must be considered in that order; that is, rents not taxed on line 6 may be taxed on line 8 and rents not taxed on line 6 or line 8 may be taxed on line 7.

Rents from personal property not leased with real property should be reported on Part I, line 12.

See Form 8582 (for trusts) or Form 8810 (for corporations) and section 469 for limitations on losses from rental activities.

Schedule E. Unrelated Debt-Financed Income

Schedule E applies to all organizations except sections 501(c)(7), (9), and (17) organizations.

When debt-financed property is held for exempt purposes and other purposes, the organization must allocate the basis, debt, income, and deductions among the purposes for which the property is held. Do not include in Schedule E amounts allocated to exempt purposes.



For section 514 purposes, do not treat an interest in a qualified state tuition program (QSTP) as debt. However, a QSTP's investment income is treated as debt-financed income if the QSTP incurs indebtedness when acquiring or improving income-producing property.

Column 1. Any property held to produce income is debt-financed property if at any time during the tax year there was acquisition indebtedness outstanding for the property. When any property held for the production of income by an organization is disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding for that property at any time during the

12-month period before the date of disposition, the property is debt-financed property. Securities purchased on margin are considered debt-financed property if the liability incurred in purchasing them remains outstanding.

Acquisition indebtedness is the outstanding amount of principal debt incurred by the organization to acquire or improve the property. Acquisition indebtedness also includes indebtedness incurred:

1. Before the property was acquired or improved, if the indebtedness would not have been incurred but for such acquisition or improvement of the property; or

2. After the property was acquired or improved, if the indebtedness would not have been incurred but for such acquisition or improvement and the incurrence of such indebtedness was reasonably foreseeable at the time of such acquisition or improvement. See Regulations section 1.514(c)-1(a).

With certain exceptions, acquisition indebtedness does not include debt incurred by:

1. A qualified (section 401) trust in acquiring or improving real property. See section 514(c)(9).

2. A tax-exempt school (section 170(b)(1)(A)(ii)) and its affiliated support organizations (section 509(a)(3)) for indebtedness incurred after July 18, 1984.

3. An organization described in section 501(c)(25) in tax years beginning after December 31, 1986.

4. An obligation, to the extent that it is insured by the Federal Housing Administration, to finance the purchase, rehabilitation, or construction of housing for low and moderate income persons, or indebtedness incurred by a small business investment company licensed after October 22, 2004, under the Small Business Investment Act of 1958 if such indebtedness is evidenced by a debenture issued by such company under section 303(a) of that Act, and held or guaranteed by the Small Business Administration (see section 514(c)(6)(B) for limitations).

5. A retirement income account described in section 403(b)(9) in acquiring or improving real property in tax years beginning on or after August 17, 2006.

See Pub. 598 for additional exceptions to the rules for debt-financed property.

Column 2. Income is not unrelated debt-financed income if it is otherwise included in unrelated business taxable income. For example, do not include rents from personal property shown in Schedule C, or rents and interest from controlled organizations shown in Schedule F.

Column 4. Average acquisition indebtedness for any tax year is the average amount of the outstanding principal debt during the part of the tax year the property is held by the organization. To figure the average amount of acquisition debt, determine the amount of the outstanding principal debt on the first day of each calendar month during that part of the tax year that the organization holds the property. Add these amounts together, and divide the result by the total number of months during the tax year that the organization held the property. See section 514(a) and the related regulations for property acquired for an indeterminate price.

Column 5. The average adjusted basis for debt-financed property is the average of the adjusted basis of the property on the first and last days during the tax year that the organization holds the property. Determine the adjusted basis of property under section 1011. Adjust the basis of the property by the depreciation for all earlier tax years, whether or not the organization was exempt from tax for any of these years. Similarly, for tax years during which the organization is subject to tax on unrelated business taxable income, adjust the basis of the property by the entire amount of allowable depreciation, even though only a part of the deduction for depreciation is taken into account in figuring unrelated business taxable income.

If no adjustments to the basis of property under section 1011 apply, the basis of the property is cost.

See section 514(d) and the related regulations for the basis of debt-financed property acquired in a complete or partial liquidation of a corporation in exchange for its stock.

Column 7. The amount of income from debt-financed property included in unrelated trade or business income is figured by multiplying the property's gross income by the percentage obtained from dividing the property's average acquisition indebtedness for the tax year by the property's average adjusted basis during the period it is held in the tax year. This percentage cannot be more than 100%.

Column 8. For each debt-financed property, deduct the same percentage (as determined earlier) of the total deductions that are directly connected to the income (including the dividends-received deductions allowed by sections 243, 244, and 245). However, if the debt-financed property is depreciable property, figure the depreciation deduction by the straight line method only and enter the amount in column 3(a).

For each debt-financed property, attach statements showing separately a

computation of the depreciation deduction (if any) reported in column 3(a) and a breakdown of the expenses included in column 3(b). Corporations owning stock that is unrelated debt-financed property should see Schedule C (Dividends and Special Deductions) of Form 1120, U.S. Corporation Income Tax Return, to determine the dividends-received deductions to include in column 3(b).

Enter on the last line of Schedule E the total dividends-received deductions (after reduction, when applicable, by the debt-basis percentage(s)) included in column 8.

When a capital loss for the tax year may be carried back or carried over to another tax year, the amount to carry over or back is figured by using the percentage determined above. However, in the year to which the amounts are carried, do not apply the debt-basis percentage to determine the deduction for that year.

Example 1. An exempt organization owns a four-story building. Two floors are used for an exempt purpose and two floors are rented (as an unrelated trade or business) for \$10,000. Expenses are \$1,000 for depreciation and \$5,000 for other expenses that relate to the entire building. The average acquisition indebtedness is \$6,000, and the average adjusted basis is \$10,000. Both apply to the entire building.

To complete Schedule E for this example, describe the property in column 1. Enter \$10,000 in column 2 (since the entire amount is for debt-financed property), \$500 and \$2,500 in columns 3(a) and 3(b), respectively (since only one-half of the expenses are for the debt-financed property), \$3,000 and \$5,000 in columns 4 and 5, respectively (since only one-half of the acquisition indebtedness and the average adjusted basis are for debt-financed property), 60% in column 6, \$6,000 in column 7, and \$1,800 in column 8.

Example 2. Assume the same facts as in *Example 1*, except the entire building is rented out as an unrelated trade or business for \$20,000. To complete Schedule E for this example, enter \$20,000 in column 2, \$1,000 and \$5,000 in columns 3(a) and 3(b), respectively (since the entire amount is for debt-financed property), \$6,000 and \$10,000 in columns 4 and 5 (since the entire amount is for debt-financed property), 60% in column 6, \$12,000 in column 7, and \$3,600 in column 8.

Schedule F. Interest, Annuities, Royalties, and Rents From Controlled Organizations

Interest, annuities, royalties, and rents received or accrued (directly or indirectly) by a controlling organization from a controlled organization are subject to tax, whether or not the activity conducted by the controlling organization to earn these amounts is a trade or business or is regularly conducted.

Controlled organization. An entity is a "controlled organization" if the controlling organization owns:

- By vote or value more than 50% of a corporation's stock (for an organization that is a corporation);
- More than 50% of a partnership's profits or capital interests (for an organization that is a partnership); or
- More than 50% of the beneficial interests in an organization (for an organization other than a corporation or partnership).

To determine the ownership of stock in a corporation, apply the principles of section 318 (constructive ownership of stock). Apply similar principles to determine the ownership of interests in partnership or any other organization.

Specified payment. Specified payment means any payment of interest, annuities, royalties, or rents. Include the specified payment in gross income to the extent that the payment reduces the net unrelated income (or increases the net unrelated loss) of the controlled organization. If any part of a specified payment is included in gross income, Schedule F must be completed.

Qualifying specified payment. Qualifying specified payment means any payment of interest, annuities, royalties, or rents received or accrued from the controlled organization after December 31, 2005, pursuant to a binding written contract that was in effect on August 17, 2006, or is a renewable contract under substantially similar terms of a contract in effect on August 17, 2006. Qualifying specified payments are subject to tax only on the amount that exceeds what would have been paid or accrued if such payment had been determined under the principles of section 482.

Column 1 and 2. List every controlled entity and its EIN from which your organization received interest, annuities, royalties, or rents. For each of the columns, if a controlled organization makes specified payments, some of which are qualifying specified payments and some of which are not, report the qualifying specified payments on one line

and all other specified payments on another line. Thus, the organization must repeat the name of any controlled organization from which the organization receives both specified payments and qualifying specified payments.

Column 3. Enter the net unrelated income (or net unrelated loss) of each controlled entity listed that is exempt from tax under section 501(a).

Column 7. Enter each controlled organization's taxable income.

Column 8. Enter the net unrelated income (or net unrelated loss) of each controlled entity listed that is not exempt from tax under section 501(a). Net unrelated income is that portion of the controlled entity's taxable income that would be unrelated business taxable income if the entity were exempt under section 501(a) and had the same exempt purposes as the controlling organization. Net unrelated loss is the controlled organization's net operating loss adjusted under rules similar to those used to determine net unrelated income.

Column 4 or 9. For each controlled organization, enter the total of specified payments received from each controlled organization. If the organization received both specified payments and qualifying specified payments from a controlled organization, enter specified payments on one line and qualifying specified payments on another so that there are dual entries for that controlled organization.

Column 5 or 10. For specified payments, enter the portion of columns 4 or 9 to the extent that the payment reduced the net unrelated income (or increased the net unrelated loss) of the controlled entity.

Column 6 or 11. Enter only those deductions directly connected with the income entered in columns 5 or 10.

With respect to qualifying specified payments, enter only that portion of expenses directly connected to the amounts included in columns 5 or 10, that is, the excess of the payment over the fair market value amount as determined in accordance with section 482. Do not enter any expenses relating to the portion of such payment that is not includible in income under this special rule.

 For valuation misstatements regarding qualifying specified payments, there is a 20% addition to tax. See section 512(b)(13)(E)(ii).

Excess qualifying specified payments. Excess qualifying specified payments received or accrued from a controlled entity (that is, the amount of qualifying specified payments in excess of what would have been paid or accrued if

the payments had been determined under section 482) are included in a controlling exempt organization's unrelated business taxable income.

Schedule G. Investment Income of a Section 501(c)(7), (9), or (17) Organization

Generally, for section 501(c)(7), (9), or (17) organizations, unrelated trade or business income includes all gross income from nonmembers with certain modifications. See section 512(a)(3)(A). Report on Schedule G all income from investments in securities and other similar investment income from nonmembers, including 100% of income and directly connected expenses from debt-financed property. Do not report nonmember income from debt-financed property on Schedule E.

All section 501(c)(7), (9), and (17) organizations figure their investment income using Schedule G. Do not include interest on state and local governmental obligations described in section 103(a).

Investment income includes all income from debt-financed property.

Deduct only those expenses that are directly connected to the net investment income. Allocate deductions between exempt activities and other activities where necessary. The organization may not take the dividends-received deductions in figuring net investment income because they are not treated as directly connected with the production of gross income.

Section 501(c)(7), (9), and (17) organizations may set aside income that would otherwise be taxable under section 512(a)(3). However, income derived from an unrelated trade or business may not be set aside and thus cannot be exempt function income. In addition, any income set aside and later expended for other purposes must be included in income.

Section 501(c)(7), (9), and (17) organizations will not be taxed on income set aside for:

1. Religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;
2. The payment of life, sick, accident, or other benefits by a section 501(c)(9) or (17) organization. The amount allowed as a set aside may not exceed a limit determined using section 419A. See sections 419A and 512(a)(3)(E) for details; or
3. Reasonable administration costs directly connected with 1 and 2 earlier.

Report income set aside in Schedule G, column 4. Amounts set aside are not deductible under section 170 or any other section of the IRC.

The organization may elect to treat income set aside by the date for filing the return, including any extensions of time, as income set aside in the tax year for which the return is filed. The income set aside must have been includible in gross income for that earlier tax year.

Although set aside income may be accumulated, any accumulation that is unreasonable will be evidence that the set aside was not for the purposes previously mentioned.

Net investment income set aside must be specifically earmarked as such, or placed in a separate account or fund (except for an employees' association which, by the terms of its governing instrument, must use its net investment income for the purposes stated in 2 earlier).

These rules apply to a corporation described in section 501(c)(2) (title holding corporation) whose income is payable to an organization described in section 501(c)(7), (9), or (17) if it files a consolidated return with the section 501(c)(7), (9), or (17) organization.

If a section 501(c)(7), (9), or (17) organization (or a title holding corporation described earlier) sells property that was used for the exempt function of the section 501(c)(7), (9), or (17) organization and buys other property used for the organization's exempt function within a period beginning 1 year before the date of the sale, and ending 3 years after the date of the sale, the gain from the sale will be recognized only to the extent that the sales price of the old property is more than the cost of the other property. The other property need not be similar in type or use to the old property. The organization must notify the IRS of the sale by a statement attached to the return, or other written notice.

To compute the gain on the sale of depreciable property, see the instructions for Schedule E, column 5, to determine the adjusted basis of the property.

Schedule I. Exploited Exempt Activity Income, Other Than Advertising Income

Exempt organizations that have gross income from an unrelated trade or business activity that exploits an exempt activity (other than periodical advertising income reportable in Schedule J) should complete Schedule I. See Regulations

section 1.513-1(d)(4)(iv) for a definition of exploited exempt activity. Report income from advertising other than in a periodical in Schedule I.

An exempt organization may take all deductions directly connected with the gross income from the unrelated trade or business activity. In addition, the exempt organization may take into account all deductible items attributable to the exploited exempt activity, with the following limitations:

1. Reduce the deductible items of the exempt activity by the income from the activity;
2. Limit the net amount of deductible items arrived at in item 1 earlier for the exempt activity to the net unrelated business income from the exploited exempt activity;
3. Exclude income and expenses of the exempt activity in figuring a loss carryover or carryback from the unrelated trade or business activity exploiting the exempt activity; and
4. Exclude deductible items of the exempt activity in figuring unrelated trade or business income from an activity that is not exploiting the same exempt activity.

As a result, the net includible exploited exempt activity income is the unrelated business taxable income minus the excess of the exempt activity expenses over the exempt activity income. If the income from the exempt activity exceeds the exempt activity expenses, do not add that profit to the net income from the unrelated business activity. If two or more unrelated trade or business activities exploit the same exempt activity, treat those activities as one on Schedule I. Attach a separate statement showing the computation.

Schedule J. Advertising Income

An exempt organization that earned gross income from the sale of advertising in an exempt organization periodical must complete Schedule J. The part of the advertising income taken into account is determined as follows.

1. If direct advertising costs (expenses directly connected with advertising income) are more than advertising income (unrelated business income), deduct that excess in figuring unrelated business taxable income from any other unrelated trade or business activity conducted by the organization.
2. If advertising income is more than direct advertising costs, and circulation income (exempt activity income) equals or exceeds readership costs (exempt activity

expenses), then unrelated business taxable income is the excess of advertising income over direct advertising costs.

3. If advertising income is more than direct advertising costs, and readership costs are more than circulation income, then unrelated business taxable income is the excess of total income (advertising income and circulation income) over total periodical costs (direct advertising costs and readership costs).

4. If the readership costs are more than the circulation income, and the net readership costs are more than the excess of advertising income over direct advertising costs, no loss is allowable. See Regulations section 1.512(a)-1(f)(2)(ii)(b).

For allocating membership receipts to circulation income, see Rev. Rul. 81-101, 1981-1 C.B. 352.

Consolidated periodicals. If an organization publishes two or more periodicals, it may elect to treat the gross income for all (but not less than all) periodicals, and deductions directly connected with those periodicals (including excess readership costs) as if the periodicals were one to determine its unrelated business taxable income. This rule only applies to periodicals published for the production of income. A periodical is considered published for the production of income if gross advertising income of the periodical is at least 25% of the readership costs, and the periodical is an activity engaged in for profit.

Schedule K. Compensation of Officers, Directors, and Trustees

Complete columns 1 through 4 for those officers, directors, and trustees whose salaries or other compensation are allocable to unrelated business gross income. Do not include in column 4 compensation that is deducted on lines 15, 28, or Schedules A through J.

Include on Schedule K (or elsewhere on the return) only compensation that is directly attributable to the unrelated trade or business activities of the organization. If personnel are used both to conduct exempt activities and to conduct unrelated trade or business activities, the salaries and wages of those individuals will be allocated between the activities. For example, assume an exempt organization derives gross income from the conduct of certain unrelated trade or business activities. The organization pays its president a salary of \$65,000 a year. Ten percent of the president's time is devoted

to the unrelated business activity. On Form 990-T, the organization enters \$6,500 (10% of \$65,000) on Schedule K for the part of the president's salary allocable to the unrelated trade or business activity. However, the remaining \$58,500 (90% of \$65,000) cannot be deducted on Form 990-T because it is not directly attributable to the organization's unrelated trade or business activities.

If taxable fringe benefits are provided to your employees, such as personal use of a car, do not deduct as salaries and wages the amounts you deducted for depreciation and other deductions.

Photographs of Missing Children

The IRS is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Phone Help

If you have questions and/or need help completing this form, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

How To Get Forms and Publications

Internet

You can access the IRS website 24 hours a day, 7 days a week, at IRS.gov to:

- Download forms, including talking tax forms, instructions, and publications. You can download items from the IRS website at www.irs.gov/orderforms.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- Use the online Internal Revenue Code (IRC), Regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email. To subscribe, visit <http://www.irs.gov/Charities-&-Non-Profits>.

By Download and In Person

You can order forms and publications by downloading items from the IRS website at www.irs.gov/orderforms. You can also get most forms and publications at your local IRS office.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. The rules governing the confidentiality of Form 990-T are covered in sections 6103 and 6104.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	67 hrs., 12 min.
Learning about the law or the form	27 hrs., 10 min.
Preparing the form	43 hrs., 25 min.
Copying, assembling, and sending the form to the IRS	4 hrs., 1 min.

Comments and suggestions. We welcome your comments about these instructions and your suggestions for future editions. You can write to us at the following address:

Internal Revenue Service
Tax Forms and Publications Division
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can also send us comments from <http://www.irs.gov/Forms-&-Pubs>. Click on "More Information" and then on "Comment on Tax Forms and Publications."

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

Do not send the Form 990-T to this address. Instead, see *Where To File* earlier.

Codes for Unrelated Business Activity

(If engaged in more than one unrelated business activity, select up to two codes for the principal activities. List first the largest in terms of gross unrelated income, then the next largest. Be sure to classify your unrelated activities, rather than your related activities. For example, code income from advertising in publications as 541800, Advertising and related services, rather than selecting a code describing a printing or publishing activity. Also, if possible, select a code that more specifically describes your unrelated activity, rather than a code for a more general activity.)

<p style="text-align: center;">AGRICULTURE, FORESTRY, HUNTING, AND FISHING</p> <p>Code 110000 Agriculture, forestry, hunting, and fishing 111000 Crop production</p> <p style="text-align: center;">MINING</p> <p>Code 211110 Oil and gas extraction 212000 Mining (except oil and gas)</p> <p style="text-align: center;">UTILITIES</p> <p>Code 221000 Utilities</p> <p style="text-align: center;">CONSTRUCTION</p> <p>Code 230000 Construction 236000 Construction of buildings</p> <p style="text-align: center;">MANUFACTURING</p> <p>Code 310000 Manufacturing 323100 Printing and related support activities 339110 Medical equipment and supplies manufacturing</p> <p style="text-align: center;">WHOLESALE TRADE</p> <p>Code 423000 Merchant wholesalers, durable goods 424000 Merchant wholesalers, nondurable goods</p> <p style="text-align: center;">RETAIL TRADE</p> <p>Code 441100 Automobile dealers 442000 Furniture and home furnishings stores 444100 Building materials and supplies dealers 445100 Grocery stores 445200 Specialty food stores 446110 Pharmacies and drug stores 446199 All other health and personal care stores 448000 Clothing and clothing accessories stores 451110 Sporting goods stores 451211 Book stores 452000 General merchandise stores 453000 Miscellaneous store retailers 453220 Gift, novelty, and souvenir stores 453310 Used merchandise stores 454110 Electronic shopping and mail-order houses</p> <p style="text-align: center;">TRANSPORTATION AND WAREHOUSING</p> <p>Code 480000 Transportation 485000 Transit and ground passenger transportation 493000 Warehousing and storage</p> <p style="text-align: center;">INFORMATION</p> <p>Code 511110 Newspaper publishers (except Internet) 511120 Periodical publishers (except Internet) 511130 Book publishers (except Internet) 511140 Directory and mailing list publishers (except Internet) 511190 Other publishers (except Internet) 512000 Motion picture and sound recording industries 515100 Radio and television broadcasting (except Internet) 517000 Telecommunications (including paging, cellular, satellite, cable, other telecommunications, and Internet service providers) 519100 Other information services (including news syndicates and libraries) 519130 Internet Publishing and Broadcasting</p> <p style="text-align: center;">DATA PROCESSING SERVICES</p> <p>Code 518210 Data Processing, Hosting, and Related Services</p>	<p style="text-align: center;">FINANCE AND INSURANCE</p> <p>Code 522100 Depository credit intermediation (including commercial banking, savings institutions, and credit unions) 522200 Nondepository credit intermediation (including credit card issuing and sales financing) 522210 Credit card issuing 522220 Sales financing 522291 Consumer lending 522292 Real estate credit 522298 Other nondepository credit intermediation 523000 Securities, commodity contracts, and other financial investments and related activities 523920 Portfolio management 523930 Investment advice 524113 Direct life insurance carriers 524114 Direct health and medical insurance carriers 524126 Direct property and casualty insurance carriers 524130 Reinsurance carriers 524292 Third-party administration of insurance and pension funds 524298 All other insurance-related activities 525100 Insurance and employee benefit funds 525920 Trusts, estates, and agency accounts 525990 Other financial vehicles (including mortgage REITs)</p> <p style="text-align: center;">REAL ESTATE AND RENTAL AND LEASING</p> <p>Code 531110 Lessors of residential buildings and dwellings (including equity REITs) 531120 Lessors of nonresidential buildings (except miniwarehouses) (including equity REITs) 531190 Lessors of other real estate property (including equity REITs) 531310 Real estate property managers 531390 Other activities related to real estate 532000 Rental and leasing services 532420 Office machinery and equipment rental and leasing 533110 Lessors of nonfinancial intangible assets (except copyrighted works)</p> <p style="text-align: center;">PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES</p> <p>Code 541100 Legal services 541990 Consumer credit counseling services 541200 Accounting, tax preparation, bookkeeping, and payroll services 541300 Architectural, engineering, and related services 541380 Testing laboratories 541511 Custom computer programming services 541519 Other computer-related services 541610 Management consulting services 541700 Scientific research and development services 541800 Advertising and related services 541860 Direct mail advertising 541900 Other professional, scientific, and technical services</p> <p style="text-align: center;">MANAGEMENT OF COMPANIES AND ENTERPRISES</p> <p>Code 551111 Offices of bank holding companies 551112 Offices of other holding companies</p> <p style="text-align: center;">ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES</p> <p style="text-align: center;">Administrative and Support Services</p> <p>Code 561000 Administrative and support services 561300 Employment services 561439 Other business service centers (including copy shops) 561499 All other business support services 561500 Travel arrangement and reservation services 561520 Tour operators 561700 Services to buildings and dwellings</p> <p style="text-align: center;">Waste Management and Remediation Services</p> <p>Code 562000 Waste management and remediation services (sanitary services)</p>	<p style="text-align: center;">EDUCATIONAL SERVICES</p> <p>Code 611420 Computer training 611430 Professional and management development training 611600 Other schools and instruction (other than elementary and secondary schools or colleges and universities, which should select a code to describe their unrelated activities) 611710 Educational support services</p> <p style="text-align: center;">HEALTHCARE AND SOCIAL ASSISTANCE</p> <p>Code 621110 Offices of physicians 621300 Offices of other health practitioners 621400 Outpatient care centers 621500 Medical and diagnostic laboratories 621610 Home health care services 621910 Ambulance services 621990 All other ambulatory health care services 623000 Nursing and residential care facilities 623990 Other residential care facilities 624100 Individual and family services 624110 Community centers (except rec. only), youth adoption agencies 624200 Community food and housing, and emergency and other relief services 624210 Meal delivery programs Soup kitchens Food banks 624310 Vocational rehabilitation services 624410 Child day care services</p> <p style="text-align: center;">ARTS, ENTERTAINMENT, AND RECREATION</p> <p>Code 711110 Theater companies and dinner theaters 711120 Dance companies 711130 Musical groups and artists 711190 Other performing art companies 711210 Spectator sports (including sports clubs and racetracks) 711300 Promoters of performing arts, sports, and similar events 713110 Amusement and theme parks 713200 Gambling industries 713910 Golf courses and country clubs 713940 Fitness and recreational sports centers 713990 All other amusement and recreation industries (including skiing facilities, marinas, and bowling centers)</p> <p style="text-align: center;">ACCOMMODATION AND FOOD SERVICES</p> <p>Code 721000 Accommodation 721110 Hotels (except casino hotels) and motels 721210 RV (recreational vehicle) parks and recreational camps 721310 Rooming and boarding houses 722320 Caterers 722410 Drinking places (alcoholic beverages) 722511 Full-service restaurants 722513 Limited-service restaurants 722514 Cafeterias and buffets 722515 Snack and non-alcoholic beverage bars</p> <p style="text-align: center;">OTHER SERVICES</p> <p>Code 811000 Repair and maintenance 812300 Drycleaning and laundry services 812900 Other personal services 812930 Parking lots and garages</p> <p style="text-align: center;">OTHER</p> <p>Code 900001 Investment activities of section 501(c)(7), (9), or (17) organizations 900002 Rental of personal property 900003 Passive income activities with controlled organizations 900004 Exploited exempt activities 900099 Other activity</p>
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**Form 990:
Key Compliance Points
and Disclosure Considerations**

Submitted by Patrick Sweeney

Key Compliance Points and Disclosure Considerations

Patrick M. Sweeney, CPA
Croskey Lanni, PC

“Embracing Extraordinary”

Key Compliance Points and Disclosure Considerations

- ▶ Governance Body and Conflicts of Interest
- ▶ Changes to Organizational Documents
- ▶ Written Policies
- ▶ Documentation of Actions by the Board
- ▶ Written Policies

Key Compliance and Disclosure Considerations

A. Governance Body

- ▶ IRS Governance Check Sheet – Form 14114
- ▶ Includes questions that ask for the following information:
 - Does the EO make its governing instruments available to the public and to the governing body?
 - Did the number of times the governing body meet exceed what was required by the by laws?
 - Does the EO require advance approval of compensation, by members of the board or a committee without a conflict of interest?
 - Does the EO rely on comparability data in determining compensation?

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Key Compliance and Disclosure Considerations

A. Governance Body - continued

- ▶ Includes questions that ask for the following information - continued:
 - Is the EO effectively dominated by a few individuals?
 - Does the EO have a written conflict of interest policy?
 - Does the EO have a written mission statement that articulates it's current mission?
 - Did the EO comply with it own document retention policy, and if not, did lack of compliance hinder the audit?

Croskey Lanni

Key Compliance and Disclosure Considerations

B. Changes to Organizational Documents

- ▶ Any significant changes to the governing instruments must be reported via the 990 Part VI
- ▶ The list of reportable changes includes:
 - The EO's exempt purpose of mission
 - The EO's name
 - The number, composition, qualifications, authority, or duties of the governing bodies voting members
 - The role of the stockholders or membership in governance
 - The distribution of assets upon dissolution

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Key Compliance and Disclosure Considerations

B. Changes to Organizational Documents - continued

- ▶ The list of reportable changes includes - continued:
 - The provisions to amend the organizing or enabling document or bylaws
 - The quorum, voting rights, or voting approval requirements of the governing body members or the EO's stockholders
 - The policies or procedures contained within the organizing documents or bylaws regarding compensation of officers, directors, trustees, or key employees, conflicts of interest, on whistleblowers, or document retention and destruction
 - The compensation or procedures contained within the organizing document or bylaws of an audit committee

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Key Compliance and Disclosure Considerations

B. Changes to Organizational Documents - continued

- ▶ Determinations are not longer issued confirming retention of TES for significant changes. Some will require a new application for TES.
- ▶ EO's exempt purpose and language dealing with distribution of assets upon dissolution are governing instrument requirements under the Code. PAY CAREFUL ATTENTION!

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Key Compliance and Disclosure Considerations

C. Documentation of Actions by the Board

- ▶ Part VI Line 8
 - Did the EO contemporaneously document the meetings held or written actions undertaken during the year by the governing board and any committees with authority to act on the boards behalf?
- ▶ Definition of contemporaneously
 - The later of 60 days after the current meeting or the next meeting of the governing board or committee.

Croskey Lanni

Key Compliance and Disclosure Considerations

C. Documentation of Actions by the Board - continued

- ▶ IRS wants to know:
 - That the EO is documenting its decisions
 - Who the parties are that make the decisions
 - The rationale for those decisions

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Key Compliance and Disclosure Considerations

D. Written Policies

- ▶ Conflict of Interest Policy
 - Line 12 Part VI
 - IRS proposed conflict of interest policy (per instructions to 1023):
 - Watch out for superficial adoption as this will not cover every potential EO.
 - Take a careful approach to identifying conflicts.
 - Ensure that the EO “consistently monitors and enforces compliance with the policy” and also describe the procedures for that monitoring and enforcement.
 - Use of IRS form is not required however careful attention should be paid to ensure that the CIP has proper parts.

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Key Compliance and Disclosure Considerations

D. Written Policies - continued

- ▶ Conflict of interest policy - continued
 - Proper pieces of CIP Policy
 - Define what a conflict is
 - Identify the individuals covered
 - Provide methods to help those charged with governance identify a conflict
 - Specify procedures to manage conflicts

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Key Compliance and Disclosure Considerations

D. Written Policies - continued

- ▶ Document Retention Policy
 - Sarbanes Oxley details that any destruction of records with the intent to obstruct a federal investigation will result in criminal liability being imposed.
 - Any written policy should address items required by tax law:
 - EO must keep permanent books of account or records sufficient to establish gross income, receipts, disbursement, and to substantiate its reporting on Form 990. With respect to UBIT the EO must substantiate its deductions, credits and other tax items.
 - Records should be retained for at least 3 years from the later of:
 - Due date of the tax return for the applicable period
 - Date the tax was actually paid
 - Best practice it to retain documentation indefinitely as IRS has power to revoke tax exempt status as of the date of its formation.

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Key Compliance and Disclosure Considerations

D. Written Policies - continued

- ▶ Whistleblower Policy
 - Allows those within the EO to report wrongdoing without retaliation for items such as:
 - Theft
 - Financial reporting
 - Transactions
 - Conflicts of interest
 - Records
 - Improper expenditures

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Key Compliance and Disclosure Considerations

D. Written Policies - continued

- ▶ Whistleblower Policy - continued
 - Policy should:
 - Encourage EO workers / volunteers to come forward with credible information
 - That workers / volunteers will be protected from retaliation
 - Identify to whom worker / volunteer should report information
 - Sarbanes Oxley makes it illegal to punish whistleblowers
 - Certain states maintain whistleblower laws also
 - Michigan Whistleblower's Protection Act (Act 469 of 1980)

Croskey Lanni

Form 990: Key Compliance Points and Disclosure Considerations

Patrick M. Sweeney, CPA
Croskey Lanni, PC

“Embracing Extraordinary”

Compliance Points and Disclosure Considerations

E. Independent Review of Executive Compensation

Background Information

- ▶ The IRS enforces the Federal Private Inurement Prohibition, which strictly forbids a tax-exempt organization’s decision makers [board members, trustees, officers] from receiving unreasonable benefits from the nonprofit’s income or assets.
- ▶ Excessive compensation paid to nonprofit executives can cause the IRS to levy hefty fines on the persons involved.
- ▶ Compensation information for management, the Board and others is reported on Form 990, part VII. Additional information might be required and, when applicable, Schedule J might be required.

Compliance Points and Disclosure Considerations

E. Independent Review of Executive Compensation - continued

REPORTING THRESHOLDS ON PART VII

- ▶ Organizations must report all compensation for all current officers, directors, and trustees [regardless of amount].
- ▶ Compensation to the organization's key employees [defined as a person is that earns more than \$150,000 in reportable compensation and has certain responsibilities].
- ▶ Five current highest compensated employees (other than identified above) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- ▶ Former officers and key employees who received more than \$100,000.
- ▶ Former directors or trustees who received more than \$10,000.

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Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
(1)		<input type="checkbox"/> Individual trustee or director <input type="checkbox"/> Institutional trustee <input type="checkbox"/> Officer <input type="checkbox"/> Key employee <input type="checkbox"/> Highest compensated employee <input type="checkbox"/> Former			

Compliance Points and Disclosure Considerations

E. Independent Review of Executive Compensation - continued

Resources:

Organizations may utilize the following resources (or a combination of these) to assist in determination of executive compensation:

- ▶ Compensation Committee
- ▶ Approval by Board or equivalent
- ▶ Independent Compensation Consultant
- ▶ Form 990 of similar organizations (Guidestar.org)
- ▶ Compensation survey or study
- ▶ Note: The board, authorized body or authorized committee approving the compensation must be composed entirely of individuals who do not have a conflict of interest with respect to the compensation arrangement

Croskey Lanni

Compliance Points and Disclosure Considerations

E. Independent Review of Executive Compensation - continued

Sources of information for nonprofit compensation

- ▶ Guidestar.org
 - *Nonprofit Compensation Report* – includes compensation data by budget size, organization type, and geographic location
- ▶ CharityNavigator.org
 - *Metro Market Study* – includes an organizational rating, compensation information, financial metrics and accountability and transparency metrics
 - *Charity CEO Compensation Study* – includes compensation data by geographic location, budget size, organizational mission and other useful information

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Compliance Points and Disclosure Considerations

F. Disclosure Requirements

- ▶ Form 990 is a public document to promote transparency, improve compliance, and encourage sound governance practices.
- ▶ Board members are expected to review their organization's Form 990 before it is filed.
- ▶ The IRS requires organizations to make their three most recent annual returns (plus supporting documents) available for inspection so the public can see what organizations do and how their boards carry out their duties.
- ▶ Making the return widely available by through the organization's website does not relieve an EO of the requirement to permit public inspection of the return.

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Compliance Points and Disclosure Considerations

F. Disclosure Requirements - continued

- ▶ Information not required to be disclosed publicly:
 - Names and addresses of contributors [when the organization is not a Private Foundation].
 - Form 990-T Exempt Organization Business Income Tax Return – this would be for any unrelated business income earned by the organization.

Croskey Lanni

Compliance Points and Disclosure Considerations

G. Balance Sheet – Part X

- ▶ This section reports the assets, liabilities and net assets [fund balance] of the organization.
- ▶ Assets include cash, various types of accounts receivable, inventories, notes and loans receivable, prepaid expenses, property and equipment, investments and intangible assets.
- ▶ Liabilities include accounts payable and accrued expenses, deferred revenue and notes or loans payable.
- ▶ Net assets include the unrestricted, temporarily restricted and permanently restricted classifications.
- ▶ Assets and liabilities will generally agree between the financial statements and Form 990 as the basis of accounting is typically the same.

Croskey Lanni

Compliance Points and Disclosure Considerations

H. Using Form 990 to the Organization's Advantage

- ▶ **Part I — Summary:** This requires a brief description of the organization's mission or significant activities in addition to key financial information. Ensure this area is clearly written and clearly describes the organization. It's likely this section will be one the areas donors and others read carefully.
- ▶ **Part III — Statement of Program Service Accomplishments:** This section allows for a more detailed version of the summary prepared in Part I. The description should be comprehensive and enables the organization to more clearly define the program service accomplishments.
- ▶ **Part IV — Checklist of Required Schedules:** This section determines the required Schedules to be included with Form 990. The Schedules present more detailed information about the organization's operations and certain activities. Answers here could subject the organization to increased scrutiny by the IRS. Questions with "Yes" answers should be reviewed.

Croskey Lanni

Compliance Points and Disclosure Considerations

H. Using Form 990 to the Organization's Advantage - continued

- ▶ **Part VI — Governance, Management, and Disclosure:** This section addresses organizational governance and management policies procedures. Certain answers (Yes or No) require elaboration on Schedule) so Board members should look at “No” answers in this section for possible changes/improvements.

- ▶ Other possible ways to utilize Form 990:
 - Include a copy of Form 990 [and annual financial statements] on website
 - Grantors and typically request a copy with grant applications.

Croskey Lanni

Advising on Operational Issues

Submitted by Jehan Crump-Gibson



Advising on Operational Issues

Presented by Attorney Jehan Crump-Gibson

Sarbanes-Oxley Act and Nonprofits

The Sarbanes-Oxley Act is federal legislation that was created to rebuild public trust in the corporate community following substantial accounting scandals, like Enron. It requires publicly traded companies to conform to certain standards concerning audit procedures and financial transactions. Most of the provisions apply to publicly traded companies but a few apply to nonprofits. Some state attorney generals have proposed that even more elements of Sarbanes Oxley apply to nonprofits. Accordingly, it is critical for these organizations to explore the Act and consider adopting policies that ensure proper governance. Some of the key areas to focus on include: Document Retention; Whistleblower Protection and Non-Mandatory but Valuable Practices.

Document Retention: A nonprofit should adopt a mandatory document retention and destruction policy, including guidelines for hard copy files, electronic files and voicemail. It is important to note that if an official investigation is suspected or has ensued, document purging should be immediately halted in order to avoid criminal obstruction.

Whistleblower Protection: Nonprofits should develop, adopt **and** release a formal process to handle complaints. Further, active efforts must be taken to prevent retaliation. All employee complaints should be investigated thoroughly and without delay. Any problems identified should be rectified or when relevant, an explanation as to why corrections are not necessary should be provided.

Non-Mandatory but Valuable Practices: There are a number of practices that a board should adopt- even if adoption is not required- in efforts to ensure proper governance. Some examples include: annual questionnaires for potential conflicts of interest;



requiring a review of the annual 990 by the entire board of directors; and adopting a clearly defined gift-acceptance policy.

Board Policy-Making

Developing policy should be tactical and deliberate for tax-exempt organizations, not haphazard. Some of the practices boards should consider include: directing a subcommittee or staff to produce a draft policy for discussion **and** requiring all relevant parties' participation in vetting the draft. Any settled-upon policy should be approved by the full board.

Mission Drift

It is fairly common for an organization to drift away from its mission. This concept is referred to as "Mission Drift". There are a number of telltale signs that an organization is suffering from this problem. Some examples include: large turnover of board members and/ or staff, seeking funding first and building programs around that funding; obscurity as to what your organization's mission is; and becoming stagnant.

Investment Considerations

There are a number of considerations to take into account when tax-exempt organizations participate in investment activity. Principally, they must conform to legal and ethical requirements to ensure that such activity falls within the limits of applicable regulations.



There are also regulatory guidelines to adhere to, investment policy that needs to be established, considerations for fiduciaries and much more.

Solicitation and Fundraising Activity

Compliance with applicable laws relative to solicitation and fundraising activity is mandatory. Many states have laws that regulate the solicitation of funds for charitable purposes. In some cases, local governments may also have provisions. Prior to soliciting funds from residents for charitable purposes, an organization likely needs to register. Compensating solicitors and fundraisers must also be handled appropriately.

Lobbying and Political Campaign Activities

501(c)(3) organizations are expressly prohibited from indirectly or directly participating or intervening in any political campaign on behalf of and in opposition to any candidate for an elected public office.

Relative to lobbying, in some cases it may be permitted as long as it is not a substantial part of the organization's total activities. Lobbying is defined by the Internal Revenue Code as "carrying on of propaganda or otherwise attempting to influence legislation".

It is imperative to ensure that your organization is not participating in activity that runs afoul of these regulations.

Restructuring and Terminating

Submitted by Daniel Brent

RESTRUCTURING AND TERMINATING

INTRODUCTION:

Greeting: Hello, I am Daniel Brent, I am one of the partners at The Brent Law Group, PLLC. I specialize in Tax, Business, Estate Planning, and Bankruptcy. Basically, if it is about money, business, or debts, I am your guy. My number one advice is to form a good relationship with a lawyer; not all of us want to pressure you into paying thousands of dollars just to retain us.

I like to compare what I offer in these speeches or when I lecture at a school as something like CPR training. You learn from CPR training emergency techniques and awareness designed to help until professionals can take over. You are not going to become expert in all of the topics discussed today, but hopefully you emerge informed to spot potential hazards and with enough information to properly inform the professionals you do form relationships with. I also want to preface by stating that the story I am about to tell is a total fantasy where the math is simple, everyone agrees, and we all get along nicely. Over the next hour let's call this "Law and Order: Wouldn't it be nice if the real world were this simple?"

I will be taking you through a story involving a fictional services organization called "Animal Veterans of Foreign Wars." And to be honest, half of the reason for choosing that name was to get a photo of the Marine Corps mascot on the slideshow. I have an English Bulldog at home, and I think one in dress fatigues is too cute not to share.

AVFW is a non-profit, tax exempt, charity dedicated to providing relocation and "retirement" for the many military animals whose service has ended – parade animals, Mascots, MP dogs, bomb sniffing dogs, etc. We are going to pretend that all of you are one of the founders and directors of AVFW.

Let's pretend that AVFW has been around for 2 years, has properly undertaken everything the prior speakers have dealt with; they have their 501(C)(3) status, are mostly operated by volunteers, and have enough donations coming in to keep the lights on at a dank little office. AVFW is organized with closely held stock, of 5,000 shares held by 10 members at 500 shares each. (This is a fantasy realm where the math is simple). And now they are starting to look to expansion.

ALLIANCES AND NETWORKS

AVFW has peaked or plateaued with what it can do. The organization is sort of on auto-pilot. Volunteers have been great, you have found wonderful homes and farms for some these retired animals. But the reach has not been as large as the original vision. You and your directors know that more can be done. Somehow you need to grow. Just like any company, your current plan has peaked, and you need a plan to grow.

So let's start with good, old fashioned Networking and Outreach:

I will be honest, I know that for most of you here, for myself, and many of my clients Networking is a nice word for that thing you know you need to do, but cannot find the time for. It is time outside of an already busy day where you put on a smile, nurse a drink, and have conversations with people just as tired of networking as you are. To steal a trademarked phrase, “Just Do It!” Every time you leave the house, go get sushi, are getting your haircut is an opportunity to expand your network. Something as simple as leaving fliers at a store, on a school’s bulletin board, will help expand your network. My partner leaves a stack of business cards on the ATM at every bar her goes to. We likely get 1 new client for every 20, but it does get him a lot of DUI defense and license restoration clients in the door. You and your staff must always be the top marketing tools. Even in 2016, no amount of Facebook Ads, viral videos, Google SEO can replace the bonds of a personal connection for networking.

Your main concern in networking is justifying any expenses or out of pocket to your trustees, and possibly to the IRS. Always keep in mind that as a non-profit there is that potential for higher scrutiny by the IRS or by your own trustees or directors-than with a small business, corporation, etc. Maybe don’t expense weekly excursions to Morton’s; but the beauty of this kind of old fashioned networking is that it is relatively expense free.

Always keep in the back of your mind when it comes to non-profits and charities, you need to be careful with the money. With my office, the only real worries about money is 1. Do not mix “earned money” with money unearned or “held in trust” and 2. Make sure the taxes are getting paid. But if we elect to pay out bonuses, spend \$10,000 on a new copier, or host a lavish party on the company’s dime, that’s all fine and dandy. The price you pay for tax exempt status is that you need to be a lot more mindful of the money.

FORMING COMMON ALLIANCES

Another important area related to networking is linking up with similar or same organizations. AVFW has a lot in common with the ASPCA, the American Kennel Club, the Humane Society, your local animal shelter. It only makes sense to combine your efforts with these other, related, organizations to maximize your outreach and impact.

This, in my opinion, is where you want to be aware of potential pitfalls. When you start sharing resources with outside organizations, or combining resources, you need good guidance with your expert regarding compliance, as Mr. Sweeney discussed, regarding proper ways to report these expenditures or possibly influxes of money or other resources.

But for right now, let’s say you, the local animal shelter and local Humane Society, talk about hosting a joint fundraiser. Casino Night for Our Furry Friends is now in the works. Both logistically and legally be mindful of:

1. Is casino night legal in the state, city, county? IE can you have private real money gambling? Do you need a special license? Are there restrictions, IE 50/50 raffles and Bingo are perfectly legal, but table games are illegal or require special permission.
2. Expenses-is each corporation paying their fair share? Will the board allow these expenses?

3. Parity or Fairness Among the several institutions. Is AVFW getting the exposure and recognition on par with the expenses put forth?
4. Potential impropriety – Is this event really to benefit the charities? Has any insider benefited from any contract to vendors?
5. Potential liabilities – Does the location insure against slip and falls or do you need a special policy?
6. Logistics – is there enough parking, security, etc?

Basically do your homework and plan. Fail to plan, plan to fail.

MERGING AND CONSOLIDATING

Great news, Casino Night for Our Furry Friends, Bingo for Bunnies, Darts for Dogs, and Horseshoes for Horses have been such successes, another charity you plan these events with suggests a more formal combining for forces to help your respective groups. The money pie just got bigger. And who does not want bigger pie? Your colleagues at the Michigan Society for the Safe Retirement of Police Dogs are talking about more than combining efforts to fund raise. Some of their most influential members think AVFW and MSSRPD should form a single non-profit to help government service animals.

Much like a marriage, there is a bit more to merging organizations or consolidating them than asking the question and wanting to. There are laws of the state, laws of the country, not to mention internal procedures to be aware of.

In my mind this begins with a crossroads.

To Merge or to Consolidate?

Merger, at the most basic is multiple entities combine into a single entity. Think of this akin to a buy-out or a take-over. One non-profit will absorb the other, keeping one of the original names. Merger, in my mind, makes the most sense when one organization is significantly larger than the other, one has significantly greater name recognition, or where corporate bylaws of one necessitate merger as a less costly and faster option.

In a consolidation, the two entities combine, but a new corporation with a new name is started. Basically, the two entities come together, and a brand new corporation comes out. This can be preferable where both entities are of same or similar size, name recognition is not a significant concern, or possible retaining elements of both original entities is preferable.

Regardless of whether merger or consolidation is deemed best, the steps are largely the same.

What is the better of the two options? Consolidating the two non-profits and starting a new non-profit may be more convenient, less costly, and all around more attainable. But for now, let's pretend that AVFW and MSSRPD want to merge into a single non-profit corporation, keeping the AVFW name.

The nice thing about the fantasy realm once again, is I get to keep the math simple. MSSRPD is also configured on a stock basis, 10 members, each with equal shares of 5,000 shares of stock.

For this part let's presume that the boards of AVFW and MSSRPD approve a plan, whereby AVFW executes a proportional splitting and issuance of new stock. MSSRPD is bought out, whereby AVFW trades equal shares of AVFW stock, for MSSRPD stock. The exchange is basically a swap. Now all MSSRPD members have 500 shares of AVFW stock, with equal control over AVFW.

In the most basic terms, AVFW has purchased MSSRPD and acquired all of its resources and assets.

Amended filings with the State will be required. Also be aware that if your organization is incorporated in several jurisdictions, you will also need to file amended corporate filings. If you consolidate into a new entity, as previously mentioned it is a bit like starting from scratch with the name, EIN, and filings.

DISTRIBUTION OF AND TRANSFER OF ASSETS

With the purchase, AVFW has acquired all of MSSRPD's property and assets. If there are vehicles, equipment, or real estate involved that should all be part of the merger/consolidation agreement. With special attention paid as to any restrictions placed on cash or property bequests, grants, or other gifts. In Law School, we all lived in a special hell called Blackacre. Whether by deed, by gift, or by will the elderly owner of Blackacre was putting unique and often ludicrous restrictions on what could be done with the property once transferred – ie, for so long as it is used as a public park, or provided that no ocelots were ever kept on the premises.

But for now, let's take a step back. The boards of AVFW and MSSRPD decide that merger/consolidation is not the best course of action. But that they want to go beyond sharing resources for fundraising. Instead, MSSRPD has found itself with a substantial grant. AVFW has been on the cutting edge of retrofitting mobile kennels to take animals to adoption events. MSSRPD proposes that AVFW sell two of their mobile kennels to MSSRPD. Your mobile kennels take normal camper vans and transform them into mobile dog kennels with special accommodation for disabled and elderly dogs. The plan is to sell the current pair of kennels, and use the proceeds to get newer vehicles and retrofit them.

The first concern are the basic financials:

1. Price – how much to sell the vehicles for
2. Payment terms – cash on delivery, down payment, or installments
3. Warranties

4. Covenants - such as liability or damage en route or prior to delivery.
5. Indemnification should there be any breach of a warranty or of the sales agreement.

Some issues specific to charities and nonprofits include:

1. What sort of approval of donors or the board is required to sell/buy assets?
2. Is such a transaction allowed by the current bylaws?
3. Is such a transaction taxable as outside the scope the nonprofit?

When selling or gifting assets of the nonprofit or charity, bear in mind most of the process is the same as a transaction between for profit corporations. The nuances come into play with specific attention for additional disclosures required, any restrictions in place on the asset either by bequest or with the bylaws of the nonprofit.

INSOLVENCY STRATEGIES

As with any business, nonprofits also need to be concerned with bankruptcy or insolvency. And I would say that first you need to practice prevention. This comes down to fully understanding your rights, responsibilities, and duties with your role in a nonprofit. Mr. Easlick eloquently discussed the liability of directors and officers of a nonprofit, and their fiduciary duties. The horror story is that of *In re Lemington Home for the Aged*, 777 F.3d 620 (3d Cir. 2015) which led to millions in punitive damages against former officers and directors of a nonprofit nursing home, largely for failure to exercise within their fiduciary duties. Your best defense is to ensure that your counsel has advised you on all of your duties and potential liabilities, assisted in forming a compliance strategy, and that you make sure that strategy is adhered to. Annual reviews of internal policies by your counsel is, in my mind, best practices to ensure that you are kept up to date with any changes in law.

The good news is that charities and nonprofits do not have access to the same type of capital or credit that often gets for profits in trouble.

Just some things to bear in mind, the temptations.

1. Avoid improperly using grants, bequests, donations, or gifts to pay off debts without diligent review first.
2. Beware of co-mingling funds. As someone who does a lot of audit defense and IRS litigation, keeping your books clean makes my life and your life a lot easier. Last year, a client came to my office owing over 300,000 to the IRS, 75,000 to the State of Michigan. They were claiming revenues of 1.6 million dollars a year, with a balance sheet of 650,000. What was happening was money was moved between accounts too easily, cash was withdrawn and put back, surplus pay-roll was put back in to the general account, surplus taxes too. They had based their income off of the gross deposits,

including the money taken out and put back in, as revenue. It took my office and another CPA 7 months to unravel that little mystery.

3. Before expanding, purchasing, leasing, securing credit, formulate a plan.
4. Carry the right insurance: liability insurance, renter's insurance, malpractice insurance (where applicable).

Now, I am going to pretend that AVFW and its directors followed their compliance recommendations to the letter, did nothing illegal, but still find themselves insolvent. The sad news is that you can do everything as well as possible, and still fall short.

AVFW was doing so well with the retrofitting of mobile kennels, that they decided to move offices to a more expensive location, with a mechanic's garage in back. The owner of the building is retiring, but has been an avid volunteer with AVFW. It is your responsibility to pay utilities, property tax, water, sewer, and a pittance as rent. Everything is proceeding nicely for the first year. But by June of year two of the lease, AVFW suffers a financial hardship, a key grant you were counting on for renewal has ended, your second largest donor has passed away, and while AVFW is named in the will to inherit a sizeable trust, it is being contested in Probate by the donor's children and grandchildren. The board meets, and the Treasurer projects at current rates, a budget shortfall of 300,000 for the year. Further, it is projected that you will run out of operating capital in 2 months.

Again, let's try prevention.

1. Sadly, it is determined that some staff will need to be laid off. Unemployment is cheaper than salaries.
2. The board works out a deal with the landlord, who agrees to allow 6 months of no rent, provided in the next year, the shortfall is paid by the end of the next fiscal year (no interest).
3. The remaining employees, and all directors, begin soliciting donations from current donors and benefactors.
4. The plight of AVFW is featured on NPR, a renowned probate attorney, let's call him Daniel Brent, has decided to represent your interest against the deceased donor's family pro bono.

The good news is that some of this helps, the lay-offs help stretch the remaining capital through the end of the year. You get a few new donors, but it does not make up for the loss of the grant and deceased donor. Despite a brilliant case strategy by your attorney, Daniel Brent, the probate case does not go your way, the judge accepts the family's argument that their parents were not of sound mind when including AVFW in their will, rendering the will void.

The remaining employees have to be laid off. AVFW informs its landlord that it must surrender its space, currently owing \$250,000 in back rent, utilities, and water. AVFW is in The Zone of Insolvency.

Some things to be aware of when a nonprofit enters insolvency.

1. Possibility of personal liability to directors and officers.
2. Potential shift in duty to creditors and not to the mission of the nonprofit.
3. Outside pressure from the Attorney General.
4. Continue to be aware of the fiduciary duty to the beneficiaries of the nonprofit and to its mission.

A plan is required. Not all insolvencies are fixed by bankruptcy. But as a nonprofit, many avenues available to for profit companies can be closed to you. For profits can sell assets, secure additional lines of credit, or sell off segments of the business to cure insolvency and avoid bankruptcy.

The directors under guidance from counsel needs to be aware of limitations placed on assets, bequests, and other resources before it sells off assets. Do not add more liability into the equation by trying a fast fix.

Sit down with your counsel and come up with a plan. Perhaps merger or consolidation with a larger nonprofit will be available, creditors may be willing to settle debt for an amount AVFW can afford. Or bankruptcy may be the best option for all involved. I will be honest, I feel bad about glossing over bankruptcy, however, my typical consumer Chapter 7 consultation lasts 2 hours, my last Chapter 11 consult took 2 days, and that was with a corporation with 8 employees. I fear I would do you all a disservice if I said anything other than, make sure you speak with an attorney experienced in nonprofits and bankruptcy before reaching any conclusions on this option.

CONCLUSION

To make a quick recap, obviously my top advice is to form a relationship with an attorney versed in the issues we talked about today. Keep that dialog open with them as changes happen within your organizations. I hope I did not scare anyone too much, a lot of the bad things we all have talked about today are worst case scenarios. But with diligence and proper planning, I trust that you can avoid them.

That is my time, I can answer a few general questions. Anyone with specific questions can speak with me after the event, or can reach my office at the number on the screen. I also have business cards, if anyone is interested.

**Ethical Considerations for
Exempt Organization Practitioners**

Submitted by Ayanna Alcendor

ETHICAL CONSIDERATIONS FOR EXEMPT ORGANIZATION PRACTITIONERS

The careful consideration of ethics cannot be understated. Tax-exempt entities, more so than other business organizations, have a heightened responsibility to maintain ethics because of the rationale that underlies the tax exemption. A rationale behind the exemption is that these organizations benefit society. The values and services of these organizations are frequently overshadowed. They are overshadowed by the unethical and often times illegal practices of the organization's leadership and employees. For these reasons, it is especially important that attorneys that work with tax-exempt organizations carefully consider the ethical implications of their decisions. A prudent attorney will make ethical considerations in the formation, operation, and dissolution of the organization. Expert legal advice is often sought at all three stages. At times, and frequently without a formal retainer, an attorney is called upon to advise and serve on the board of tax exempt entity. The situation militates an examination of, amongst other issues, conflicts of interests, confidentiality, and self-dealing.

Multiple Representation: Who is the Client?

A fundamental question any attorney must answer when representing an organization

- General Rule for Determining the Existence of an Attorney-Client Relationship
 - Accidental Client
- ABA Model Rule 1.13: Organization as Client

- (a) A lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents
 - Comment: an organizational client is a legal entity, but it cannot act except through its officers, directors, employees, shareholders, and other constituents
- Attorney as a Board Member and Joint/Multiple Representation
 - ABA Model Rule 1.13: Conflict of Interest
 - Significant Risks and Material Limitations
 - Informed Consent
 - ABA Model Rule 1.8: Conflict of Interest-Prohibited Transactions
 - “Nonconsentable” conflicts
- Protections
 - Carefully Drafted Retainer Agreement
 - Loyalty, Communication, Confidentiality
 - Annual Letter, Meeting Minutes

Attorney Client Confidentiality Within Different Levels of an Organization

What role is the attorney playing at the time of the communication?

- ABA Model Rule 1.13, Comment 2
 - When one of the constituents of an organizational client communicates with the organization’s lawyer in the person's organizational capacity, the communication is protected by Rule 1.6
- ABA Model Rule 1.4: Communication

- Comment: Effective Participation
- Adequacy of Communication
- Withholding Information
- ABA Model Rule 1.6 Confidentiality of Information
 - A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, disclosure is impliedly authorized in order to carry out the representation of the disclosure is permitted by paragraph (b)

Confidentiality vs. Disclosure to the IRS

- What happens when a constituent violates a legal obligation to the organization or violates the law? ABA Model Rule 1.13
- Is the violation likely to result in substantial injury to the organization?
 - The lawyer shall proceed as is reasonably necessary in the best interests of the organization
 - Or refer the matter to higher authority in the organization
- Minimize Disruption and Risk of Revealing Information

Self-Dealing Situations

- ABA Model Rule 1.8: Conflict of Interest-Current Clients
 - Comment: A lawyer's legal skill and training, together with the relationship of trust and confidence between lawyer and client, create the possibility of overreaching when the lawyer participates in a business, property or

financial transaction with the client.

- Exploiting Information
- Client Disadvantage
- Standard Commercial Transactions

Excessive Compensation

- ABA Model Rule 1.8: Conflict of Interest-Prohibited Transactions
 - Comment: (Substantial) Gifts
- Fairness

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