

32 Tax-Exempt Organizations

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Form 990 Series Annual Return (page 32-6)

| Tax-Exempt Organization | File Form |
|--|--|
| Annual gross receipts normally \$50,000 or less | 990-N (may choose to file 990-EZ or 990) |
| Annual gross receipts more than \$50,000 and less than \$200,000, and total assets less than \$500,000 | 990-EZ or 990 |
| Annual gross receipts at least \$200,000, or total assets at least \$500,000 | 990 |
| Private foundation | 990-PF |

User Fees (Rev. Proc. 2025-5) (page 32-6)

| | |
|-----------------------------------|---------|
| Organizations filing Form 1023-EZ | \$275 |
| Organizations filing other forms | \$600 |
| Group exemption letters* | \$3,500 |

* As of June 17, 2020, the IRS is not accepting requests for group exemption letters until publication of the final revenue procedure or other guidance. (Notice 2020-36)

■ New for 2025 ■

- **Penalties.** The maximum penalties for late filing have increased for 2025. See *Penalties*, page 32-9.

Forms That Must Be Filed Electronically

| Form | Where to File |
|---|---|
| 990, 990-EZ, 990-PF, 990-T, 4720 (private foundations). | With an approved e-file provider. |
| 990-N (e-Postcard) | Form 990-N Electronic Filing System at www.irs.gov . |
| 1023, 1023-EZ, 1024, 1024-A | www.pay.gov |
| 8871, 8872 (political organizations) | www.IRS.gov/polorgs |

Common Types of Tax-Exempt Organizations

| Code Section | Description of Organization | General Nature of Activities |
|--------------|--|---|
| 501(c)(3) | <ul style="list-style-type: none"> • Religious. • Educational. • Charitable. • Testing for public safety. • Foster national or international amateur sports competition. • Prevention of cruelty to children or animals. | <ul style="list-style-type: none"> • Scientific. • Literary. Nature of activities implied by description of organization. |
| 501(c)(4) | <ul style="list-style-type: none"> • Civic leagues. • Social welfare organizations. • Local associations of employees. | Promotion of community welfare; charitable, educational, or recreational. |
| 501(c)(6) | <ul style="list-style-type: none"> • Business leagues. • Chambers of commerce. • Real estate boards. | Improvement of business conditions of one or more lines of business. |
| 501(c)(7) | Social and recreation clubs. | Pleasure, recreation, social activities. |
| 501(k) | Childcare organizations. | Provides care for children. |
| 521(a) | Farmers' cooperative associations. | Cooperative marketing and purchasing for agricultural procedures. |
| 527 | Political organizations. | Accepts contributions or makes expenditures for political campaigns. |
| 528 | Certain homeowners' associations (condominium or residential real estate management association, or timeshare association). | Organized and operated to acquire, build, manage, maintain, and care for association property. |

Effective Date of Tax-Exempt Status (page 32-4)

| If Application is filed: | Tax-exempt effective date is: |
|---|---|
| Within 27 months of legal formation. | Date of organization. |
| After 27 months from the end of the month legally formed. | Date IRS receives application (postmark). |

Tax-Exempt Organizations

Cross References

- Form 990, *Return of Organization Exempt From Income Tax*
- IRS Pub. 557, *Tax-Exempt Status for Your Organization*
- IRS Pub. 4220, *Applying for 501(c)(3) Tax-Exempt Status*
- IRS Pub. 4221-PC, *Compliance Guide for 501(c)(3) Public Charities*
- IRC §501(c), *List of exempt organizations*

Related Topics

- Charitable Contributions, page 4-15
- Homeowners' Associations (IRC §528), page 18-20
- Payroll and Labor Laws, Tab 23
- 2025 Where to File Business Returns, page 24-1

Organizations Exempt From Tax

Organizations that are exempt from tax include those organizations described in IRC section 501(c). Organizations described in IRC sections 501(d), 501(e), 501(f), 501(k), 521, 527, 528, 529, and 401(a) may also be exempt from tax. For a list of the most common types of tax-exempt organizations, see *Common Types of Tax-Exempt Organizations*, page 32-1.

Tax-Exempt Status

To be tax-exempt under section 501(c)(3), an organization must be organized and operated exclusively for an exempt purpose. Tax-exempt organizations are commonly referred to as 501(c)(3) or charitable organizations. Section 501(c)(3) includes both public charities and private foundations. The benefits of having 501(c)(3) status include exemption from federal income tax and eligibility to receive tax-deductible charitable contributions. An IRS determination of 501(c)(3) status is also recognized and accepted for other purposes. For example, state and local officials may grant exemption from income, sales, or property taxes. In addition, the U.S. Postal Service offers reduced postal rates to certain organizations.

Exempt purpose. A 501(c)(3) organization may qualify for exemption from federal income tax if it is organized and operated exclusively for one or more of the following purposes.

- Religious.
- Charitable.
- Scientific.
- Testing for public safety.
- Literary.
- Educational.
- Fostering national or international amateur sports competition (but only if no part of its activities involve providing athletic facilities or equipment).
- The prevention of cruelty to children or animals.

No part of the net earnings are allowed to benefit any private shareholder or individual, and no substantial part of the activities can include the carrying on of propaganda, or otherwise attempt to influence legislation (with exceptions). A 501(c)(3) organization cannot 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. See *501(c)(3) Organizations*, page 32-18.

Organization reference chart. For a summary of tax-exempt organizations, their application and filing requirements, and donation deductibility, see *Tax-Exempt Organization Reference Chart*, page 32-29.

Common Types of Tax-Exempt Organizations

The most common types of tax-exempt organizations under IRC section 501(c)(3) are formed for charitable, educational, or religious purposes.

Charitable organizations. Charitable organizations conduct activities that promote:

- Relief for the poor, the distressed, or the underprivileged.
- Advancement of religion.
- Advancement of education or science.
- Erection or maintenance of public buildings, monuments, or works.
- Lessening the burdens of the government.
- Lessening neighborhood tensions.
- Eliminating prejudice and discrimination.
- Defending human and civil rights secured by law.
- Combating community deterioration and juvenile delinquency.

Educational organizations. Educational organizations include:

- Schools such as a primary or secondary school, a college, or a professional or trade school.
- Organizations that conduct public discussion groups, forums, panels, lectures, or similar programs.
- Organizations that present a course of instruction by means of correspondence or through the use of television or radio.
- Museums, zoos, planetariums, symphony orchestras, or similar organizations.
- Nonprofit day care centers.
- Youth sports organizations.
- Credit counseling organizations.

Religious organizations. The term church includes synagogues, temples, mosques, and similar types of organizations. Although the Code excludes these organizations from the requirement to file an application for exemption, many churches voluntarily file applications to assure church leaders, members, and contributors that the church is tax exempt and qualifies for the related tax benefits. Other religious organizations that do not carry out the functions of a church, such as mission organizations and nondenominational ministries, may qualify for exemption, but must file an application with the IRS. See *Applying for Tax-Exempt Status*, page 32-3.

Tax-Exempt Organization Components

There are three key components to be exempt from federal income tax under IRC section 501(c)(3). An organization must be organized and operated exclusively for one or more exempt purposes.

- 1) **Organization.** A 501(c)(3) organization must be organized as a corporation, trust, or unincorporated association. An organization's organizing documents must limit its purpose to those described in IRC section 501(c)(3), not expressly permit unrelated activities that do not further its exempt purposes, and permanently dedicate its assets to exempt purposes.
- 2) **Operation.** Because a substantial portion of an organization's activities must further its exempt purpose, certain other activities are prohibited or restricted, including, but not limited to, the following. A 501(c)(3) organization:
 - Must refrain from participating in the political campaigns of candidates for local, state, or federal office,
 - Must restrict its lobbying activities,
 - Must ensure that its earnings do not inure to the benefit of any private shareholder or individual, and
 - Must not operate for the primary purpose of conducting a trade or business that is unrelated to its exempt purpose.For more information, see *Tax-Exempt Qualifications*, page 32-3.
- 3) **Exempt purpose.** A tax-exempt organization must have one or more exempt purpose stated in its organizing document. For exempt purposes listed in section 501(c)(3), see *Exempt purpose*, previous column.

Tax-Exempt Qualifications

A 501(c)(3) public charity that does not restrict its participation in certain activities and does not absolutely refrain from others, risks failing the operation test and jeopardizing its tax-exempt status. A tax-exempt organization must continually meet the following requirements.

- **Not be a “for-profit” entity.** The organization must be organized and operated exclusively for one or more of the purposes listed under *Common Types of Tax-Exempt Organizations*, page 32-2.
- **Not have net earnings that benefit the members of the organization.** No part of an organization’s net earnings may benefit an insider. An insider is a person who has a personal or private interest in the activities of the organization such as an officer, director, or key employee. This means that an organization is prohibited from allowing its income or assets to accrue to insiders. An example of a prohibited benefit would include payment of unreasonable compensation to an insider. Any amount of benefit may be grounds for loss of tax-exempt status.
- **Not exert political influence.** Public charities are prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) a candidate for public office. Violation of this prohibition may result in revocation of tax-exempt status and/or imposition of certain excise taxes.
- **Not engage in substantial legislative activity.** A public charity is not permitted to engage in lobbying for certain legislation. An organization will be regarded as attempting to influence legislation if it contacts, or urges the public to contact, members or employees of a legislative body for purposes of proposing, supporting, or opposing legislation, or advocates the adoption or rejection of legislation.

Court Case: An educational foundation was set up by the executors of an estate and granted tax-exempt status by the IRS in 2004. The only funds received by the foundation was a transfer of \$2,595,847 from the estate. In 2004 and 2005, the foundation awarded scholarships to several recipients, all of whom were direct descendants of the deceased. The IRS retroactively revoked the tax-exempt status of the foundation. U.S. District Court supported the IRS revocation of exempt status because the foundation was operated solely for the benefit of the decedent’s family. (*Educational Assistance Foundation for the Descendants of Hungarian Immigrants in the Performing Arts, Inc.*, U.S. District Court for the District of Columbia, July 6, 2015)

Nonqualified Organizations

Nonqualified organizations are tax-exempt organizations that are not qualified public charities. Contributions to these tax-exempt organizations are not tax deductible.

Examples of nonqualified organizations include:

- Country clubs, lodges, fraternal groups, and similar groups, unless used for charitable purposes.
- Civic leagues, social and sports clubs, labor unions, and chambers of commerce.
- Political organizations and candidates.
- Foreign organizations (contributions to certain Canadian, Mexican, and Israeli charities are deductible).
- Homeowners’ associations.

Private Foundations

While public charities generally have broad public support, a private foundation is usually funded by an individual, family, or a corporation. Establishing a private foundation can give the donor a current tax benefit while allowing the donor to maintain some control over assets.

Charitable organizations described in section 501(c)(3) are presumed to be private foundations unless notification is made to the IRS. Exempt organizations that are not private foundations include churches, educational institutions, hospitals and medical research organizations, charitable organizations receiving a major portion of their support from the general public or the United States, and governmental units. Notification is made when the application for exempt status is filed with the IRS. See *Applying for Tax-Exempt Status*, below.

Tax-Exempt Organization Responsibilities

Federal tax law imposes the following responsibilities on organizations receiving 501(c)(3) status.

Recordkeeping. 501(c)(3) organizations are required to keep books and records detailing all activities, both financial and nonfinancial. Information on its sources of support is crucial to determining an organization’s private foundation status. For more information about specific recordkeeping requirements, see IRS Pub. 4221-PC, *Compliance Guide for 501(c)(3) Public Charities*.

Disclosure requirements. 501(c)(3) organizations must make certain documents available for public inspection. The organization must make available its three most recent annual returns, its application, and any letter or other document issued by the IRS concerning the application. See *Annual Filing Requirements*, page 32-6.

Substantiation and disclosure. 501(c)(3) organizations must meet certain requirements for documenting charitable contributions. Federal tax law imposes two general disclosure requirements: 1) a donor must obtain a written acknowledgement from a charity for any single contribution of \$250 or more before the donor can claim a charitable contribution on his or her federal income tax return, 2) a charitable organization must provide a written disclosure to a donor who makes a payment in excess of \$75 partly as a contribution and partly for goods and services provided by the organization. See *Charitable Contributions*, page 4-15.

Applying for Tax-Exempt Status

An organization should establish its tax-exempt status by filing Form 1023, Form 1023-EZ, Form 1024, or Form 1024-A by the application deadline (generally within 27 months of formation date). Filing a late application can delay recognition of exempt status. See *Types of Applications*, page 32-5, and *Effective date of exemption*, page 32-4.

Employer identification number (EIN). Every exempt organization must have a federal EIN, regardless of whether it has any employees. An EIN is required before an exemption application can be submitted. However, do not apply for an EIN until the organization is legally formed. See *Employer Identification Number (EIN)*, page 5-1.

Documents needed to apply for exempt status. If Form 1023, Form 1024, or Form 1024-A are used to apply for exempt status, the application should include a copy of the organizing or enabling document that is signed by a principal officer, or is accompanied by a written declaration signed by an authorized individual certifying that the document is a complete and accurate copy of the original or meets the requirements of a conformed copy. If Form 1023-EZ is used, a copy of the organizing documents is not required.

Organizing documents. If the organizing or enabling documents are Articles of Incorporation, include evidence that it was filed and approved by a state official. A copy of the articles of incorporation can also be submitted with a written declaration signed by an authorized individual indicating the copy is complete and was filed and approved by the state, including the date filed.

Bylaws. Bylaws alone are not organizing documents. However, if bylaws have been adopted by the organization, include a current copy. The bylaws need not be signed if submitted as an attachment.

Conformed copy. If the organization's name has been officially changed by an amendment to the organizing instrument, attach a conformed copy of that amendment to the application.

A conformed copy is a copy that agrees with the original and all amendments to it. If the original document required a signature, the copy should either be signed by a principal officer, or if not signed, be accompanied by a written declaration signed by an authorized officer of the organization. With either option, the officer must certify that the document is a complete and accurate copy of the original. A certificate of incorporation should be approved and dated by an appropriate state official.

Attachments. When submitting attachments, every attachment should show the organization's name and EIN. Also, state that it is an attachment to the application form and identify the part and line number to which it applies.

Original documents. Do not submit original documents because they become part of the IRS file and cannot be returned.

Description of activities. An application to be treated as an exempt organization must include a full description of the proposed activities of the organization, including each of the fundraising activities of a 501(c)(3) organization and a narrative description of anticipated receipts and contemplated expenditures. When describing the activities of the organization, include the standards, criteria, procedures, or other means that the organization adopted or planned for carrying out those activities.

Financial data. Unless Form 1023-EZ is used to apply for exempt status, include financial statements showing receipts and expenditures and a balance sheet for the current year and the three preceding years. If the organization has not yet begun operations, provide a proposed budget for two full accounting periods and a current statement of assets and liabilities.

Formation date. A corporation is legally formed when its Articles of Incorporation are filed with the state. An unincorporated association is legally formed when its organizing document is adopted by the signature of at least two individuals. A trust is legally formed when all noncharitable interests in the trust property expire, or when it is funded if there are no noncharitable interests.

Application deadline. An organization that files its application before the deadline will usually be recognized as tax exempt under IRC section 501(c)(3) from the date of its creation if it meets exemption requirements. An organization that files an application after the deadline will usually be recognized as tax-exempt from the date the application is received by the IRS. It may also request exemption retroactive as of the date of creation. See *Effective date of exemption*, next column.

| Effective Date of Tax-Exempt Status | |
|---|---|
| <i>If Application is filed:</i> | <i>Tax-exempt effective date is:</i> |
| Within 27 months of legal formation. | Date of organization. |
| After 27 months from the end of the month legally formed. | Date IRS receives application (postmark). |

Determination letter. If all information received establishes that an organization meets the requirements for exemption, the IRS will issue a determination letter recognizing the organization's exempt status and providing its public charity classification. See *Rulings and determination letters*, next column.

Tax Exempt Organization Search (TEOS). The IRS has established a searchable database of exempt organizations which includes annual returns, determination letters, and donor deductibility status at www.irs.gov/charities-non-profits/tax-exempt-organization-search.

Rulings and determination letters. A new 501(c)(3) organization will be classified as a publicly supported organization and not a private foundation if it can show when it applies for tax-exempt status that it reasonably can be expected to be publicly supported.

An organization must describe fully the activities in which it expects to engage. This includes standards, procedures, or other means adopted or planned by the organization for carrying out its activities, expected sources of funds, and the nature of its contemplated expenses.

When an organization does not supply the information required on its application, or fails to furnish a sufficiently detailed description of its proposed activities to permit a conclusion that it will clearly be exempt, a proposed adverse determination letter or ruling may be issued.

Adverse determination. A proposed adverse ruling or determination letter will be issued to an organization that has not provided sufficiently detailed information to establish that it qualifies for exemption or if the information provided establishes that it does not qualify for exemption. An organization can appeal a proposed adverse ruling or determination letter.

Effective date of exemption. A ruling or determination letter recognizing exemption is usually effective as of the date of formation of an organization if the organization submitted the application for recognition of exemption within 27 months of the date of formation and, during the period before the date of the ruling or determination letter, its purposes and activities were those required by the law. Upon obtaining recognition of exemption, the organization can file a claim for a refund of income taxes paid for the period for which its exempt status is recognized.

If an organization is required to alter its activities or substantially amend its charter to qualify, the ruling or determination letter recognizing exemption will be effective as of the date specified in the letter. If a non-substantive amendment is made, such as correction of a clerical error in the enabling instrument or the addition of a dissolution clause, exemption will ordinarily be recognized as of the date of formation if the activities of the organization before the ruling or determination are consistent with the exemption requirements.

A ruling or determination letter recognizing exemption cannot be relied on if there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of the organization. A ruling or determination letter cannot be relied on if it is based on any omission or inaccurate material submitted by the organization.

Revocation of exemption. A ruling or determination letter recognizing exemption may be revoked by:

- A notice to the organization to which the ruling or determination letter originally was issued,
- Enactment of legislation or ratification of a tax treaty,
- A decision of the United States Supreme Court,
- Issuance of temporary or final regulations,
- Issuance of a revenue ruling, a revenue procedure, or other statement published in the Internal Revenue Bulletin or Cumulative Bulletin, or
- IRC section 6033(j), for failure to file a required annual return or notice, for three consecutive years, automatically.

If the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, with regard to organizations to which section 503 applies, engaged in a prohibited transaction (such as diverting corpus or

income from its exempt purpose), the revocation or modification may be retroactive.

If there is a material change, inconsistent with exemption, in the character, purpose, or method of operation of the organization, revocation or modification will ordinarily take effect as of the date of that material change.

If a ruling or determination letter was issued in error or the IRS changed its position after issuing a letter or ruling, and if IRC section 7805(b) relief is granted, retroactivity of the revocation ordinarily will be limited to a date not earlier than that on which the original ruling or determination letter was revoked.

Appeal procedures. If an organization applies for recognition of tax-exempt status and the IRS decides the organization does not qualify, the organization will be advised of its rights to protest the determination by requesting Independent Office of Appeals consideration. The organization must submit a statement of its views fully explaining its reasoning. The statement must be submitted within 30 days from the date of the adverse determination letter and must state whether it wishes Independent Office of Appeals consideration. See IRS Pub. 557 for details on how to appeal an adverse ruling.

Group exemption letter. A group exemption letter is a ruling or determination letter issued to a central organization recognizing on a group basis the exemption under IRC section 501(c) of subordinate organizations on whose behalf the central organization has applied for recognition of exemption.

A central organization is an organization that has one or more subordinates under its general supervision or control.

A subordinate organization is a chapter, local, post, or unit of a central organization. A central organization may be a subordinate itself, such as a state organization that has subordinate units and is itself affiliated with a national (central) organization.

A subordinate organization may or may not be incorporated, but it must have an organizing document and its own taxpayer identification number (EIN). A subordinate that is organized and operated in a foreign country cannot be included in a group exemption letter. A subordinate described in IRC section 501(c)(3) cannot be included in a group exemption letter if it is a private foundation described in IRC section 509(a).

If an organization is a subordinate controlled by a central organization (for example, a church, a veterans organization, or a fraternal organization), the organization should check with the central organization to see if it has been issued a group exemption letter that covers the subordinate. If it has, the subordinate organization does not have to file a separate application unless the subordinate organization no longer wants to be included in the group exemption letter. For more information on group exemptions, see IRS Pub. 4573, *Group Exemptions*.

Proposed revenue procedure. A proposed revenue procedure is being reviewed that sets forth the updated procedures under which recognition of exemption from federal income tax for certain organizations may be obtained on a group basis for subordinate organizations affiliated with and under the general supervision or control of a central organization. (Notice 2020-36)

As a result, the IRS is currently not accepting requests for group exemption letters until publication of the final revenue procedure or other guidance.

Types of Applications

The IRS will not recognize an organization's tax-exempt status until the organization applies in writing using the appropriate form. All applications must be signed by an individual authorized to sign for the organization.

Applications must be accompanied by the appropriate user fee. See *User Fees*, page 32-6.

Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. File Form 1023 to request recognition of exemption under IRC section:

- 501(c)(3), Corporations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports, or prevention of cruelty to children or animals, including the following types of organizations to which the specified subsections are applicable,
- 501(e), Cooperative hospital service organization,
- 501(f), Cooperative service organization of operating educational organizations,
- 501(k), Certain organizations providing childcare,
- 501(n), Charitable risk pools,
- 501(q), Credit counseling organizations, and
- 501(r), Hospital organizations.

Exceptions. The following may be tax-exempt under section 501(c)(3) without filing Form 1023.

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

The above exempt organizations may still file Form 1023 to receive a determination letter which specifies whether contributions to the organizations are tax deductible.

Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. A 501(c)(3) organization may file Form 1023-EZ (instead of Form 1023) to apply for tax-exempt status if its annual gross receipts are \$50,000 or less, and it has assets of \$250,000 or less.

Form 1024, Application for Recognition of Exemption Under Section 501(a) or Section 521 of the Internal Revenue Code.

Use of Form 1024 has been expanded to include most exempt organizations which do not fall under the sections covered by Form 1023 or Form 1023-EZ, above. These include 501(c) organizations such as:

- 501(c)(2), Title-holding corporations for single-parent corporations.
- 501(c)(5), Labor, agricultural, or horticultural organizations.
- 501(c)(6), Business leagues, chambers of commerce, etc.
- 501(c)(7), Social clubs.
- 501(c)(8), Fraternal beneficiary societies, orders, or associations.
- 501(c)(9), Voluntary employees' beneficiary associations.
- 501(c)(10), Domestic fraternal societies, orders, etc.
- 501(c)(11) Teachers' retirement fund associations.
- 501(c)(12), Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies.
- 501(c)(13), Cemetery companies.
- 501(c)(15), Mutual insurance companies or associations.
- 501(c)(17), Trusts providing for the payment of supplemental unemployment compensation benefits.
- 501(c)(19), A post, organization, auxiliary unit, etc. of past or present members of the Armed Forces of the United States.
- 501(c)(25), Title-holding corporations or trusts for multiple-parent corporations.

Organizations requesting exemption under subsections 501(c)(11), (14), (16), (18), (21), (22), (23), (26), (27), (28), (29) or section 501(d) are now required to use Form 1024.

Form 1024 is also used to request tax-exempt status for a farmers' cooperative. A farmers' cooperative is an association of farmers, fruit growers, or persons with similar occupations, that is organized and operated on a cooperative basis. (IRC §521)

For a complete listing, see *Tax-Exempt Organization Reference Chart*, page 32-29.

Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code. Form 1024-A is used for a civic league or social welfare organization seeking tax-exempt status.

Form 8976, Notice of Intent to Operate Under Section 501(c)(4). Submitting Form 1024-A does not satisfy an organization's requirement to notify the IRS of its intent to operate under IRC section 501(c)(4). Form 8976 must be filed electronically within 60 days from the date the organization is established. An additional \$50 registration fee must be paid at the time of filing. This fee is separate from the user fee due for filing Form 1024-A.

When to file. Forms 1023, 1023-EZ, 1024, and 1024-A must be filed within 27 months after the month in which the organization was legally formed for the effective date of tax-exempt status to be the same as the date of organization. See *Effective date of exemption*, page 32-4.

How to file. In general, all applications requesting tax-exempt status must be submitted electronically using www.pay.gov. Completed applications must include a digital signature by an authorized official, plus any required schedules and attachments.

User Fees

The law requires payment of a user fee with each application. Payments are made directly through www.pay.gov when the completed application is submitted.

| User Fees (Rev. Proc. 2025-5) | |
|--|---------|
| Organizations filing Form 1023-EZ..... | \$275 |
| Organizations filing other forms | \$600 |
| Group exemption letters*..... | \$3,500 |

* As of June 17, 2020, the IRS is not accepting requests for group exemption letters until publication of the final revenue procedure or other guidance. (Notice 2020-36)

Annual Filing Requirements

| Form 990 Series Annual Return | |
|--|--|
| Tax-Exempt Organization | File Form |
| Annual gross receipts normally \$50,000 or less | 990-N (may choose to file 990-EZ or 990) |
| Annual gross receipts more than \$50,000 and less than \$200,000, and total assets less than \$500,000 | 990-EZ or 990 |
| Annual gross receipts at least \$200,000, or total assets at least \$500,000 | 990 |
| Private foundation | 990-PF |

Annual information returns. An organization exempt from federal income tax must file an annual exempt organization return with the IRS, except for the following.

- A church, an interchurch organization of local units of a church, a convention or association of churches,
- An integrated auxiliary of a church,
- A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs,
- A school below college level affiliated with a church or operated by a religious order,
- Church-affiliated mission societies if more than half of their activities are conducted in, or are directed at persons in, foreign countries,
- An exclusively religious activity of any religious order,

- A state institution, the income of which is excluded from gross income under IRC section 115,
- A corporation described in IRC section 501(c)(1) that is organized under an Act of Congress, an instrumentality of the United States, and is exempt from federal income taxes,
- A stock bonus, pension, or profit-sharing trust that qualifies under IRC section 401 (required to file Form 5500, *Annual Return/Report of Employee Benefit Plan*),
- A religious or apostolic organization described in IRC section 501(d) (required to file Form 1065, *U.S. Return of Partnership Income*),
- A governmental unit or an affiliate of a governmental unit that meets the requirements of Revenue Procedure 95-48,
- A political organization that is a state or local committee of a political party, a political committee of a state or local candidate, a caucus or association of state or local officials, or required to report under the Federal Election Campaign Act of 1971 as a political committee,
- A foreign organization, or an organization located in a U.S. possession, that normally has annual gross receipts from sources within the United States of \$50,000 or less.

Exempt organizations that are not required to file a return may still be required to file Form 990-T, *Exempt Organization Business Income Tax Return*. See *Unrelated Business Income*, page 32-10.

Supporting organization annual information return. All IRC section 509(a)(3) supporting organizations are required to file Form 990 or Form 990-EZ with the IRS regardless of the organization's gross receipts, unless it qualifies as one of the following:

- 1) An integrated auxiliary of a church,
- 2) The exclusively religious activities of a religious order, or
- 3) An organization, the gross receipts of which are normally not more than \$5,000, that supports an IRC section 509(a)(3) religious order.

If the organization is described in item (3) above, then it must submit Form 990-N (e-Postcard) unless it voluntarily files Form 990 or Form 990-EZ.

On its annual information return, at Part I, Schedule A (Form 990 or Form 990-EZ) a supporting organization must:

- 1) List the IRC section 509(a)(3) organizations to which it provides support,
- 2) Indicate whether it is a Type I, Type II, or Type III supporting organization, and
- 3) Certify that the organization is not controlled directly or indirectly by disqualified persons (other than by foundation managers and other than one or more publicly supported organizations). See *Disqualified persons*, page 32-23.

Form 990-N (e-Postcard)—small tax-exempt organizations. A small tax-exempt organization with annual gross receipts, normally \$50,000 or less, that are not otherwise exempted entirely from a filing requirement, must submit Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990-EZ*, with the IRS each year, if it chooses not to file a Form 990 or Form 990-EZ. Form 990-N (e-Postcard) requires the following information for the organization.

- Legal name and mailing address,
- Any other name under which it operates and does business,
- Website address (if any),
- Employer identification number (EIN), also known as a taxpayer identification number (TIN),
- Name and address of a principal officer,
- Annual tax period (calendar or fiscal year filer),
- Confirmation that the organization's annual gross receipts are \$50,000 or less, and
- Notification the organization has terminated or is terminating (going out of business), if applicable.

Form 990-N (e-Postcard) is due by the 15th day of the fifth month after the close of the tax year (May 15 for calendar year taxpayers). If the IRS does not receive Form 990-N (e-Postcard) by the due date, a reminder will be sent to the address on file. Organizations should submit the required form, even if they are late. There is no penalty for late submissions. However, any organization that fails to meet its annual reporting requirement for three consecutive years will automatically lose its tax-exempt status. To regain its exempt status an organization will have to reapply for recognition as a tax-exempt organization. See *Automatic Revocation*, page 32-8.

Exceptions: The Form 990-N (e-Postcard) filing requirement does not apply to:

- Churches, their integrated auxiliaries, and conventions or associations of churches,
- Organizations that are included in a group return,
- Private foundations required to file Form 990-PF, and
- IRC section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ.

Required electronic filing. Form 990-N must be filed by using Login.gov or ID.me, the current IRS online service providers.

For additional filing information, see IRS Pub. 5248, *IRS Form 990-N Electronic Filing System (e-Postcard) User Guide*.

Form 990 and Form 990-EZ. Tax-exempt organizations, other than private foundations, must file an annual information return on Form 990, *Return of Organization Exempt From Income Tax*, or 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, if eligible, unless excepted from filing (see list of exceptions under *Annual information returns*, page 32-6) or allowed to submit Form 990-N (e-Postcard). Organizations eligible to file Forms 990-N or 990-EZ may choose to file Form 990. See *Form 990 Series Annual Return* chart, page 32-6.

Political organizations. Generally, a political organization with gross receipts of \$25,000 or more for the tax year (\$100,000 or more for a qualified state or local political organization) is required to file Form 990 or Form 990-EZ unless it is one of the following.

- A state or local committee of a political party.
- A political committee of a state or local candidate.
- A caucus or association of state or local officials.
- A political organization that is required to report as a political committee under the Federal Election Campaign Act.
- A 501(c) organization that has expenditures for influencing or attempting to influence the selection, nomination, election, or appointment of any individual for a federal, state, or local public office.

Form 990-EZ, Short Form Return of Organization Exempt From Income Tax. An organization with gross receipts less than \$200,000 and total assets at the end of the year less than \$500,000, is eligible to file Form 990-EZ; otherwise it must file Form 990.

Form 990-EZ is an annual information return required to be filed with the IRS by organizations exempt from income tax under IRC section 501(a), and certain political organizations and nonexempt charitable trusts. Parts I through V of the form must be completed by all filing organizations. Part VI must be completed by IRC section 501(c)(3) organizations and IRC section 4947(a)(1) charitable trusts. Reporting is required on the organization's exempt and other activities, finance, compliance with certain federal tax filings and requirements, and compensation paid to certain individuals. Additional schedules are required to be completed depending on the activities and type of organization. Also, the organization may be required to file the completed Form 990-EZ with state governments to satisfy state reporting requirements.

Note: The completed Form 990-EZ is required to be made available to the public except for certain contributor information. Do not include Social Security Numbers on publicly disclosed forms.

Exceptions. The following organizations cannot use Form 990-EZ.

- Sponsoring organizations of donor advised funds.
- Organizations that operate a hospital facility.
- Organizations recognized by the IRS as section 501(c)(29) non-profit health insurance issuers.
- Certain controlling organizations defined in IRC section 512(b)(13).
- Private foundations.
- Organizations filing a group return.

Form 990, Return of Organization Exempt From Income Tax.

Form 990 is an annual information return required to be filed with the IRS by most organizations exempt from income tax under IRC section 501(a), and certain political organizations and non-exempt charitable trusts. Parts I through XII, Form 990, must be completed by all filing organizations and require reporting on the organization's exempt and other activities, finances, governance, compliance with certain federal tax filings and requirements, and compensation paid to certain persons. Additional schedules are required to be completed depending upon the activities and type of the organization.

Also, the organization may be required to file the completed Form 990 with state governments to satisfy state reporting requirements.

In general, Form 990 must be filed by an organization exempt from income tax under IRC section 501(a), including an organization that has not applied for recognition of exemption, if it has either gross receipts greater than or equal to \$200,000, or total assets greater than or equal to \$500,000 at the end of the year. Gross receipts are the total amounts the organization received from all sources during its tax year, without subtracting any costs or expenses.

Note: The completed Form 990 is required to be made available to the public except for certain contributor information. Do not include Social Security Numbers on publicly disclosed forms.

Group return. A group return on Form 990 may be filed by a central, parent, or like organization for two or more local organizations, none of which is a private foundation. This return is in addition to the central organization's separate annual return if it must file a return. It cannot be included in the group return. In any year that an organization is properly included as a subordinate organization on a group return, it should not file its own Form 990.

Schedule A (Form 990), Public Charity Status and Public Support. Organizations, other than private foundations, that are described in IRC section 501(c)(3) and that are otherwise required to file Form 990 or Form 990-EZ must also complete Schedule A. Schedule A is used to provide the required information about public charity status and public support.

Schedule B (Form 990), Schedule of Contributors. Organizations that file Form 990, Form 990-EZ, or Form 990-PF use Schedule B to provide required information regarding certain contributors and their contributions.

Public inspection. Schedule B is open to public inspection for an organization that files Form 990-PF, or for an IRC section 527 political organization that files Form 990 or Form 990-EZ. For all other organizations that file Form 990 or Form 990-EZ, the names and addresses of contributors are not required to be made available for public inspection. All other information, including the amounts of contributions, the description of noncash contributions, and any other information, is required to be made available for public inspection unless it clearly identifies the contributor.

Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation. Form 990-PF is an annual information return that must be filed by the following.

- Exempt private foundations.
- Taxable private foundations.
- Organizations that agree to private foundation status and whose applications for exempt status are pending on the due date for filing Form 990-PF.
- Organizations that claim private foundation status, have not yet applied for exempt status, and whose application is not yet untimely for retroactive recognition of exemption.
- Organizations that made an election under IRC section 41(e)(6)(D)(iv).
- Private foundations that are making an IRC section 507(b) termination.
- Nonexempt charitable trusts treated as private foundations.

See *Private Foundations*, page 32-21.

Due date. Form 990-EZ, Form 990, Form 990-N, or Form 990-PF must be filed by the 15th day of the fifth month after the close of the organization's tax year (May 15 for calendar-year organizations). In the case of liquidation, termination, or if the organization was dissolved, the return is due by the 15th day of the fifth month after the date of liquidation, termination, or dissolution.

Required electronic filing. Tax-exempt organizations must electronically file annual information returns (Form 990-EZ, Form 990, Form 990-N, or Form 990-PF) and related forms.

Extension of time to file. Use Form 8868, *Application for Extension of Time To File an Exempt Organization Return or Excise Taxes Related to Employee Benefit Plans*, to request an automatic 6-month extension of time to file Form 990, Form 990-EZ, or Form 990-PF. When filing Form 8868 for an automatic extension, neither a signature, nor an explanation is required.

Loss of exempt status. Any organization that fails to meet its annual reporting requirement for three consecutive years will automatically lose its tax-exempt status and will have to reapply to regain its exempt status. See *Automatic Revocation*, next column.

Application for exemption pending. An organization that claims to be exempt under IRC section 501(a) but has not established its exempt status by the due date for filing an information return must complete and file Form 990, Form 990-EZ, Form 990-N (e-Postcard), or Form 990-PF, unless the organization is exempt from Form 990-series filing requirements. If the organization's application is pending with the IRS, it must so indicate on Form 990, Form 990-EZ, or Form 990-PF by checking the application pending block at the top of page 1 of the return.

Unrelated business income. If the organization has \$1,000 or more of unrelated business income, it must file Form 990-T, *Exempt Organization Business Income Tax Return*, in addition to its required annual information return. See *Unrelated Business Income*, page 32-10.

Tax return filing tips for tax-exempt organizations. The IRS recommends that individuals filing tax returns for tax exempt organizations adhere to the following.

- File the proper version of Form 990 for the tax period of the return.
- Double check the identifying information including:
 - The accuracy of the organization's EIN, and
 - The correct Internal Revenue Code subsection for the organization as provided in the organization's determination letter.
- Ensure that an officer of the organization signs the return.
- Do not include unnecessary personal information on the return. Form 990 must be made publicly available by the IRS. Putting unnecessary personal information on the return facilitates identity theft.

- Fully complete all necessary parts:
 - Organizations completing Form 990-EZ must fully complete Parts I through V.
 - A 501(c)(3) organization completing Form 990-EZ must fully complete Part VI.
 - Organizations completing Form 990 must fully complete Parts I through XII.
- Determine which schedules are required and fully complete them. Answer *yes* or *no* to each question as necessary. Make an entry on all total lines including zero (0) as appropriate.

IRS training for mid-size tax-exempt organizations. The IRS provides news, training, and other resources for 501(c)(3) tax-exempt organizations at www.stayexempt.irs.gov. An online interactive workshop is available that includes the following presentations.

- Applying for Section 501(c)(3) Status.
- Maintaining 501(c)(3) Tax-Exempt Status.
- Employment Issues.
- Required Disclosures.
- Form 990 Overview Course.
- Unrelated Business Income.
- Political Campaigns and Charities: The Ban on Political Campaign Intervention.
- Charitable Gaming for Exempt Organizations.
- Can I Deduct My Charitable Contributions?

Automatic Revocation

If the organization fails to file a Form 990, Form 990-EZ, Form 990-PF, or Form 990-N (e-Postcard), as required, for three consecutive years, it will automatically lose its tax-exempt status by operation of law. The list of organizations whose tax-exempt status has been automatically revoked is available on www.irs.gov. This Auto-Revocation List includes each organization's name, employer identification number (EIN) and last known address. It also includes the effective date of the automatic revocation and the date it was posted to the list. The IRS updates the list monthly to include additional organizations that lose their tax-exempt status.

IRS notice. The IRS is required to provide notice to an organization that fails to file a Form 990-series return or Form 990-N (e-Postcard) for two consecutive years. The notice must state that the IRS has no record of receiving a return or e-Postcard from the organization for two consecutive years and inform the organization that its tax-exempt status will be cancelled if the organization fails to file a return or postcard by the due date for the next return or postcard. The notice must also contain information about how to meet the annual information return and postcard requirements.

Tax effect of loss of tax-exempt status. If an organization's tax-exempt status is automatically revoked, the organization may be required to file one of the following federal income tax returns and pay any applicable income taxes.

- Form 1120, *U.S. Corporation Income Tax Return*, due by the 15th day of the fourth month after the end of the organization's tax year, or
- Form 1041, *U.S. Income Tax Return for Estates and Trusts*, due by the 15th day of the fourth month after the end of the organization's tax year.

A 501(c)(3) organization that loses its tax-exempt status cannot receive tax-deductible contributions and will not be identified in the IRS Business Master File extract as eligible to receive tax-deductible contributions, or be included in Tax-Exempt Organization Search (IRS Publication 78 database).

Reinstatement of exempt status. An organization whose exemption was automatically revoked must apply for tax exemption and pay the applicable user fee in order to regain its tax exemption, even if it was not originally required to apply. In some situations, an organization may be able to obtain exemption retroactive to its date of revocation. Similarly, if the central organization with a Group Exemption Number is automatically revoked, each subsidiary may need to apply for exemption as an independent organization.

Elective Payment Election

Tax-exempt entities can benefit from certain clean energy investment and production credits using the elective payment election. The entity can receive full value of the credit because the IRS treats the elective payment amount as a tax payment which can be refunded to the entity. Transferability allows entities that cannot use elective pay but do qualify for an eligible credit to transfer all or a portion of the credit to a third-party buyer in exchange for cash. (IRC §6417)

The election is made on Form 990-T which must be filed by the due date (including extensions). See *Elective payment election (EPE)*, page 31-3.

Penalties

Late-filing penalty. Generally, an exempt organization that fails to timely file a required return must pay a penalty of \$25 per day for each day the failure continues. The penalty also applies if the organization does not give all the information required on the return or does not give the correct information. The penalty will not apply if the organization can show that the late filing was due to reasonable cause.

Maximum penalty. The maximum penalty (for returns required to be filed in 2026) for any one return is the lesser of \$13,000, or 5% of the organization's gross receipts for the year.

Large organizations. For an organization that has gross receipts for the year exceeding \$1,309,500 (for returns required to be filed in 2026), the penalty is \$130 per day, up to a maximum of \$65,000.

Managers. If the organization is subject to this penalty, the IRS may specify a date by which the return or correct information must be supplied by the organization. Failure to comply with this demand will result in a penalty imposed upon the manager of the organization, or upon any other person responsible for filing a correct return. The penalty is \$10 per day for each day that a return is not filed after the period given for filing. The maximum penalty imposed on all persons with respect to any one return is \$6,500.

Excise Taxes

An excise tax may be imposed on certain tax-exempt organizations and/or managers, self-dealers, disqualified persons, donors, donor advisors, or related persons. See *Disqualified persons*, page 32-23.

- Prohibited tax shelter transactions.
- Excess benefit transactions.
- Excess business holdings.
- Taxable distributions of sponsoring organizations.
- Taxes on prohibited benefits distributed from donor advised funds.
- Excise taxes on private foundations.
- Excise taxes on IRC 501(c)(21) black lung benefit trusts.
- Excise tax on failure to meet the community health needs assessment requirements of hospitals.
- Excise taxes on excess executive compensation.
- Excise tax on net investment income of certain colleges and universities.

Excise tax on excess executive compensation. Tax-exempt organizations are subject to an excise tax on pay to covered employees that exceeds \$1 million per year. The excise tax is 21% on excess compensation including compensation in the form of certain parachute payments. (Reg. §53.4960)

Covered employee. A covered employee is an employee (including any former employee) of an applicable tax-exempt organization if the employee is one of the five highest compensated employees of the tax year or was a covered employee of the organization (or a predecessor) for any preceding tax year. An applicable tax-exempt organization is an organization exempt from tax under IRC section 501(a), an exempt farmers' cooperative, a federal, state, or local government entity with excludable income, and a political organization.

One exception applies to medical professionals. Compensation paid to a licensed medical professional which is directly related to the performance of medical or veterinary services is not taken into account for purposes of the excise tax. Compensation paid to such a professional in any other capacity is subject to the excise tax. A medical professional includes a doctor, nurse, or veterinarian.

For more information about excise taxes for tax-exempt organizations, see IRS Pub. 557, *Tax-Exempt Status for Your Organization*.

Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code. Form 4720 is used to compute and report any of the preceding excise taxes. Each taxpayer filing Form 4720 must file his or her own return. Taxpayers such as disqualified persons and foundation managers cannot report and pay their excise tax on the private foundation's return.

Electronic filing required. Private foundations required to file Form 4720 must do so electronically. Other entities required to file Form 4720 must do so electronically if they file 10 or more returns in the aggregate in a calendar year.

Employment Tax Returns

Every employer, including an organization exempt from federal income tax, that pays wages to employees is responsible for withholding, depositing, paying, and reporting federal income tax, Social Security and Medicare (FICA) taxes, and federal unemployment tax (FUTA), unless that employer is specifically exempted by law from those requirements, or if the taxes clearly do not apply. See IRS Pub. 15 (Circular E), *Employer's Tax Guide*.

Trust fund recovery penalty. The trust fund recovery penalty is equal to the tax evaded, not collected, or not accounted for and paid over. The penalty can be assessed against:

- An officer or employee of a corporation, or
- A member or employee of a partnership.

Exception. The penalty is not imposed on any unpaid volunteer director or member of a board of trustees of an exempt organization if the unpaid volunteer serves solely in an honorary capacity, does not participate in the day-to-day or financial operations of the organization, and does not have actual knowledge of the failure. This exception does not apply if it results in no one being liable for the penalty. See *Trust Fund Recovery Penalty*, page 23-7.

FUTA tax exception. Payments for services performed by an employee of a IRC section 501(c)(3) organization are not subject to FUTA taxes. However, an IRC section 501(c)(4) organization is liable for FUTA tax when paying wages for employees on behalf of others such as non-IRC section 501(c)(3) organizations.

Information Provided to Donors

In some situations, a donor must obtain certain information from a donee organization to claim a deduction for a charitable contribution. In other situations, the donee organization is required to provide information to the donor.

Donations over \$75. A charitable organization must give a donor a disclosure statement for a donation over \$75 that a donor makes to a charity partly as a contribution and partly for goods and services. Failure to make the required disclosure may result in a penalty to the organization.

Example: Fred gives a charity \$100 and receives a concert ticket valued at \$40. Fred has a \$60 charitable donation. Even though the deductible part of the payment is not more than \$75, a written statement must be filed because the total payment is more than \$75.

Donations of \$250 or more. A donor cannot deduct a charitable contribution of \$250 or more unless the donor has a written acknowledgement from the charitable organization.

Donee Information Return

If an organization receives charitable deduction property and within three years sells, exchanges, or otherwise disposes of the property, the organization must file Form 8282, *Donee Information Return*. However, an organization is not required to file Form 8282 if:

- The property is valued at \$500 or less, or
- The property is consumed or distributed for charitable purposes.

Form 8282 must be filed with the IRS within 125 days after the disposition. Additionally, a copy of Form 8282 must be given to the donor. If the organization fails to file the required information return, penalties may apply.

Charitable deduction property. Charitable deduction property is any property (other than money or publicly traded securities) for which the donee organization signed an appraisal summary or Form 8283, *Noncash Charitable Contributions*.

Publicly traded securities. Publicly traded securities are securities for which market quotations are readily available on an established securities market as of the date of the contribution.

Appraisal summary. If the value of the donated property exceeds \$5,000, the donor must get a qualified appraisal for contributions of property.

Exceptions: A written appraisal is not needed if the property is:

- Nonpublicly traded stock of \$10,000 or less,
- A vehicle (including a car, boat, or airplane), if the deduction for the vehicle is limited to the gross proceeds from its sale,
- Intellectual property,
- Certain securities considered to have market quotations readily available,
- Inventory and other property donated by a corporation that are qualified contributions for the care of the ill, the needy, or infants, or
- Any donation of stock in trade, inventory, or property held primarily for sale to customers in the ordinary course of a trade or business.

The donee organization is not a qualified appraiser for the purpose of valuing the donated property. For more information, see IRS Pub. 561, *Determining the Value of Donated Property*.

Unrelated Business Income

Cross References

- Form 990-T, *Exempt Organization Business Income Tax Return*
- IRS Pub. 598, *Tax on Unrelated Business Income of Exempt Organizations*

Related Topics

- Investment Income, Tab 6
- Business Deductions, Tab 8
- Business Credits, Tab 31

Unrelated Trade or Business

Even though an organization may be recognized as tax exempt, it still may be liable for tax on its unrelated business income. Unrelated business taxable income is income from a trade or business, regularly carried on, that is not substantially related to the charitable, educational, or other purpose that is the basis for the organization's exemption. If an organization has \$1,000 or more of unrelated business taxable income, Form 990-T, *Exempt Organization Business Income Tax Return*, must be filed in addition to the required annual information return.

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.

Regularly carried on. Business activities of an exempt organization are considered regularly carried on if they show a frequency and continuity, and are pursued in a manner similar to comparable commercial activities of for-profit organizations. For example, a hospital auxiliary's operation of a sandwich stand for two weeks at a state fair would not be the regular conduct of a trade or business. However, operating a commercial parking lot every Saturday, year-round, would be the regular conduct of a trade or business.

Not substantially related. A business activity is not substantially related to an organization's exempt purpose if it does not contribute importantly to accomplishing that purpose (other than through the production of funds).

In determining whether activities contribute importantly to the exempt purpose, the size and extent of the activities involved must be considered in relation to the nature and extent of the exempt function that they intend to serve. The part of the activity that is more than needed to accomplish the exempt purpose is an unrelated trade or business. In determining whether activities contribute to the exempt purpose, the following principles apply.

- **Selling of products of exempt functions.** Ordinarily, selling products that result from the performance of exempt functions is not an unrelated trade or business if the product is sold in substantially the same state it is in when the exempt functions are completed. Thus, for an exempt organization engaged in rehabilitating handicapped persons (its exempt function), selling articles made by these persons as part of their rehabilitation training is not an unrelated trade or business.
- **Dual use of assets or facilities.** If an asset or facility necessary to the conduct of exempt functions is also used in commercial activities, its use for exempt functions does not, by itself, make the commercial activities a related trade or business. For example, a museum has a theater auditorium designed for showing

educational films in connection with its program of public education in the arts and sciences. The theater is a principal feature of the museum and operates continuously while the museum is open to the public. If the organization also operates the theater as a motion picture theater for the public when the museum is closed, the activity is an unrelated trade or business.

- **Exploitation of exempt functions.** Exempt activities sometimes create goodwill or other intangibles that can be exploited in a commercial way. Unless the commercial exploitation contributes importantly to the accomplishment of the exempt purpose, the commercial activities are an unrelated trade or business.

Examples. The following are examples of activities that are (or are not) considered unrelated trades or businesses using the above definitions and principles.

Unrelated Business Income Classification

| Type | Income Description | Classification |
|-------------------------------------|---|--|
| Artist's facilities | An organization whose exempt purpose is to stimulate and foster public interest in the fine arts by promoting art exhibits, sponsoring cultural events, and furnishing information about fine arts also leases studio apartments to artist-tenants and operates a dining hall primarily for these tenants. | These two activities do not contribute importantly to accomplishing the organization's exempt purpose. Therefore, the income is considered unrelated business taxable income. |
| Halfway house workshop | A halfway house organized to provide room, board, therapy, and counseling for persons discharged from alcoholic treatment centers also operates a furniture shop to provide full-time employment for residents. The profits are applied to the operating costs of the halfway house. | The income from this venture is not considered unrelated taxable income because the furniture shop contributes importantly to the organization's purpose of aiding its residents' transition from treatment to a normal and productive life. |
| Membership list sales | An exempt educational organization regularly sells membership mailing lists to business firms. | This activity does not contribute importantly to the accomplishment of the organization's exempt purpose and therefore is an unrelated trade or business. |
| Museum eating facilities | An exempt art museum operates a dining room, a cafeteria, and a snack bar for use by the museum staff, employees, and visitors. Eating facilities in the museum help to attract visitors and allow them to spend more time viewing the museum's exhibits without having to seek outside restaurants at meal time. The eating facilities also allow the museum staff to remain in the museum throughout the day. | The museum's operating of the eating facilities contributes importantly to the accomplishment of its exempt purposes and is not an unrelated trade or business. |
| Pet boarding and grooming services. | An exempt organization, organized and operated for the prevention of cruelty to animals, receives income from providing pet boarding and grooming services for the general public. | These activities do not contribute importantly to its purpose of preventing cruelty to animals and is an unrelated trade or business. |

Court Case: A tax-exempt homeowners' association operated two parking lots and a beach club, which were accessible only to the association's members and their guests. The Tax Court determined that, because the facilities were not open to the general public, the resulting income benefited the private interest of the association's members and did not promote social welfare, the purpose constituting the basis of the association's exemption. Therefore, the income was subject to unrelated business income tax. The Appellate Court agreed. (*Ocean Pines Association, Inc.*, 4th Cir., March 2, 2012)

Unrelated Business Taxable Income (UBTI)

The term "unrelated business taxable income" generally means the gross income derived from any unrelated trade or business regularly conducted by the exempt organization less the deductions directly connected with carrying on the trade or business.

In computing UBTI, gross income and deductions are subject to certain modifications and special rules.

Separate trade or business. An organization with more than one unrelated trade or business must compute its UBTI, including for purposes of determining any net operating loss (NOL) deduction, separately with respect to each trade or business. The UBTI with respect to any such trade or business cannot be less than zero. Therefore, a loss in one business cannot offset income from another business. The loss can be carried forward to future tax years. An NOL deduction is allowed only with respect to the trade or business from which the loss arose.

UBTI Exclusions

The following types of income (and deductions directly connected with the income) are generally excluded when calculating unrelated business taxable income (UBTI).

Investment income. All dividends, interest, annuities, payments with respect to securities loans, income from notional principal contracts, and other income from an exempt organization's ordinary and routine investments that the IRS determines are substantially similar to these types of income are excluded in computing UBTI.

Royalties. Royalties, including overriding royalties, are excluded in computing UBTI. To be considered a royalty, a payment must relate to the use of a valuable right.

Rents. Rents from real property, including elevators and escalators, are excluded in computing UBTI. Rents from personal property are not excluded.

Income from research. A tax-exempt organization may exclude income from research grants or contracts from UBTI. The extent of the exclusion depends on the nature of the organization and the type of research.

Gains and losses from disposition of property. Also excluded from UBTI are gains or losses from the sale, exchange, or other disposition of certain property.

For more information, see IRS Pub. 598, *Tax on Unrelated Business Income of Exempt Organizations*.

Excluded trade or business activities. Activities specifically excluded from the definition of unrelated trade or business include the following.

- Legal bingo games played in a jurisdiction where bingo games are not conducted by for-profit organizations.
- A trade or business conducted by a 501(c)(3) organization or by a state college or university primarily for the convenience of its members, students, patients, officers, or employees.
- Qualified convention or trade show activities.

continued on next page

- Activities relating to the distribution of low-cost articles incidental to soliciting charitable contributions (\$13.60 max for 2025).
- Selling merchandise, substantially all of which the organization received as contributions.
- Any trade or business in which substantially all the work is performed for the organization without compensation.

For more information, see IRS Pub. 598, *Tax on Unrelated Business Income of Exempt Organizations*.

UBTI Deductions

To qualify as allowable deductions in computing UBTI, the expenses, depreciation, and similar items must generally be allowable income tax deductions that are directly connected with carrying on the trade or business to which they relate. The deductions cannot be directly connected with excluded income.

Expenses attributable solely to unrelated business. Expenses, depreciation, and similar items attributable solely to conduct of an unrelated business qualify for deduction to the extent that they otherwise are allowable income tax deductions. For example, salaries of personnel employed full-time to conduct the unrelated business and depreciation of a building used entirely in conduct of that business are deductible to the extent otherwise allowable.

Expenses attributable to dual use of facilities or personnel. When facilities or personnel are used both to conduct exempt functions and to conduct an unrelated trade or business, expenses, depreciation, and similar items must be allocated between the two uses on a reasonable basis. The part of an item allocated to the unrelated trade or business is an allowable deduction in computing UBTI to the extent otherwise allowable.

Modifications. Modifications allowed as deductions to gross income from an unrelated trade or business include:

- Charitable contributions paid to another qualified organization. The qualified charitable contribution is allowed even if the contributions are not directly connected with any unrelated trade or business. An exempt organization that is subject to the unrelated business income tax at corporate rates is allowed a deduction of up to 10% of its UBTI computed without regard to the deduction for contributions.
- A net operating loss (NOL) is allowed against unrelated business income for a tax year to which the NOL can be carried. An NOL can arise only in a tax year for which the organization is subject to tax on unrelated business income.
- A specific deduction of \$1,000 is allowed in computed UBTI. However, the specific deduction is not allowed in computing an NOL or the NOL deduction. Generally, the deduction is limited to \$1,000 regardless of the number of unrelated businesses in which the organization is engaged.

Form 990-T, Exempt Organization Business Income Tax Return

Form 990-T is used to report unrelated business income including additions to unrelated business taxable income.

Electronic filing required. Form 990-T must be filed electronically.

Tax rate. Unrelated business income earned by an exempt organization is taxed at the corporate tax rate of 21%. See *C Corporation Tax Rates*, page 18-4.

Net unrelated business income earned by an exempt trust is taxed at the trust tax rates. An exempt trust may not claim a trust personal exemption. See *Form 1041—Estates and Trusts Income Tax Return*, page 21-2.

The tax is reduced by applicable tax credits, including the general business credits and the foreign tax credit. See *Business Credits*, Tab 31.

When to file. Most exempt organizations must file Form 990-T by the 15th day of the fifth month after the close of the tax year. A six-month extension is available by filing Form 8868, *Application for Extension of Time To File an Exempt Organization Return or Excise Taxes Related to Employee Benefit Plans*.

Estimated tax. An exempt organization must pay quarterly estimated tax on unrelated business income if it expects its tax for the year to be \$500 or more. Form 990-W, *Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations*, has a worksheet to determine the amount of estimated tax payments required. An organization that does not pay estimated tax when due may be charged an underpayment penalty.

Electronic deposit requirement. The organization must generally deposit all taxes electronically using the Electronic Federal Tax Payment System (EFTPS). See *Electronic Federal Tax Payment System (EFTPS)*, page 23-2.

Example—Forms 990-EZ and 990-T

Ruff Times conducts activities related to caring for abandoned dogs and finding adoptive homes for these dogs. Ruff Times has qualified for tax-exempt status as a 501(c)(3) organization. The organization is operated by volunteers except for one paid employee who serves as the volunteer coordinator and office manager. In addition, the organization operates a doggy day care facility to generate income.

Income. The income received from adoption fees does not constitute unrelated business income. However, the income from daycare does not contribute importantly to the organization's purpose of caring for abandoned dogs and finding adoptive homes so this income is treated as unrelated business income.

Expenses. The volunteer coordinator/office manager spends equal amounts of time on the two components of Ruff Times so her wages were split equally. The space used for the two components is the same so expense for rent, utilities, and maintenance were split equally.

Form 990-EZ, Schedule A (Form 990), Schedule O (Form 990-EZ), Form 990-T, and Schedule A (Form 990-T) have been completed for this operation to show the required annual information reporting and the unrelated business income tax. The forms are based on the following income, expense, and balance sheet amounts.

| Income | |
|---------------------|-----------|
| Adoption fees..... | \$90,000 |
| Daycare income..... | 100,000 |
| Total income..... | \$190,000 |

| Expenses | | | |
|---------------------|----------|------------------|-----------|
| Rescue and adoption | | Daycare | |
| Wages..... | \$40,000 | Wages..... | \$40,000 |
| Dog food..... | 10,000 | Dog food..... | 7,000 |
| Rent..... | 10,000 | Rent..... | 10,000 |
| Utilities..... | 10,000 | Utilities..... | 10,000 |
| Supplies..... | 10,000 | Supplies..... | 8,000 |
| Maintenance..... | 8,000 | Maintenance..... | 8,000 |
| Other..... | 3,000 | Other..... | 2,000 |
| Subtotal..... | \$91,000 | Subtotal..... | \$85,000 |
| Total Expense..... | | | \$176,000 |
| Net Excess..... | | | \$14,000 |

| Balance Sheet | | |
|---------------|-----------|----------|
| | Beginning | Ending |
| Cash | \$26,000 | \$40,000 |
| Total Assets | \$26,000 | \$40,000 |

Form **990-EZ** **Short Form** **Return of Organization Exempt From Income Tax** **2025**

OMB No. 1545-0047

Department of the Treasury Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations) **Open to Public Inspection**

Go to www.irs.gov/Form990EZ for instructions and the latest information.

A For the 2025 calendar year, or tax year beginning , 2025, and ending , 20

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C Name of organization: **Ruff Times**
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite
123 Elm Street
 City or town, state or province, country, and ZIP or foreign postal code
Woof, MN 55555

D Employer identification number: **xx-xxxxxxx**

E Telephone number: **(zzz) xxx-yyyy**

F Group Exemption Number

G Accounting Method: Cash Accrual Other (specify):

H Check if the organization is not required to attach Schedule B (Form 990).

I Website: **www.ruff-times.org**

J Tax-exempt status (check only one) — 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

K Form of organization: Corporation Trust Association Other:

L Add lines 5b, 6c, and 7b to line 9 to determine gross receipts. If gross receipts are \$200,000 or more, or if total assets (Part II, column (B)) are \$500,000 or more, file Form 990 instead of Form 990-EZ . \$ **190,000**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (see the instructions for Part I)
 Check if the organization used Schedule O to respond to any question in this Part I

| Revenue | | | |
|---------|--|----|---------|
| 1 | Contributions, gifts, grants, and similar amounts received | 1 | 0 |
| 2 | Program service revenue including government fees and contracts | 2 | 190,000 |
| 3 | Membership dues and assessments | 3 | 0 |
| 4 | Investment income | 4 | 0 |
| 5a | Gross amount from sale of assets other than inventory | 5a | 0 |
| b | Less: cost or other basis and sales expenses | 5b | 0 |
| 5c | Gain or (loss) from sale of assets other than inventory (subtract line 5b from line 5a) | 5c | 0 |
| 6 | Gaming and fundraising events: | | |
| a | Gross income from gaming (attach Schedule G if greater than \$15,000) | 6a | 0 |
| b | Gross income from fundraising events (not including \$ of contributions from fundraising events reported on line 1) (attach Schedule G if the sum of such gross income and contributions exceeds \$15,000) | 6b | 0 |
| c | Less: direct expenses from gaming and fundraising events | 6c | 0 |
| d | Net income or (loss) from gaming and fundraising events (add lines 6a and 6b and subtract line 6c) | 6d | 0 |
| 7a | Gross sales of inventory, less returns and allowances | 7a | 0 |
| b | Less: cost of goods sold | 7b | 0 |
| c | Gross profit or (loss) from sales of inventory (subtract line 7b from line 7a) | 7c | 0 |
| 8 | Other revenue (describe in Schedule O) | 8 | 0 |
| 9 | Total revenue. Add lines 1, 2, 3, 4, 5c, 6d, 7c, and 8 | 9 | 190,000 |
| 10 | Grants and similar amounts paid (list in Schedule O) | 10 | 0 |
| 11 | Benefits paid to or for members | 11 | 0 |
| 12 | Salaries, other compensation, and employee benefits | 12 | 80,000 |
| 13 | Professional fees and other payments to independent contractors | 13 | 0 |
| 14 | Occupancy, rent, utilities, and maintenance | 14 | 56,000 |
| 15 | Printing, publications, postage, and shipping | 15 | 0 |
| 16 | Other expenses (describe in Schedule O) | 16 | 40,000 |
| 17 | Total expenses. Add lines 10 through 16 | 17 | 176,000 |
| 18 | Excess or (deficit) for the year (subtract line 17 from line 9) | 18 | 14,000 |
| 19 | Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return) | 19 | 26,000 |
| 20 | Other changes in net assets or fund balances (explain in Schedule O) | 20 | 0 |
| 21 | Net assets or fund balances at end of year. Combine lines 18 through 20 | 21 | 40,000 |

Net Assets

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 106421 Form **990-EZ** (2025) Created 5/2/25

Form 990-EZ (2025) Page 2

Part II Balance Sheets (see the instructions for Part II)
 Check if the organization used Schedule O to respond to any question in this Part II

| | (A) Beginning of year | (B) End of year |
|--|-----------------------|-----------------|
| 22 Cash, savings, and investments | 26,000 | 22 40,000 |
| 23 Land and buildings | 0 | 23 0 |
| 24 Other assets (describe in Schedule O) | 0 | 24 0 |
| 25 Total assets | 26,000 | 25 40,000 |
| 26 Total liabilities (describe in Schedule O) | 0 | 26 0 |
| 27 Net assets or fund balances (line 27 of column (B) must agree with line 21) | 26,000 | 27 40,000 |

Part III Statement of Program Service Accomplishments (see the instructions for Part III)
 Check if the organization used Schedule O to respond to any question in this Part III

What is the organization's primary exempt purpose? **Prevention of cruelty to animals**

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. In a clear and concise manner, describe the services provided, the number of persons benefited, and other relevant information for each program title.

28 Finding adoptive homes for abandoned dogs. 180 dogs were adopted from Ruff Times during the year.

(Grants \$) If this amount includes foreign grants, check here **28a 91,000**

29 Doggy daycare and grooming services offered to the general public.

(Grants \$) If this amount includes foreign grants, check here **29a 85,000**

30

(Grants \$) If this amount includes foreign grants, check here **30a 0**

31 Other program services (describe in Schedule O)

(Grants \$) If this amount includes foreign grants, check here **31a 0**

32 Total program service expenses (add lines 28a through 31a) **32 176,000**

Part IV List of Officers, Directors, Trustees, and Key Employees (list each one even if not compensated—see the instructions for Part IV)
 Check if the organization used Schedule O to respond to any question in this Part IV

| (a) Name and title | (b) Average hours per week devoted to position | (c) Reportable compensation (Forms W-2/1099-MISC/1099-NEC) (if not paid, enter -0-) | (d) Health benefits, contributions to employee benefit plans, and deferred compensation | (e) Estimated amount of other compensation |
|--|--|---|---|--|
| Bill J., President/Director | 10 | 0 | 0 | 0 |
| Betty S., Vice President/Director | 5 | 0 | 0 | 0 |
| Sally J., Treasurer/Director | 15 | 0 | 0 | 0 |
| Carol B., Director | 5 | 0 | 0 | 0 |
| Sue C., Director | 5 | 0 | 0 | 0 |

Form 990-EZ (2025)

**SCHEDULE A
(Form 990)**

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.
Attach to Form 990 or Form 990-EZ.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2025

**Open to Public
Inspection**

Name of the organization
Ruff Times Employer identification number
XXX-XX-XXXX

Part I Reason for Public Charity Status. (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990).)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9 An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions, subject to certain exceptions; and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 11 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 12 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box on lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization must generally satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
 - f Enter the number of supported organizations _____
 - g Provide the following information about the supported organization(s).

| (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1-10 above (see instructions)) | (iv) Is the organization listed in your governing document? | | (v) Amount of monetary support (see instructions) | (vi) Amount of other support (see instructions) |
|------------------------------------|----------|---|---|----|---|---|
| | | | Yes | No | | |
| (A) | | | | | | |
| (B) | | | | | | |
| (C) | | | | | | |
| (D) | | | | | | |
| (E) | | | | | | |
| Total | | | | | | |

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Cat. No. 11285F Schedule A (Form 990) 2025 Created 4/11/25

Schedule A (Form 990) 2025

Part III Support Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

| Calendar year (or fiscal year beginning in) | (a) 2021 | (b) 2022 | (c) 2023 | (d) 2024 | (e) 2025 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| 1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 450,000 |
| 3 Gross receipts from activities that are not an unrelated trade or business under section 513 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 The value of services or facilities furnished by a governmental unit to the organization without charge | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 Total. Add lines 1 through 5 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 450,000 |
| 7a Amounts included on lines 1, 2, and 3 received from disqualified persons | 0 | 0 | 0 | 0 | 0 | 0 |
| b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year | 0 | 0 | 0 | 0 | 0 | 0 |
| c Add lines 7a and 7b | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 Public support. (Subtract line 7c from line 6.) | | | | | | 450,000 |

Section B. Total Support

| Calendar year (or fiscal year beginning in) | (a) 2021 | (b) 2022 | (c) 2023 | (d) 2024 | (e) 2025 | (f) Total |
|---|--------------------------|----------|----------|----------|----------|-----------|
| 9 Amounts from line 6 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 450,000 |
| 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources | 0 | 0 | 0 | 0 | 0 | 0 |
| b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 | 11,060 | 11,060 | 11,060 | 11,060 | 11,060 | 55,300 |
| c Add lines 10a and 10b | 11,060 | 11,060 | 11,060 | 11,060 | 11,060 | 55,300 |
| 11 Net income from unrelated business activities not included on line 10b, whether or not the business is regularly carried on | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 Total support. (Add lines 9, 10c, 11, and 12.) | 11,060 | 11,060 | 11,060 | 11,060 | 11,060 | 505,300 |
| 14 First 5 years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here | <input type="checkbox"/> | | | | | |

Section C. Computation of Public Support Percentage

| | | |
|---|----|---------|
| 15 Public support percentage for 2025 (line 8, column (f), divided by line 13, column (f)) | 15 | 89.06 % |
| 16 Public support percentage from 2024 Schedule A, Part III, line 15 | 16 | 89.06 % |

Section D. Computation of Investment Income Percentage

| | | |
|--|----|---------|
| 17 Investment income percentage for 2025 (line 10c, column (f), divided by line 13, column (f)) | 17 | 10.94 % |
| 18 Investment income percentage from 2024 Schedule A, Part III, line 17 | 18 | 10.94 % |

19a 33 1/3% support tests—2025. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization

b 33 1/3% support tests—2024. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

Schedule A (Form 990) 2025

**SCHEDULE O
(Form 990)**

(Rev. December 2024)
Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.
Attach to Form 990 or Form 990-EZ.
Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

**Open to Public
Inspection**

Name of the organization

Ruff Times

Employer identification number

XX-XXXXXXX

Other Expenses

Dog Food — \$17,000

Supplies — 18,000

Other — 5,000

Total — \$40,000

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Cat. No. 51056K

Schedule O (Form 990) (Rev. 12-2024)

Draft

| | | |
|---|---|---|
| Form 990-T | Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e)) | OMB No. 1545-0047 <div style="font-size: 24pt; font-weight: bold; text-align: center;">2025</div> |
| For calendar year 2025 or other tax year beginning _____, 2025 and ending _____, 20____ | | Go to www.irs.gov/Form990T for instructions and the latest information. Do not enter SSN numbers on this form as it may be made public if your organization is an 501(c)(3). |
| Department of the Treasury Internal Revenue Service | | |
| Name of organization Ruff Times | | Employer identification number XX-XXXXXXX |
| Number and street. If a P.O. box, see instructions. 123 Elm Street | | Room or suite no. |
| City or town Woolf | | State or province MN |
| Country | | ZIP or foreign postal code 55555 |
| Book value of all assets at end of year | | |
| Check organization type: <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust <input type="checkbox"/> State college/university <input type="checkbox"/> 6417(d)(1)(A) Applicable entity | | |
| Check if filing only to claim <input type="checkbox"/> Credit from Form 8941 <input type="checkbox"/> Refund shown on Form 2439 <input type="checkbox"/> Elective payment amount from Form 3800 | | |
| Check if a 501(c)(3) organization filing a consolidated return with a 501(c)(2) titleholding corporation <input type="checkbox"/> | | |
| Enter the number of attached Schedules A (Form 990-T) | | 1 |
| During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidary controlled group? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," enter the name and identifying number of the parent corporation | | |
| The books are in care of Sally J. | | Telephone number (zzz) xxx-yyyy |
| Part I Total Unrelated Business Taxable Income | | |
| 1 | Total of unrelated business taxable income computed from all unrelated trades or businesses (see instructions) | 15,000 |
| 2 | Reserved | |
| 3 | Add lines 1 and 2 | 15,000 |
| 4 | Charitable contributions (see instructions for limitation rules) | 0 |
| 5 | Total unrelated business taxable income before net operating losses. Subtract line 4 from line 3 | 15,000 |
| 6 | Deduction for net operating loss. See instructions | 0 |
| 7 | Total of unrelated business taxable income before specific deduction and section 199A deduction. Subtract line 6 from line 5 | 15,000 |
| 8 | Specific deduction (generally \$1,000, but see instructions for exceptions) | 1,000 |
| 9 | Trusts. Section 199A deduction. See instructions | 0 |
| 10 | Total deductions. Add lines 8 and 9 | 1,000 |
| 11 | Unrelated business taxable income. Subtract line 10 from line 7. If line 10 is greater than line 7, enter zero | 14,000 |
| Part II Tax Computation | | |
| 1 | Organizations taxable as corporations. Multiply Part I, line 11, by 21% (0.21) | 2,940 |
| 2 | Trusts taxable at trust rates. See instructions for tax computation. Income tax on the amount on Part I, line 11, from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041) | 0 |
| 3 | Proxy tax. See instructions | 0 |
| 4a | Amount from Form 4255, Part I, line 3, column (q) | 0 |
| b | Other tax amounts. See instructions | 0 |
| 5 | Alternative minimum tax | 0 |
| 6 | Tax on noncompliant facility income. See instructions | 0 |
| 7 | Total. Add lines 3 through 6 to line 1 or 2, whichever applies | 2,940 |
| Part III Tax and Payments | | |
| 1a | Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) | 0 |
| b | Other credits (see instructions) | 0 |
| c | General business credit. Attach Form 3800 (see instructions) | 0 |
| d | Credit for prior-year minimum tax (attach Form 8801 or 8827) | 0 |
| e | Total credits. Add lines 1a through 1d | 0 |
| 2 | Subtract line 1e from Part II, line 7 | 2,940 |
| 3a | Amount from Form 4255, Part I, line 3, column (r) (see instructions) | 0 |
| b | Amount due from Form 8611 | 0 |
| c | Amount due from Form 8697 | 0 |
| d | Amount due from Form 8866 | 0 |
| e | Other amounts due (see instructions) | 0 |
| f | Total amounts due. Add lines 3a through 3e | 2,940 |
| 4 | Total tax. Add lines 2 and 3f (see instructions). <input type="checkbox"/> Check if includes tax previously deferred under section 1294. Enter tax amount here | 2,940 |

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 11291J

Form 990-T (2025) Created 8/27/25

Form 990-T (2025) Page **2**

Part III Tax and Payments (continued)

| | | |
|---|-----------|--------------|
| 5a Current net 965 tax liability paid from Form 965-A, Part II, column (k) | 5a | 0 |
| b Net section 1062 tax liability due this year from Form 1062 | 5b | 0 |
| 6a Payments: Preceding year's overpayment credited to the current year | 6a | 0 |
| b Current year's estimated tax payments. Check if section 643(g) election applies <input type="checkbox"/> | 6b | 3,000 |
| c Tax deposited with Form 8868 | 6c | 0 |
| d Foreign organizations: Tax paid or withheld at source (see instructions) | 6d | 0 |
| e Backup withholding (see instructions) | 6e | 0 |
| f Credit for small employer health insurance premiums (attach Form 8941) | 6f | 0 |
| g Elective payment election amount from Form 3800 | 6g | 0 |
| h Payment from Form 2439 | 6h | 0 |
| i Credit from Form 4136 | 6i | 0 |
| j Other (see instructions) | 6j | 0 |
| k Net tax liability deferred on sale of farmland. Enter amount from Form 1062 | 6k | 0 |
| 7 Total payments and section 1062 net tax liability deferred. Add lines 6a through 6k | 7 | 3,000 |
| 8 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> | 8 | 0 |
| 9 Tax due. If line 7 is smaller than the total of lines 4, 5a, 5b, and 8, enter amount owed | 9 | 0 |
| 10 Overpayment. If line 7 is larger than the total of lines 4, 5a, 5b, and 8, enter amount overpaid | 10 | 60 |
| 11 Enter the amount of line 10 you want: Credited to 2026 estimated tax 60 Refunded | 11 | 0 |

For Refunded amount, also complete and attach Form 8050. See instructions.

Part IV Statements Regarding Certain Activities and Other Information (see instructions)

| | Yes | No |
|---|-----|-------------------------------------|
| 1 At any time during the 2025 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 | | <input checked="" type="checkbox"/> |
| 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 \$ 0 | | |
| 4 Enter available pre-2018 NOL carryovers here \$ 0 . Do not include any post-2017 NOL carryover shown on Schedule A (Form 990-T). Don't reduce the NOL carryover shown here by any deduction reported on Part I, line 6. | | |
| 5 Post-2017 NOL carryovers. Enter the Business Activity Code and available post-2017 NOL carryovers. Don't reduce the amounts shown below by any NOL claimed on any Schedule A, Part II, line 17, for the tax year. See instructions. | | |

| Business Activity Code | Available post-2017 NOL carryover |
|------------------------|-----------------------------------|
| None | \$ |
| | \$ |
| | \$ |
| | \$ |

6a Reserved for future use

b Reserved for future use

Part V Supplemental Information

Provide any additional information. See instructions.

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.

Bill J. 4/15/26 **President**

Signature of officer Date Title

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer Use Only

| | | | | |
|-----------------------|----------------------|----------------|---|------|
| Enter preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| Firm's name | Firm's EIN | Firm's address | Phone no. | |

Form **990-T** (2025)

SCHEDULE A (Form 990-T) Unrelated Business Taxable Income From an Unrelated Trade or Business

OMB No. 1545-0047

2025

Go to www.irs.gov/Form990T for instructions and the latest information.

Department of the Treasury Internal Revenue Service **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 Name of the organization **Ruff Times** **B** Employer identification number **xx-xxxxxxx**

C Unrelated business activity code (see instructions) **812900** **D** Sequence: **1** of **1**

E Describe the unrelated trade or business

Part I Unrelated Trade or Business Income

| | (A) Income | (B) Expenses | (C) Net |
|--|--------------------------|--------------|----------------|
| 1a Gross receipts or sales 100,000 | | | |
| b Less returns and allowances 0 c Balance | 1c 100,000 | | |
| 2 Cost of goods sold (Part III, line 8) | 2 0 | | |
| 3 Gross profit. Subtract line 2 from line 1c | 3 100,000 | | 100,000 |
| 4a Capital gain net income (attach Schedule D (Form 1041 or Form 1120)). See instructions | 4a 0 | | 0 |
| b Net gain (loss) (Form 4797) (attach Form 4797). See instructions | 4b 0 | | 0 |
| c Capital loss deduction for trusts | 4c 0 | | 0 |
| 5 Income (loss) from a partnership or an S corporation (attach statement) | 5 0 | | 0 |
| 6 Rent income (Part IV) | 6 0 | 0 | 0 |
| 7 Unrelated debt-financed income (Part V) | 7 0 | 0 | 0 |
| 8 Interest, annuities, royalties, and rents from a controlled organization (Part VI) | 8 0 | 0 | 0 |
| 9 Investment income of section 501(c)(7), (9), or (17) organizations (Part VII) | 9 0 | 0 | 0 |
| 10 Exploited exempt activity income (Part VIII) | 10 0 | 0 | 0 |
| 11 Advertising income (Part IX) | 11 0 | 0 | 0 |
| 12 Other income (see instructions; attach statement) | 12 0 | | 0 |
| 13 Total. Combine lines 3 through 12 | 13 100,000 | 0 | 100,000 |

Part II Deductions Not Taken Elsewhere. See instructions for limitations on deductions. Deductions must be directly connected with the unrelated business income.

| | | |
|--|-----------|---------------|
| 1 Compensation of officers, directors, and trustees (Part X) | 1 | 0 |
| 2 Salaries and wages | 2 | 40,000 |
| 3 Repairs and maintenance | 3 | 8,000 |
| 4 Bad debts | 4 | |
| 5 Interest (attach statement). See instructions | 5 | |
| 6 Taxes and licenses | 6 | |
| 7 Depreciation (attach Form 4562). See instructions | 7 | 0 |
| 8 Less depreciation claimed in Part III and elsewhere on return | 8a | 0 |
| 9 Depletion | 9 | |
| 10 Contributions to deferred compensation plans | 10 | |
| 11 Employee benefit programs | 11 | |
| 12 Excess exempt expenses (Part VIII) | 12 | |
| 13 Excess readership costs (Part IX) | 13 | |
| 14 Other deductions (attach statement) | 14 | 37,000 |
| 15 Total deductions. Add lines 1 through 14 | 15 | 85,000 |
| 16 Unrelated business income before net operating loss deduction. Subtract line 15 from Part I, line 13, column (C) | 16 | 15,000 |
| 17 Deduction for net operating loss. See instructions | 17 | |
| 18 Unrelated business taxable income. Subtract line 17 from line 16 | 18 | 15,000 |

For Paperwork Reduction Act Notice, see instructions. Cat. No. 740360 Schedule A (Form 990-T) 2025 Created 5/13/25

Part IX Advertising Income

1 Name(s) of periodical(s). Check box if reporting two or more periodicals on a consolidated basis.

Table with columns A, B, C, D for reporting advertising income.

Enter amounts for each periodical listed above in the corresponding column.

2 Gross advertising income

a Add columns A through D. Enter here and on Part I, line 11, column (A)

3 Direct advertising costs by periodical

a Add columns A through D. Enter here and on Part I, line 11, column (B)

4 Advertising gain (loss). Subtract line 3 from line 2. For any column in line 4 showing a gain, complete lines 5 through 8. For any column in line 4 showing a loss or zero, do not complete lines 5 through 7, and enter -0- on line 8.

5 Readership costs

6 Circulation income

7 Excess readership costs. If line 6 is less than line 5, subtract line 6 from line 5. If line 5 is less than line 6, enter -0-

8 Excess readership costs allowed as a deduction. For each column showing a gain on line 4, enter the lesser of line 4 or line 7.

a Add line 8, columns A through D. Enter the greater of the line 8a columns total or -0- here and on Part II, line 13

Part X Compensation of Officers, Directors, and Trustees (see instructions)

Table with columns: 1. Name, 2. Title, 3. Percentage of time devoted to business, 4. Compensation attributable to unrelated business.

Total. Enter here and on Part II, line 1

Part XI Supplemental Information (see instructions)

Line 14: Other Expenses

Other Expenses

Dog Food - \$7,000

Rent - 10,000

Utilities - 10,000

Supplies - 8,000

Other - 2,000

Total - \$37,000

501(c)(3) Organizations

Cross References

- IRS Pub. 557, Tax-Exempt Status for Your Organization
• IRC §501(c), List of exempt organizations

Related Topics

- Charitable Contributions, page 4-15
• 2025 Where to File Business Returns, page 24-1

An organization may qualify for exemption from federal income tax under IRC section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes.

- Religious. • Testing for public safety.
• Charitable. • Literary.
• Scientific. • Educational.
• Fostering national or international amateur sports competition, but only if no part of its activities involve providing athletic facilities or equipment (exception applies for certain qualified amateur sports organizations).
• The prevention of cruelty to children or animals.

To qualify, the organization must be organized as a corporation (including an LLC), community chest, fund, unincorporated association, or foundation. A trust is a fund or foundation and will not qualify. However, an individual or a partnership will not qualify.

501(c)(3) examples. Qualifying organizations include:

- Nonprofit senior homes, • Schools,
• Parent-teacher associations, • Chapters of the Red Cross,
• Charitable hospitals or other charitable organizations, • Boys' or Girls' Clubs, and
• Alumni associations, • Churches.

Childcare organizations. The term educational purposes includes providing for care of children away from their homes if substantially all the care provided is to enable individuals (the parents) to be gainfully employed and the services are available to the general public.

Instrumentalities. A state or municipal instrumentality may qualify under IRC section 501(c)(3) if it is organized as a separate entity from the governmental unit that created it and if it otherwise meets the organizational and operational tests of IRC section 501(c)(3). Examples of a qualifying instrumentality might include state schools, universities, or hospitals. However, if an organization is an integral part of the local government or possesses governmental powers, it does not qualify for exemption. A state or municipality itself does not qualify for exemption.

Charitable Contributions

Contributions to domestic 501(c)(3) organizations, except organizations testing for public safety, are deductible as charitable contributions on the donor's federal income tax return.

With exceptions, contributions to other 501(c) organizations are not deductible on a contributor's return, but the organization itself is exempt from federal tax.

Fundraising events. If the donor receives something of value in return for the contribution, part or all of the contribution may not be deductible. This may apply to fundraising activities such as charity balls, bazaars, banquets, auctions, concerts, athletic events, and solicitations for membership or contributions when merchandise or benefits are given in return for payment of a specified minimum contribution.

If the donor receives or expects to receive goods or services in return for a contribution to the organization, the donor cannot deduct any part of the contribution unless the donor intends to,

and does, make a payment greater than the fair market value of the goods or services. If a deduction is allowed, the donor can deduct only the part of the contribution, if any, that is more than the fair market value of the goods or services received.

Exemption application not filed. The donor cannot deduct a charitable contribution if the organization is required to apply for recognition of exemption but has not yet done so.

Separate fund. An organization that is exempt from federal income tax other than as an organization described in IRC section 501(c)(3) can, if it desires, establish a fund, separate and apart from its other funds, exclusively for religious, charitable, scientific, literary, or educational purposes, fostering national or international amateur sports competition, or for the prevention of cruelty to children or animals.

If the fund is organized and operated exclusively for these purposes, it may qualify for exemption as an organization described in IRC section 501(c)(3), and contributions made to it will be deductible. A fund with these characteristics must be organized in such a manner as to prohibit the use of its funds upon dissolution, or otherwise, for the general purposes of the organization creating it.

Personal benefit contracts. Generally, charitable deductions will not be allowed for a transfer to, or for the use of, a 501(c)(3) or (c)(4) organization if in connection with the transfer:

- The organization directly or indirectly pays, or previously paid, a premium on a personal benefit contract for the transferor, or
- There is an understanding or expectation that anyone will directly or indirectly pay a premium on a personal benefit contract for the transferor.

A personal benefit contract with respect to the transferor is any life insurance, annuity, or endowment contract, if any direct or indirect beneficiary under the contract is the transferor, any member of the transferor's family, or any other person designated by the transferor.

Articles of Organization

The organization must be a legal entity (corporation, trust, or association) separate from its organizers and must have written articles of organization.

The articles of organization may be its trust instrument, corporate charter, articles of association, or any other written instrument by which the organization is created.

The articles of organization for a 501(c)(3) organization must limit the organization's purposes to one or more of those described on the previous page and must not expressly empower it to engage, other than as an insubstantial part of its activities, in activities that do not further one or more of those purposes. These conditions for exemption are referred to as the organizational test.

In interpreting an organization's articles, the law of the state where the organization was created is controlling. If an organization contends that the terms of its articles have a different meaning under state law than their generally accepted meaning, such meaning must be established by a clear and convincing reference to relevant court decisions, opinions of the state attorney general, or other appropriate state authorities.

The following examples illustrate the organizational test.

Acceptable: Articles of organization state that an organization is formed exclusively for literary and scientific purposes within the meaning of IRC section 501(c)(3). These articles appropriately limit the organization's purposes. The organization meets the organizational test.

Not acceptable: An organization, by the terms of its articles, is formed to engage in research without any further description or limitation. The organization is not properly limited as to its purposes since all research is not scientific. The organization does not meet the organizational test.

Acceptable: An organization's articles state that its purpose is to receive contributions and pay them over to organizations that are described in IRC section 501(c)(3) and exempt from taxation under IRC section 501(a). The organization meets the organizational test.

Acceptable: If a stated purpose in the articles is the conduct of a school of adult education and its manner of operation is described in detail, such a purpose will be satisfactorily limited.

Acceptable/not acceptable: If the articles state the organization is formed for charitable purposes, without any further description, such language ordinarily will be sufficient since the term charitable has a generally accepted legal meaning. On the other hand, if the purposes are stated to be charitable, philanthropic, and benevolent, the organizational requirement will not be met since the terms philanthropic and benevolent have no generally accepted legal meaning and, therefore, the stated purposes may, under the laws of the state, permit activities that are broader than those intended by the exemption law.

Not acceptable: If the articles state an organization is formed to promote American ideals, or to foster the best interests of the people, or to further the common welfare and well-being of the community, without any limitation or provision restricting such purposes to accomplishment only in a charitable manner, the purposes will not be sufficiently limited. Such purposes are vague and may be accomplished other than in an exempt manner.

Not acceptable: A stated purpose to operate a hospital does not meet the organizational test since it is not necessarily charitable. A hospital may or may not be exempt depending on the manner in which it is operated.

Not acceptable: An organization that is expressly empowered by its articles to carry on social activities will not be sufficiently limited as to its power, even if its articles state that it is organized and will be operated exclusively for charitable purposes.

Dedication and distribution of assets. Assets of an organization must be permanently dedicated to an exempt purpose. This means that should an organization dissolve, its assets must be distributed for an exempt purpose. If the assets could be distributed to members or private individuals or for any other purpose, the organizational test is not met.

To establish that an organization's assets will be permanently dedicated to an exempt purpose, the articles of organization should contain a provision ensuring their distribution for an exempt purpose in the event of dissolution.

If a named beneficiary is to be the distributee, it must be one that would qualify and would be exempt within the meaning of IRC section 501(c)(3) at the time the dissolution takes place. Since the named beneficiary at the time of dissolution may not be qualified, may not be in existence, or may be unwilling or unable to accept the assets of the dissolving organization, a provision should be made for distribution of the assets for one or more of the purposes specified in that code section in the event of any such contingency. See *Sample Articles of Organization*, page 32-31.

Educational Organizations and Private Schools

An organization applying for recognition of exemption as an educational organization must submit complete information as to how the organization carries on or plans to carry on its educational activities. For example, if the organization will conduct a school, submit full information regarding tuition charges, number of faculty members, the number of full-time and part-time students enrolled, courses of study and degrees conferred, and a copy of the school catalog.

The term educational relates to:

- The instruction or training of individuals for the purpose of improving or developing their capabilities, or

continued on next page

- The instruction of the public on subjects useful to individuals and beneficial to the community.

Advocacy of a position. Advocacy of a particular position or viewpoint may be educational if there is a sufficiently full and fair exposition of pertinent facts to permit an individual or the public to form an independent opinion or conclusion. The mere presentation of unsupported opinion is not educational.

The method used by an organization to develop and present its views is a factor in determining if an organization qualifies as educational within the meaning of IRC section 501(c)(3). The following factors may indicate that the method is not educational.

- The presentation of viewpoints unsupported by facts is a significant part of the organization's communications.
- The facts that purport to support the viewpoint are distorted.
- The organization's presentations make substantial use of inflammatory and disparaging terms and express conclusions more on the basis of emotion than of objective evaluations.
- The approach used is not aimed at developing an understanding on the part of the audience because it does not consider their background or training.

Exceptional circumstances, however, may exist where an organization's advocacy may be educational even if one or more of the factors listed above are present.

Qualifying organizations. The following types of organizations may qualify as educational:

- An organization, such as a primary or secondary school, a college, or a professional or trade school, that has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled student body in attendance at a place where the educational activities are regularly carried on,
- An organization whose activities consist of conducting public discussion groups, forums, panels, lectures, or other similar programs,
- An organization that presents a course of instruction by correspondence or through the use of television or radio,
- A museum, zoo, planetarium, symphony orchestra, or other similar organization,
- A nonprofit children's daycare center, and
- A credit counseling organization.

Alumni association. An alumni association should establish that it is organized to promote the welfare of the university with which it is affiliated, is subject to the control of the university as to its policies and destination of funds, and is operated as an integral part of the university or is otherwise organized to promote the welfare of the college or university. If the association does not have these characteristics, it may still qualify as tax-exempt social club under IRC section 501(c)(7).

Athletic organization. This type of organization must submit evidence that it is engaged in activities such as directing and controlling interscholastic athletic competitions, conducting tournaments, and prescribing eligibility rules for contestants. If it is not so engaged, the organization may still be exempt as a social club.

Private schools. Every private school filing an application for recognition of tax-exempt status must supply the IRS with certain information on Form 1023 (Schedule B), *Schools, Colleges, and Universities*. This includes information relating to the racial composition of the student body, faculty, and administrative staff, along with information on scholarships and awards, and information related to the founders and board members of the school. Additional information required can be found in the instructions to Form 1023 (Schedule B).

A school that is a state or municipal instrumentality, whether or not it qualifies for exemption under IRC section 501(c)(3), is not considered to be a private school for purposes of the following racially nondiscriminatory policy rules.

Racially nondiscriminatory policy rules. To qualify as an organization exempt from federal income tax, a private school must include a statement in its charter, bylaws, or other governing instrument, or in a resolution of its governing body, that it has a racially nondiscriminatory policy as to students and that it does not discriminate against applicants and students on the basis of race, color, or national or ethnic origin.

Excise tax. Private colleges and universities may be subject to a 1.4% excise tax on net investment income. Schools with more than 500 students and assets of more than \$500,000 per student may be subject to this tax. Only assets that are not directly related to carrying out the educational purpose are counted when applying the per student threshold. Net investment income is determined in similar manner to private foundations. See *Excise Taxes*, page 32-9.

Charitable Organizations

If an organization is applying for recognition of exemption as a 501(c)(3) charitable organization, it must show that it is organized and operated for purposes that are beneficial to the public interest. Examples of this type of organization are those organized for:

- Relief of the poor, the distressed, or the underprivileged,
- Advancement of religion,
- Advancement of education or science,
- Erection or maintenance of public buildings, monuments, or works,
- Lessening the burdens of government,
- Lessening of neighborhood tensions,
- Elimination of prejudice and discrimination,
- Defense of human and civil rights secured by law, and
- Combating community deterioration and juvenile delinquency.

See Chapter 3 of IRS Pub. 557, *Tax-Exempt Status for Your Organization*, for additional information that must be provided by these specific organizations when applying for tax-exempt status.

Religious Organizations

To determine whether an organization meets the religious purposes test of IRC section 501(c)(3), the IRS maintains two basic guidelines.

- 1) That the particular religious beliefs of the organization are truly and sincerely held.
- 2) That the practices and rituals associated with the organization's religious belief or creed are not illegal or contrary to clearly defined public policy.

An organization may not qualify for treatment as an exempt religious organization for tax purposes if its actions, as contrasted with its beliefs, are contrary to well established and clearly defined public policy. If there is a clear showing that the beliefs (or doctrines) are sincerely held by those professing them, the IRS will not question the religious nature of those beliefs.

Churches. Although a church, its integrated auxiliaries, or a convention or association of churches is not required to file Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, to be exempt from federal income tax or to receive tax deductible contributions, the organization may find it advantageous to obtain recognition of exemption. In this event, submit information showing that the organization is a church, synagogue, association or convention of churches, religious order, or religious organization that is an integral part of a church, and that it is engaged in carrying out the function of a church.

In determining whether an admittedly religious organization is also a church, the IRS does not accept every assertion that the organization is a church. Because beliefs and practices vary so widely, there is no single definition of the word church for tax purposes. The IRS considers the facts and circumstances of each organization applying for church status.

Scientific Organizations

An organization claiming to be a 501(c)(3) scientific organization must show that the organization's research will be carried on in the public interest. Scientific research will be considered to be in the public interest if:

- The results of the research, including any patents, copyrights, processes, or formulas, are made available to the public on a nondiscriminatory basis,
- The research is performed for the United States or a state, county, or municipal government, or
- The research is carried on for one of the following purposes:
 - Aiding in the scientific education of college or university students.
 - Obtaining scientific information that is published in a treatise, thesis, trade publication, or in any other form that is available to the interested public.
 - Discovering a cure for a disease.
 - Aiding a community or geographical area by attracting new industry to the community or area, or by encouraging the development or retention of an industry in the community or area.

Scientific research, for exemption purposes, does not include activities of a type ordinarily incidental to commercial or industrial operations such as the ordinary inspection or testing of materials or products, or the designing or constructing of equipment, buildings, etc.

Literary Organizations

A literary organization is one that is established to operate a book store or engage in publishing activities of any nature, such as printing, publication, or distribution of material created by the organization or published by others and distributed by the organization. To apply for tax-exempt status, the organization must explain fully the nature of the operations, including whether sales are or will be made to the general public, the type of literature involved, and how these activities are related to an exempt purpose.

Amateur Athletic Organizations

There are two types of amateur athletic organizations that can qualify for tax-exempt status. The first type is an organization that fosters national or international amateur sports competition, but only if no part of its activities involve providing athletic facilities or equipment. The second type is a qualified amateur sports organization. The difference is that a qualified amateur sports organization can provide athletic facilities and equipment.

Donations to either type of amateur athletic organization are deductible as charitable contributions on the donor's federal income tax return. However, no deduction is allowed if there is a direct personal benefit to the donor or any other person other than the organization.

Qualified amateur sports organization. An organization will be a qualified amateur sports organization if it is organized and operated:

- Exclusively to foster national or international amateur sports competition, and
- Primarily to conduct national or international competition in sports or to support and develop amateur athletes for that competition.

The organization's membership can be local or regional in nature.

Prevention of Cruelty to Children or Animals

Examples of activities that may qualify this type of organization for exempt status are:

- Preventing children from working in hazardous trades or occupations,

- Promoting high standards of care for laboratory animals, and
- Providing funds to pet owners to have their pets spayed or neutered to prevent over-breeding.

Private Foundations

Cross References

- Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation*
- IRS Pub. 557, *Tax-Exempt Status for Your Organization*

Related Topics

- Charitable Contributions, page 4-15
- 2025 Where to File Business Returns, page 24-1

501(c)(3) and Private Foundations

An organization described in IRC section 501(c)(3) is presumed to be a private foundation unless it notifies the IRS within a specified period of time that it meets the requirements of IRC section 509(a) to be treated as other than a private foundation. Organizations excluded from private foundation treatment are generally those that either have broad public support or actively function in a supporting relationship to those organizations. Organizations that test for public safety also are excluded from private foundation treatment.

Excluded organizations. The following 501(c)(3) organizations are specifically excluded from being treated as a private foundation.

- A church or a convention or association of churches,
- An educational organization such as a school or college,
- A hospital or medical research organization operated in conjunction with a hospital,
- Endowment funds operated for the benefit of certain state and municipal colleges and universities,
- A governmental unit,
- An agricultural research organization, and
- A publicly supported organization.

An organization that qualifies to be excluded from the definition of private foundation must timely file Form 1023 showing why it is not a private foundation. The only exceptions to this requirement are churches, church related organizations and organizations with annual gross receipts of less than \$5,000. These organizations are excepted from filing Form 1023.

Publicly-supported organization. An organization is a publicly-supported organization (and not a private foundation) if it is one that normally receives a substantial part of its support from a governmental unit or from the general public. Types of organizations that generally qualify are:

- Museums of history, art, or science,
- Libraries,
- Community centers to promote the arts,
- Organizations providing facilities for the support of an opera, symphony orchestra, ballet, or repertory drama, or for some other direct service to the general public, and
- Organizations such as the American Red Cross or the United Way.

An organization will qualify as publicly supported if it normally receives at least one-third of its total support from governmental units, from contributions made directly or indirectly by the general public, or from a combination of these sources.

If it fails that test, it may qualify under the facts and circumstances test. Under this test, an organization must receive at least 10% of its total support from governmental units, from contributions made directly or indirectly by the general public,

or a combination of these sources, and under all the facts and circumstances, it attracts support from the general public.

Excise Taxes on Private Foundations

There is an excise tax on the net investment income of most domestic private foundations. Capital gains from appreciation are included in the tax base on private foundation net investment income.

The excise tax is 1.39% of net investment income.

This tax is reported and paid on Form 990-PF, *Return of Private Foundation*. Payment of the tax is subject to estimated tax requirements.

In addition, the following rules apply to excise taxes on private foundations.

- There are restrictions on self-dealing between private foundations and their substantial contributors and other disqualified persons,
- There are requirements that the foundation annually distribute income for charitable purposes,
- There are limits on holdings in any business enterprise,
- There are provisions that investments must not jeopardize the carrying out of exempt purposes, and
- There are provisions to assure that expenditures further the organization's exempt purposes.

See *Disqualified persons*, page 32-23.

Governing Instrument

A private foundation cannot be tax exempt nor will contributions to it be deductible as charitable contributions unless its governing instrument contains special provisions in addition to those that apply to all organizations described in IRC section 501(c)(3).

The following samples of governing instrument provisions illustrate the special charter requirements that apply to private foundations.

Draft A—General provisions in articles of incorporation.

- 1) 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 IRC section 4942, or the corresponding section of any future federal tax code.
- 2) The corporation will not engage in any act of self-dealing as defined in IRC section 4941(d), or the corresponding section of any future federal tax code.
- 3) The corporation will not retain any excess business holdings as defined in IRC section 4943(c), or the corresponding section of any future federal tax code.
- 4) The corporation will not make any investments in a manner as to subject it to tax under IRC section 4944, or the corresponding section of any future federal tax code.
- 5) The corporation will not make any taxable expenditures as defined in IRC section 4945(d), or the corresponding section of any future federal tax code.

Draft B—Provisions in a trust indenture. Any other provisions of this instrument notwithstanding, the trustees shall 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 IRC section 4942, or the corresponding section of any future federal tax code.

Any other provisions of this instrument notwithstanding, the trustees will not engage in any act of self-dealing as defined in IRC section 4941(d), or the corresponding section of any future federal tax code; nor retain any excess business holdings as defined in IRC section 4943(c), or the corresponding section of any future federal tax code; nor make any investments in a manner as to incur tax liability under IRC section 4944, or the corresponding section of any future federal tax code; nor make any taxable expenditures as defined in IRC section 4945 (d), or the corresponding section of any future federal tax code.

Effect of state law. A private foundation's governing instrument will be considered to meet these charter requirements if valid provisions of state law have been enacted that:

- Require it to act or refrain from acting so as not to subject the foundation to the taxes imposed on prohibited transactions, or
- Treat the required provisions as contained in the foundation's governing instrument.

Private Operating Foundations

Some private foundations qualify as private operating foundations. These are types of private foundations that, although lacking general public support, make qualifying distributions directly for the active conduct of their educational, charitable, and religious purposes, as distinct from merely making grants to other organizations for these purposes.

Most of the restrictions and requirements that apply to private foundations also apply to private operating foundations. However, there are advantages to being classified as a private operating foundation.

- A private operating foundation (as compared to a private foundation) can be the recipient of grants from a private foundation without having to distribute the funds received currently within one year, and the funds nevertheless may be treated as qualifying distributions by the donating private foundation.
- Charitable contributions to a private operating foundation qualify for a higher charitable deduction limit on the donor's tax return.
- The excise tax on net investment income does not apply to an exempt operating foundation (a private operating foundation that meets certain additional requirements).

A private operating foundation is any private foundation that meets the assets test, the support test, or the endowment test, and makes qualifying distributions directly, for the active conduct of its activities for which it was organized, of substantially all (85% or more) of the lesser of its:

- Adjusted net income, or
- Minimum investment return.

Assets test. A private foundation will meet the assets test if 65% or more of its assets are:

- 1) Devoted directly to the active conduct of its exempt activity, to a functionally related business, or to a combination of the two,
- 2) Stock of a corporation that is controlled by the foundation (by ownership of at least 80% of the total voting power of all classes of stock entitled to vote and at least 80% of the total shares of all other classes of stock) and substantially all (at least 85%) the assets of which are devoted as provided above, or
- 3) Any combination of (1) and (2), above.

The assets test is intended to apply to organizations such as museums and libraries.

Support test. A private foundation will meet the support test if:

- 1) At least 85% of its support (other than gross investment income) is normally received from the general public and five or more unrelated exempt organizations,
- 2) Not more than 25% of its support (other than gross investment income) is normally received from any one exempt organization, and
- 3) Not more than 50% of its support is normally received from gross investment income.

The support test is intended to apply to special-purpose foundations, such as learned societies and associations of libraries.

Endowment test. A foundation will meet the endowment test if it normally makes qualifying distributions directly for the active conduct of its exempt function of at least two-thirds of its minimum investment return.

The minimum investment return for any private foundation for any tax year is 5% of the excess of the total fair market value of

all assets of the foundation (other than those used directly in the active conduct of its exempt purpose) over the amount of indebtedness incurred to acquire those assets.

In determining whether the amount of qualifying distributions is at least two-thirds of the organization's minimum investment return, the organization is not required to trace the source of the expenditures to determine whether they were derived from investment income or from contributions.

The endowment test is intended to apply to organizations such as research organizations that actively conduct charitable activities but whose personal services are so great in relationship to charitable assets that the cost of those services cannot be met out of small endowments.

Exempt operating foundations. The excise tax on net investment income does not apply to an exempt operating foundation. An exempt operating foundation for the tax year is any private foundation that:

- 1) Is an operating foundation, as described previously,
- 2) Has been publicly supported for at least 10 tax years or was an operating foundation on January 1, 1983, or for its last tax year ending before January 1, 1983,
- 3) Has a governing body that, at all times during the tax year, is broadly representative of the general public and consists of individuals no more than 25% of whom are disqualified persons, and
- 4) Does not have any officer, at any time during the tax year, who is a disqualified person.

The foundation must obtain a determination letter from the IRS recognizing this special status.

Disqualified persons. For the purposes of exempt organizations, a disqualified person means any of the following.

- All substantial contributors to the foundation,
- All foundation managers of the foundation,
- An owner of more than 20% of:
 - The total combined voting power of a corporation that is (during such ownership) a substantial contributor to the foundation,
 - The profits interest of a partnership that is (during such ownership) a substantial contributor to the foundation, or
 - The beneficial interest of a trust or unincorporated enterprise that is (during such ownership) a substantial contributor to the foundation,
- A family member of any of the individuals listed above, or
- A corporation, partnership, trust, or estate of which more than 35% of the total combined voting power is owned by persons listed above.

501(c)(4) Civic Leagues and Social Welfare Organizations

Cross References

- IRS Pub. 557, *Tax-Exempt Status for Your Organization*
- IRC §501(c), *List of exempt organizations*
- IRC §528, *Certain homeowners associations*

Related Topics

- Charitable Contributions, page 4-15
- Homeowners' Associations Form 1120, 1120-H, or 990 Series, page 18-20
- 2025 Where to File Business Returns, page 24-1

Qualification for Exemption

To qualify for exemption under IRC section 501(c)(4), the non-profit organization's net earnings must be devoted primarily to

charitable, educational, or recreational purposes. In addition, no part of the organization's net earnings can inure to the benefit of any private shareholder or individual. If the organization provides an excess benefit to certain persons, an excise tax may be imposed. Examples of 501(c)(4) organizations include civic associations and volunteer fire companies.

Social welfare. A social welfare organization operates primarily to further the common good and general welfare of the people of the community, such as by bringing about civic betterment and social improvements.

An organization that restricts the use of its facilities to employees of selected corporations and their guests is primarily benefiting a private group rather than the community. Similarly, an organization formed to represent member-tenants of an apartment complex does not qualify, since its activities benefit the member-tenants and not all tenants in the community. However, an organization formed to promote the legal rights of all tenants in a particular community may qualify.

Political activity. Promoting social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. However, if an organization can prove it is organized primarily to promote social welfare, it can obtain exemption even if it participates legally in some political activity on behalf of or in opposition to candidates for public office. (Rev. Rul. 2004-6)

Tax treatment of donations. Contributions to civic leagues or other 501(c)(4) organizations are generally not deductible as charitable contributions for federal income tax purposes. However, a contribution to a volunteer fire company that does not have an independent social purpose (such as providing recreational facilities for members) may be deductible as a charitable contribution if the contribution is made exclusively for public purposes.

Homeowners' Associations

Homeowners' associations are generally taxable entities because they benefit member-owners and not the general public. Such entities generally file Form 1120, *U.S. Corporation Income Tax Return*, as a C corporation. However, an election is available to file Form 1120-H, *U.S. Income Tax Return for Homeowners Associations*, which provides for a tax exemption on exempt-function income (dues, fees, assessments, etc.) that is paid by member-owners for maintenance and improvements. All other income is subject to a flat 30% tax rate (32% for timeshare associations).

A homeowners' association may qualify for exemption as a 501(c)(4) organization if it is formed by a real estate developer to own and maintain common green areas, streets, and sidewalks and to enforce covenants to preserve the appearance of the development which is operated for the benefit of all the residents of the community. The term community generally refers to a geographical unit recognizable as a governmental subdivision, unit, or district. Whether a particular homeowners' association meets the requirement of benefiting a community depends on the facts and circumstances of each case. Even if an area represented by an association is not a community, the association can still qualify for exemption if its activities benefit a community.

Example: A real estate developer develops land and builds townhomes and condominiums on that land. All of the individual homeowners in the development are members of the homeowners' association, subject to the association's covenants. In addition to the individual residential units, the homeowners' association builds and maintains streets, parks, walking paths, playgrounds, and street lights. These common areas may be used by the general public and are not restricted in use by individual homeowners of the association. The homeowners' association may qualify for exempt status under IRC section 501(c)(4) because it benefits the general public and not just the private members of the association.

Other Examples of 501(c)(4) Organizations

Other nonprofit organizations that qualify as social welfare organizations include:

- An organization operating an airport that is on land owned by a local government, which supervises the airport's operation, and that serves the general public in an area with no other airport,
- A community association that works to improve public services, housing, and residential parking; publishes a free community newspaper; sponsors a community sports league, holiday programs, and meetings; and contracts with a private security service to patrol the community,
- A community association devoted to preserving the community's traditions, architecture, and appearance by representing it before the local legislature and administrative agencies in zoning, traffic, and parking matters,
- An organization that tries to encourage industrial development and relieve unemployment in an area by making loans to businesses so they will relocate to the area, and
- An organization that holds an annual festival of regional customs and traditions.

501(c)(5) Labor, Agricultural, and Horticultural Organizations

Cross References

- IRS Pub. 557, *Tax-Exempt Status for Your Organization*
- IRC §501(c), *List of exempt organizations*

Related Topics

- Charitable Contributions, page 4-15
- 2025 Where to File Business Returns, page 24-1

Qualification for Exemption

A labor, agricultural, or horticultural organization may be exempt if no part of the net earnings inure to the benefit of any member.

Tax treatment of donations. Contributions to labor, agricultural, and horticultural organizations are not tax deductible as charitable deductions on the donor's federal income tax return.

Labor Organizations

A labor organization is an association of workers who have combined to protect and promote the interests of the members by bargaining collectively with their employers to secure better working conditions, wages, and similar benefits. It may also be organized to improve the grade of the worker's products, or to develop a higher degree of efficiency in their respective occupations.

Composition of membership. While a labor organization generally is composed of employees or representatives of the employees in the form of collective bargaining agents and similar employee groups, evidence that an organization's membership consists mainly of workers does not in itself indicate an exempt purpose. An organization must also have the purposes described above. These purposes can be accomplished by a single labor organization acting alone or by several organizations acting together through a separate organization.

Benefits to members. The payment by a labor organization of death, sick, accident, and similar benefits to its individual members with funds contributed by its members, if made under a plan to better the conditions of the members, does not preclude exemption as a labor organization. However, an organization does not qualify for exemption as a labor organization if its primary activity is to provide a strike fund that is controlled by private individuals who controlled the organization that paid benefits to workers.

Agricultural and Horticultural Organizations

Agricultural and horticultural organizations are connected with raising livestock, cultivating land, raising and harvesting crops or aquatic resources, cultivating useful or ornamental plants, and similar pursuits.

For the purpose of these provisions, aquatic resources include only animal or vegetable life, but not mineral resources. The term harvesting, in this case, includes fishing and related pursuits.

Agricultural organizations are often designed to encourage the development of better agricultural and horticultural products through a system of awards, using income from entry fees, gate receipts, and donations to meet the necessary expenses of upkeep and operation. When the activities are directed toward the improvement of marketing or other business conditions in one or more lines of business, rather than the improvement of production techniques or the betterment of the conditions of persons engaged in agriculture, the organization is not a 501(c)(5) organization. However, it may qualify for exemption under IRC section 501(c)(6) as a business league, board of trade, or other organization. See *501(c)(6) Business Leagues*, below.

The primary purpose of exempt agricultural and horticultural organizations must be to better the conditions of those engaged in agriculture or horticulture, develop more efficiency in agriculture or horticulture, or improve the products.

The following list contains some examples of activities that show an agricultural or horticultural purpose:

- Promoting various cooperative agricultural, horticultural, and civic activities among rural residents by a state, farm, or home bureau.
- Exhibiting livestock, farm products, and other characteristic features of agriculture and horticulture.
- Testing soil for members and nonmembers of the farm bureau on a cost basis, the results of the tests and other recommendations being furnished to the community members to educate them in soil treatment.
- Guarding the purity of a specific breed of livestock.
- Encouraging improvements in the production of fish on privately owned fish farms.
- Negotiating with processors for the price to be paid to members for their crops.

501(c)(6) Business Leagues

Cross References

- IRS Pub. 557, *Tax-Exempt Status for Your Organization*
- IRC §501(c), *List of exempt organizations*

Related Topics

- Charitable Contributions, page 4-15
- 2025 Where to File Business Returns, page 24-1

Qualification for Exemption

A nonprofit business league, chamber of commerce, real estate board, or board of trade may be tax-exempt under IRC section 501(c)(6) if no part of its net earnings inure to the benefit of any private shareholder or individual. The organization also cannot be organized to engage in an activity ordinarily carried on for profit, even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining. It must be primarily supported by membership dues and other income from activities substantially related to its exempt purpose.

A business league, in general, is an association of persons having some common business interest, the purpose of which is to promote that common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Trade associations and professional associations are considered business leagues.

Tax treatment of donations. Contributions to business league organizations are not deductible as charitable contributions. However, they may be deductible as trade or business expenses if ordinary and necessary in the conduct of the taxpayer's business.

Examples of Business Leagues

Chamber of commerce. A chamber of commerce usually is composed of the merchants and traders of a city.

Board of trade. A board of trade often consists of persons engaged in similar lines of business. For example, a nonprofit organization formed to regulate the sale of a specified agricultural commodity to assure equal treatment of producers, warehouse workers, and buyers is a board of trade.

Chambers of commerce and boards of trade usually promote the common economic interests of all the commercial enterprises in a given trade community.

Real estate board. A real estate board consists of members interested in improving the business conditions in the real estate field.

Professional football leagues. The Internal Revenue Code specifically defines professional football leagues as exempt organizations under IRC section 501(c)(6). They are exempt whether or not they administer a pension fund for football players.

Attributes of Business Leagues

General purpose. A 501(c)(6) organization must be devoted to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. Its general purpose must advance the conditions of a particular trade or the interests of the community.

Line of business. Line of business generally refers either to an entire industry or to all components of an industry within a geographic area. It does not include a group composed of businesses that market a particular brand within an industry.

Common business interest. A common business interest must be established for all members of the organization that generally improves the business condition. Activities that would tend to illustrate a common business interest are:

- Promotion of higher business standards and better business methods and encouragement of uniformity and cooperation by a retail merchants association,
- Education of the public in the use of credit,
- Establishment of uniform casualty rates and compilation of statistical information by an insurance rating bureau operated by casualty insurance companies,
- Establishment and maintenance of the integrity of a local commercial market,
- Operation of a trade publication primarily intended to benefit an entire industry, and
- Encouragement of the use of goods and services of an entire industry, such as a lawyer referral service whose main purpose is to introduce individuals to the use of the legal profession in the hope that they will enter into lawyer-client relationships on a paying basis as a result.

Stock or commodity exchange. A stock or commodity exchange is not a business league, chamber of commerce, real estate board, or board of trade and is not exempt under IRC section 501(c)(6).

Legislative activity. An organization that is exempt under IRC section 501(c)(6) can work for the enactment of laws to advance the common business interests of the organization's members.

Tax treatment of membership dues. Membership dues to 501(c)(6) organizations are not deductible as charitable contributions. They may be deductible as business expenses under IRC section 162(a) if they are considered ordinary and necessary in the conduct of the taxpayer's business. However, a taxpayer cannot deduct the part of dues or other payments to a business league, trade association, labor union, or similar organization that is reported to the taxpayer by the organization as having been used for any of the following activities.

- 1) Influencing legislation.
- 2) Participating or intervening in a political campaign for, or against, any candidate for public office.
- 3) Trying to influence the general public, or part of the general public, with respect to elections, legislative matters, or referendums (also known as grass roots lobbying).
- 4) Communicating directly with certain executive branch officials to try to influence their official actions or positions.

De minimis exception. In-house expenditures of \$2,000 or less for the year for activities (1) thru (4), above, will not prevent a deduction for dues if the dues meet all other tests to be deductible as a business expense.

Grass roots lobbying. A tax-exempt trade association, labor union, or similar organization is considered to be engaging in grass roots lobbying if it contacts prospective members or calls upon its own members to contact their employees and customers for the purpose of urging such persons to communicate with their elected state or Congressional representatives to support the promotion, defeat, or repeal of legislation that is of direct interest to the organization. Any dues or assessments directly related to such activities are not deductible by the taxpayer, since the individuals being contacted, who are not members of the organization, are a segment of the general public.

501(c)(7) Social and Recreation Clubs

Cross References

- IRS Pub. 557, *Tax-Exempt Status for Your Organization*
- IRC §501(c), *List of exempt organizations*

Related Topics

- Charitable Contributions, page 4-15
- 2025 Where to File Business Returns, page 24-1

Qualification for Exemption

Typical organizations that may qualify for tax exemption as social and recreation clubs include:

- College alumni associations that are not 501(c)(3) organizations, as described earlier under *Educational Organizations and Private Schools*, page 32-19.
- College fraternities or sororities operating chapter houses for students,
- Country clubs,
- Amateur hunting, fishing, tennis, swimming, and other sport clubs,
- Dinner clubs that provide a meeting place, library, and dining room for members,
- Hobby clubs,
- Garden clubs, and
- Variety clubs.

Tax treatment of donations and dues. Donations to social and recreation clubs are not deductible as charitable contributions. However, the dues and membership fees used to fund such clubs may be exempt from the organization's tax under IRC section 501(c)(7).

Prohibitions

Discrimination prohibited. An organization will not be recognized as tax exempt if its charter, bylaws, or other governing instrument, or any written policy statement provides for discrimination against any person on the basis of race, color, national or ethnic origin, or religion.

However, a club that in good faith limits its membership to the members of a particular religion to further the teachings or principles of that religion and not to exclude individuals of a particular race or color will not be considered as discriminating on the basis of religion. Also, the restriction on religious discrimination does not apply to a club that is an auxiliary of a fraternal beneficiary society if that society is described in IRC section 501(c)(8) and exempt from tax and limits its membership to the members of a particular religion.

Private benefit prohibited. No part of the organization's net earnings can inure to the benefit of any person having a personal and private interest in the activities of the organization. For purposes of this requirement, it is not necessary that net earnings be actually distributed. Even undistributed earnings can benefit members.

Examples of this include a decrease in membership dues or an increase in the services the club provides to its members without a corresponding increase in dues or other fees paid for club support. However, fixed-fee payments to members who bring new members into the club are not an inurement of the club's net earnings, if the payments are reasonable compensation for performance of a necessary administrative service.

Purposes

An organization possesses the characteristics of a club within the meaning of the exemption law if personal contact, commingling, and fellowship exist among members who are bound together by a common objective of pleasure, recreation, and other non-profitable purposes.

Fellowship need not be present between each member and every other member of a club if it is a material part in the life of the organization. A statewide or nationwide organization that is made up of individual members, but is divided into local groups, satisfies this requirement if fellowship is a material part of the life of each local group.

The term other non-profitable purposes means other purposes similar to pleasure and recreation. For example, a club that, in addition to its social activities, has a plan for the payment of sick and death benefits is not operating exclusively for pleasure, recreation, and other non-profitable purposes.

Limitations

Limited membership. The membership in a social club must be limited. There must be limits on admission to membership consistent with the character of the club.

A social club that issues corporate membership is dealing with the general public in the form of the corporation's employees. Corporate members of a club are not the kind of members contemplated by the law. Gross receipts from these members would be a factor in determining whether the club qualifies as a social club. Bona fide individual memberships paid for by a corporation would not have an effect on the gross receipts source.

The fact that a social club may have an associate (nonvoting) class of membership will not be, in and of itself, a cause for nonrecognition of exemption. However, if one membership class pays substantially lower dues and fees than another membership class, although both classes enjoy the same rights and privileges in using the club facilities, there may be an inurement of income to the benefited class, resulting in a denial of the club's exemption.

Support. In general, a club should be supported solely by membership fees, dues, and assessments. However, if otherwise entitled to exemption, a club will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Business activities. If a club engages in business, such as selling real estate, timber, or other products or services, it generally will be denied exemption. However, evidence that an organization provides meals, refreshments, or services related to its exempt purposes only to its own members or their dependents or guests will not cause denial of exemption.

Non-Membership Income

Facilities open to public. If the club's facilities are open to the general public (persons other than members or their dependents or guests), the club will be denied exempt status. This does not mean, however, that any dealing with outsiders will automatically deprive a club of exemption.

Gross receipts from non-membership sources. A 501(c)(7) organization can receive up to 35% of its gross receipts, including investment income, from sources outside of its membership without losing its tax-exempt status. Income from nontraditional business activity with members is not exempt function income, and thus is included as income from sources outside of the membership. Of the 35% gross receipts listed above, up to 15% of the gross receipts can be derived from the use of the club's facilities or services by the general public. If an organization has outside income that is more than these limits, all the facts and circumstances will be taken into account in determining whether the organization qualifies for exempt status.

Gross receipts. Gross receipts, for this purpose, are receipts from the normal and usual (traditionally conducted) activities of the club. These receipts include charges, admissions, membership fees, dues, assessments, investment income, and normal recurring capital gains on investments. Receipts do not include initiation fees and capital contributions. Unusual amounts of income, such as from the sale of a clubhouse or similar facility, are not included in gross receipts or in figuring the percentage limits.

Nontraditional activities. Activities conducted by a social club need to further its exempt purposes. Traditional business activities are those that further a social club's exempt purposes. Nontraditional business activities do not further the exempt purposes of a social club even if conducted solely on a membership basis. Nontraditional business activities are prohibited (subject to an insubstantial, trivial, and non-recurrent test) for businesses conducted with both members and nonmembers. Examples of nontraditional business activities include sale of package liquor, take-out food, and long-term room rental.

Fraternity foundations. If an organization is a foundation formed for the exclusive purpose of acquiring and leasing a chapter house to a local fraternity chapter or sorority chapter maintained at an educational institution and does not engage in any social or recreational activities, it may be a title holding corporation described in IRC section 501(c)(25) rather than a social club.

Other 501(c) Tax-Exempt Organizations

Cross References

- IRS Pub. 557, *Tax-Exempt Status for Your Organization*

Related Topics

- Charitable Contributions, page 4-15
- 2025 Where to File Business Returns, page 24-1

The following is a brief summary of other tax-exempt organizations described under IRC section 501(c).

501(c)(8) Fraternal Beneficiary Societies

A 501(c)(8) organization has the following characteristics.

- It is a fraternal organization,
- It operates under the lodge system or for the exclusive benefit of the members of a fraternal organization itself operating under the lodge system, and
- Provides for the payment of life, sick, accident, or other benefits to the members of the society, order, or association or their dependents.

Operating under the lodge system means carrying on activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like.

Tax treatment of donations. Donations to 501(c)(8) organizations are deductible as charitable contributions only if used exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals.

501(c)(9) Voluntary Employees' Beneficiary Associations

A 501(c)(9) has the following characteristics.

- It is a voluntary association of employees,
- It provides for payment of life, sick, accident, or other benefits to members or their dependents or designated beneficiaries and substantially all of its operations are for this purpose, and
- It will not allow any of its net earnings to inure to the benefit of any private individual or shareholder except in the form of scheduled benefit payments.

Tax treatment of donations. Donations to a 501(c)(9) organization are not deductible as charitable contributions.

501(c)(10) Domestic Fraternal Societies

A 501(c)(10) organization has the following characteristics.

- It is a domestic fraternal organization organized in the U.S.,
- It operates under the lodge system,
- It devotes its net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and
- It does not provide for the payment of life, sick, accident, or other benefits to its members.

The organization can arrange with insurance companies to provide optional insurance to its members without jeopardizing its exempt status.

Tax treatment of donations. Donations to 501(c)(10) organizations are deductible as charitable contributions only if used exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals.

501(c)(12) Local Benevolent Life Insurance Associations, Mutual Irrigation Companies, Mutual Telephone Companies, and Like Organizations

A 501(c)(12) organization is tax-exempt if it uses its income solely to cover losses and expenses, with any excess being returned to members or retained to cover future losses and expenses. It must collect at least 85% of its income from members for the sole purpose of meeting losses and expenses.

Examples include cooperative telephone or cooperative electric companies that are associations of people who band together to provide themselves telephone or electric service approximately at cost and on a mutual basis.

Tax treatment of donations. Donations to a 501(c)(12) organization are not deductible as charitable contributions.

501(c)(13) Cemetery Companies

A nonprofit mutual cemetery company may be tax-exempt if it is owned and operated exclusively for the benefit of its lot owners who hold lots for bona fide burial purposes and not for purposes of resale. A mutual cemetery company that also engages in charitable activities, such as the burial of paupers, will be regarded as operating within this standard. The fact that a mutual cemetery company limits its membership to a particular class of individuals, such as members of a family, will not affect its status as mutual so long as all the other requirements of IRC section 501(c)(13) are met.

Operating a business such as a mortuary in connection with the cemetery is not permitted. However, selling monuments, markers, vaults, and flowers solely for use in the cemetery is permitted if the profits from these sales are used to maintain the cemetery as a whole.

Tax treatment of donations and payments. Donations to exempt cemetery companies, corporations chartered solely for human burial purposes, and perpetual care funds (operated in connection with such exempt organizations) are deductible as charitable contributions. However, a donor cannot deduct a contribution made for the perpetual care of a particular lot or crypt.

Payments made to a cemetery company or corporation as part of the purchase price of a burial lot or crypt, whether irrevocably dedicated to the perpetual care of the cemetery as a whole or earmarked for the care of a particular lot, are not deductible as charitable contributions.

501(c)(14) Credit Unions

Federal credit unions organized and operated in accordance with the Federal Credit Union Act are instrumentalities of the United States and therefore are exempt under IRC section 501(c)(1). These organizations are included in a group exemption letter issued to the National Credit Union Administration.

501(c)(14) organizations are generally state-chartered credit unions formed under a state credit union law. Such an organization must comply with its state credit union law to operate as a tax-exempt organization under IRC section 501(c)(14). Other mutual financial organizations that qualify under IRC section 501(c)(14) generally must have been incorporated without capital stock before September 1, 1957. Examples of these organizations are domestic building and loan associations, cooperative banks, and certain mutual savings banks.

501(c)(17) Supplemental Unemployment Benefit Trusts

This type of tax-exempt trust is one established and maintained by an employer to provide solely for the payment of supplemental unemployment compensation benefits for employees.

Supplemental unemployment compensation benefits may only be paid to an employee because of the employee's involuntary separation from employment (whether or not the separation is temporary) resulting directly from a reduction-in-force, discontinuance of a plant or operation, or other similar conditions. In addition, sickness and accident benefits (but not vacation, retirement, or death benefits) may be included in the plan if these are subordinate to the unemployment compensation benefits.

It must be impossible under the plan (at any time before the satisfaction of all liabilities with respect to employees under the plan) to use or to divert any of the corpus or income of the trust to any purpose other than the payment of supplemental unemployment compensation benefits (or sickness or accident benefits).

501(c)(19) Veterans' Organizations

A post or organization of past or present members of the Armed Forces of the United States may qualify for tax-exempt status if it meets the following requirements.

- The post or organization is organized in the United States or any of its possessions,
- At least 75% of the members are past or present members of the U.S. Armed Forces and that at least 97.5% of all members of the organization are past or present members of the U.S. Armed Forces, cadets (including only students in college or university ROTC programs or at armed services academies) or spouses, widows, widowers, ancestors, or lineal descendants of any of those listed here, and
- No part of net earnings inure to the benefit of any private shareholder or individual.

In addition to these requirements, a veterans organization also must be operated exclusively for one or more of the following purposes.

- To promote the social welfare of the community (that is, to promote in some way the common good and general welfare of the people of the community).
- To assist disabled and needy war veterans and members of the U.S. Armed Forces and their dependents and the widows and orphans of deceased veterans.
- To provide entertainment, care, and assistance to hospitalized veterans or members of the U.S. Armed Forces.
- To carry on programs to perpetuate the memory of deceased veterans and members of the Armed Forces and to comfort their survivors.
- To conduct programs for religious, charitable, scientific, literary, or educational purposes.
- To sponsor or participate in activities of a patriotic nature.
- To provide insurance benefits for its members or dependents of its members or both.
- To provide social and recreational activities for its members.

Auxiliary unit. In addition to the above requirements, an auxiliary unit may qualify for tax-exempt status if:

- It is affiliated with, and organized in accordance with, the bylaws and regulations formulated by the parent organization.
- At least 75% of its members are either past or present members of the U.S. Armed Forces, spouses of those members, or related to those members within two degrees of kinship (grandparent, brother, sister, and grandchild represent the most distant allowable relationship).
- All of its members either are members of the parent organization, spouses of a member of the parent organization, or related to a member of such organization within two degrees of kinship.
- No part of its net earnings inure to the benefit of any private shareholder or individual.

Trusts or foundations. In addition to the above requirements, a trust or foundation for a veterans organization can qualify for tax-exempt status if:

- The trust or foundation is in existence under local law and, if it is organized for charitable purposes, has a dissolution provision similar to charitable organizations.
- The corpus or income cannot be diverted or used other than for the funding of a veterans organization, religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals, or for an insurance set aside.
- The trust income is not unreasonably accumulated and, if the trust or foundation is not an insurance set aside, a substantial portion of the income is in fact distributed to the parent organization or for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals.

- It is organized exclusively for one or more of the purposes listed earlier that are specifically applicable to the parent organization.

Tax treatment of donations. Donations to war veterans' organizations are deductible as charitable contributions if at least 90% of the organization's membership consists of war veterans. The term war veterans means persons, whether or not present members of the U.S. Armed Forces, who have served in the U.S. Armed Forces during a period of war (including the Korean and Vietnam conflicts, the Persian Gulf War, and later declared wars).

501(c)(21) Black Lung Benefit Trusts

This type of trust is designed to provide black lung benefits for retired coal miners and their spouses. For more information about these types of organizations, see Form 6069, *Return of Certain Excise Taxes on Mine Operators, Black Lung Trusts, and Other Persons Under Sections 4951, 4952, and 4953*, and its instructions.

Tax treatment of donations. Contributions by a taxpayer (generally, the coal mine operator) to a black lung benefit trust are deductible for federal income tax purposes under IRC section 192. The deduction is limited, and any excess contributions are subject to an excise tax of 5%. Form 6069 is used to compute the allowable deduction and any excise tax liability.

501(c)(25) Title-Holding Corporations or Trusts for Multiple-Parent Corporations

A 501(c)(25) organization is organized for the exclusive purpose of acquiring, holding title to, and collecting income from real property, and turning over the entire amount less expenses to member organizations that are exempt from federal income tax.

A 501(c)(25) organization must be either a corporation or a trust. Only one class of stock is permitted in the case of a corporation. In the case of a trust, only one class of beneficial interest is allowed.

Organizations eligible to acquire or hold interests in this type of title-holding organization are qualified pension, profit-sharing, stock bonus plans, governmental plans, governments and their agencies and instrumentalities, and charitable organizations.

Tax treatment of donations. Donations to an exempt title-holding corporation generally are not deductible as charitable contributions.

501(c)(26) State-Sponsored High-Risk Health Coverage Organizations

These organizations are established by a state to provide coverage for medical care on a nonprofit basis to high-risk individuals who are state residents. The organization can provide coverage either by issuing insurance itself or by entering into an arrangement with a health maintenance organization (HMO).

501(c)(27) Qualified State-Sponsored Workers' Compensation Organizations

These organizations are established by a state to provide workers' compensation insurance coverage for workers who are injured on the job. Generally, employers are required under state law to purchase workers' compensation on behalf of their employees.

501(c)(29) Qualified Nonprofit Health Insurance Issuers

These organizations are nonprofit health insurance issuers that have received a loan or grant under the Centers for Medicare and Medicaid Services CO-OP Program that meet certain requirements under the Affordable Care Act (ACA). See IRS Notice 2011-23 for details.

Tax-Exempt Organization Reference Chart

Organization Reference Chart

| IRC Section | Description of organization | General nature of activities | Application Form ¹ | Annual return required to be filed | Contributions allowable |
|-------------|--|--|---|---|--|
| 501(c)(1) | Corporations Organized under Act of Congress (including Federal Credit Unions) | Instrumentalities of the United States | No Form | None | Yes, if made for exclusively public purposes |
| 501(c)(2) | Title-Holding Corporation For Exempt Organization | Holding title to property of an exempt organization and distributing net income to it | 1024 | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(3) | Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations | Activities of nature implied by description of class of organization | 1023, 1023-EZ | 990 ² or 990-EZ ⁹ , or 990-PF | Yes, generally |
| 501(c)(4) | Civic Leagues, Social Welfare Organizations; and Local Associations of Employees | Promotion of community welfare; charitable, educational, or recreational | Must provide notice on Form 8976; may also submit Form 1024-A | 990 ² or 990-EZ ⁹ | No, generally ^{3,4} |
| 501(c)(5) | Labor, Agricultural, and Horticultural Organizations | Educational or instructive, the purpose being to improve conditions of work, and to improve products and/or efficiency | 1024 | 990 ² or 990-EZ ¹ | No ³ |
| 501(c)(6) | Business Leagues, Chambers of Commerce, Real Estate Boards, etc. | Improvement of business conditions of one or more lines of business | 1024 | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(7) | Social and Recreation Clubs | Pleasure, recreation, social activities | 1024 | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(8) | Fraternal Beneficiary Societies and Associations | Providing for payment of life, sickness, accident or other benefits to members within a lodge system | 1024 | 990 ² or 990-EZ ⁹ | Yes, if for certain IRC §501(c)(3) purposes |
| 501(c)(9) | Voluntary Employees Beneficiary Associations | Employee association providing for payment of life, sickness, accident, or other benefits to members | 1024 | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(10) | Domestic Fraternal Societies and Associations | Earnings devoted to charitable, fraternal, and other specified purposes within a domestic lodge system. No benefits to members | 1024 | 990 ² or 990-EZ ⁹ | Yes, if for certain IRC §501(c)(3) purposes |
| 501(c)(11) | Teachers' Retirement Fund Associations | Teachers' association for payment of retirement benefits | 1024 ⁷ | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(12) | Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, and Like Organizations | Activities of a mutual or cooperative nature | 1024 | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(13) | Cemetery Companies | Burials and incidental activities | 1024 | 990 ² or 990-EZ ⁹ | Yes, generally |
| 501(c)(14) | State-Chartered Credit Unions, Mutual Reserve Funds | Loans to members | 1024 ⁷ | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(15) | Mutual Insurance Companies or Associations | Providing insurance to members substantially at cost | 1024 | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(16) | Cooperative Organizations to Finance Crop Operations | Financing crop operations in conjunction with activities of a marketing or purchasing association | Form 1120-C, 1024 ⁷ | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(17) | Supplemental Unemployment Benefit Trusts | Provides for payment of supplemental unemployment compensation benefits | 1024 | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(18) | Employee Funded Pension Trust (created before June 25, 1959) | Payment of benefits under a pension plan funded by employees | 1024 ⁷ | 990 ² or 990-EZ ⁹ | No ³ |
| 501(c)(19) | Post or Organization of Past or Present Members of the Armed Forces | Activities implied by nature of organization | 1024 | 990 ² or 990-EZ ⁹ | No, generally ⁸ |
| 501(c)(21) | Black Lung Benefit Trusts | Funded by coal mine operators to satisfy their liability for disability or death due to black lung diseases | 1024 ⁷ | 990 | No ⁵ |

Tax-Exempt Organization Reference Chart—Continued

| IRC Section | Description of organization | General nature of activities | Application Form ¹ | Annual return required to be filed | Contributions allowable |
|-------------|--|--|----------------------------------|---|----------------------------|
| 501(c)(22) | Withdrawal Liability Payment Fund | To provide funds to meet the liability of employers withdrawing from a multi-employer pension fund | 1024 ⁷ | 990 ² or 990-EZ ⁹ | No ⁶ |
| 501(c)(23) | Veterans' Organization (created before 1880) | To provide insurance and other benefits to veterans | 1024 ⁷ | 990 ² or 990-EZ ⁹ | No, generally ⁸ |
| 501(c)(25) | Title-Holding Corporations or Trusts with Multiple Parent Corporations | Holding title and paying over income from real property to 35 or fewer parents or beneficiaries | 1024 | 990 ² or 990-EZ ⁹ | No |
| 501(c)(26) | State-Sponsored Organization Providing Health Coverage for High-Risk Individuals | Provides health care coverage to high-risk individuals | 1024 ⁷ | 990 ² or 990-EZ ⁹ | No |
| 501(c)(27) | State-Sponsored Workers' Compensation Reinsurance Organization | Reimburses members for losses under workers' compensation acts | 1024 ⁷ | 990 ² or 990-EZ ⁹ | No |
| 501(c)(28) | National Railroad Retirement Investment Trust | Manages and invests the assets of the Railroad Retirement Account | 1024 | 990 ¹² | No ¹² |
| 501(c)(29) | CO-OP health insurance issuers | A qualified health insurance issuer which has received a loan or grant under the CO-OP program | 1024 and Form 8718 ¹⁵ | 990 ² | No ¹⁴ |
| 501(d) | Religious and Apostolic Associations | Regular business activities; Communal religious community | 1024 | 1065 ¹⁰ | No ³ |
| 501(e) | Cooperative Hospital Service Organizations | Performs cooperative services for hospitals | 1023 | 990 ² or 990-EZ ⁹ | Yes |
| 501(f) | Cooperative Service Organizations of Operating Educational Organizations | Performs collective investment services for educational organizations | 1023 | 990 ² or 990-EZ ⁹ | Yes |
| 501(k) | Child Care Organizations | Provides care for children | 1023 | 990 ² or 990-EZ ⁹ | Yes |
| 501(n) | Charitable Risk Pools | Pools certain insurance risks of IRC §501(c)(3) organizations | 1023 | 990 ² or 990-EZ ⁹ | Yes |
| 501(q) | Credit Counseling Organization | Credit counseling services | 1023 | 990 ¹³ | No |
| 521(a) | Farmers' Cooperative Associations | Cooperative marketing and purchasing for agricultural procedures | 1028 or 1024 | 1120-C | No |
| 527 | Political organizations | A party, committee, fund, association, etc., that directly or indirectly accepts contributions or makes expenditures for political campaigns | 8871 | 1120-POL ¹¹ 990 ² or 990-EZ ⁹ | No |

¹ Most 501(c) organizations, other than those described in sections 501(c)(3) (exceptions apply), (9), and (17), may, but are not required to, submit an application for recognition of tax exempt status from the IRS. These organizations may self-declare their tax-exempt status by operating within the requirements of the applicable code section and filing the required annual returns or notices.

² For exceptions to the filing requirement, see *Annual Filing Requirements*, page 32-6, and the form instructions. **Note:** Most tax-exempt organizations, other than churches, are required to file an annual Form 990, 990-EZ, or 990-PF with the IRS or to submit an annual electronic notice, Form 990-N (e-Postcard), to the IRS. Tax-exempt organizations failing to file an annual return or submit an annual notice as required for three consecutive years will automatically lose their tax-exempt status. See form instructions as to which 990 series, and other series, forms, after the Taxpayer First Act, are required to be filed electronically.

³ An organization exempt under a subsection of IRC section 501 other than 501(c)(3) can establish a charitable fund, contributions to which are deductible. Such a fund must itself meet the requirements of section 501(c)(3) and the related notice requirements of IRC section 508(a).

⁴ Contributions to volunteer fire companies and similar organizations are deductible, but only if made for exclusively public purposes.

⁵ Deductible as a business expense to the extent allowed by IRC section 192.

⁶ Deductible as a business expense to the extent allowed by IRC section 194A.

⁷ Reserved.

⁸ Contributions to these organizations are deductible only if 90% or more of the organization's members are war veterans.

⁹ For limits on the use of Form 990-EZ, see *Form 990-EZ, Short Form Return of Organization Exempt From Income Tax*, page 32-7.

¹⁰ Although the organization files a partnership return, all distributions are deemed dividends. The members are not entitled to pass through treatment of the organization's income or expenses.

¹¹ Form 1120-POL is required only if the organization has taxable income as defined in IRC section 527(c).

¹² Only required to annually file so much of the Form 990 that relates to the names and addresses of the officers, directors, trustees, and key employees, and their titles, compensation, and hours devoted to their positions (Part VII of Form 990), and to complete Item I in the Heading of Form 990 to confirm its tax-exempt status under IRC section 501(c)(28).

¹³ See IRC section 501(q) if the organization provides credit counseling services and seeks recognition of exemption under IRC section 501(c)(4). Use Form 1024-A if applying for recognition under IRC section 501(c)(4).

¹⁴ See IRC section 501(c)(29) for details.

¹⁵ See Revenue Procedure 2015-17, sec. 4.01, 2015-7 I.R.B. 599, as modified and superseded by Rev. Proc. 2023-5, for details.

Sample Articles of Organization

Sample Articles of Organization

The following are examples of Articles of Incorporation (Draft A) and a declaration of trust (Draft B) that contain the required information as to purposes and powers of an organization and disposition of its assets upon dissolution. Requirements for these instruments may vary under applicable state law.

See *Governing Instrument*, page 32-22, for the special provisions required in a private foundation's governing instrument in order for it to qualify for exemption.

DRAFT A

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

First: The name of the Corporation shall be _____.

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

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

Fourth: The names and addresses of the persons who are the initial trustees of the corporation are as follows:
Name _____, Address _____

Fifth: No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Third hereof. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

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

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

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

Sample Articles of Organization—Continued

Draft B

The _____ Charitable Trust. Declaration of Trust made as of the _____ day of _____, 20 _____, by _____, of _____, and _____, of _____, who hereby declare and agree that they have received this day from _____, as Donor, the sum of Ten Dollars (\$10) and that they will hold and manage the same, and any additions to it, in trust, as follows:

First: This trust shall be called "The _____ Charitable Trust."

Second: The trustees may receive and accept property, whether real, personal, or mixed, by way of gift, bequest, or devise, from any person, firm, trust, or corporation, to be held, administered, and disposed of in accordance with and pursuant to the provisions of this Declaration of Trust; but no gift, bequest, or devise of any such property shall be received and accepted if it is conditioned or limited in such manner as to require the disposition of the income or its principal to any person or organization other than a "charitable organization" or for other than "charitable purposes" within the meaning of such terms as defined in Article Third of this Declaration of Trust, or as shall, in the opinion of the trustees, jeopardize the federal income tax exemption of this trust pursuant to section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Third:

a) The principal and income of all property received and accepted by the trustees to be administered under this Declaration of Trust shall be held in trust by them, and the trustees may make payments or distributions from income or principal, or both, to or for the use of such charitable organizations, within the meaning of that term as defined in paragraph (c), in such amounts and for such charitable purposes of the trust as the trustees shall from time to time select and determine; and the trustees may make payments or distributions from income or principal, or both, directly for such charitable purposes, within the meaning of that term as defined in paragraph (d), in such amounts as the trustees shall from time to time select and determine without making use of any other charitable organization. The trustees may also make payments or distributions of all or any part of the income or principal to states, territories, or possessions of the United States, any political subdivision of any of the foregoing, or to the United States or the District of Columbia but only for charitable purposes within the meaning of that term as defined in paragraph (d). Income or principal derived from contributions by corporations shall be distributed by the trustees for use solely within the United States or its possessions. No part of the net earnings of this trust shall inure to or be payable to or for the benefit of any private shareholder or individual, and no substantial part of the activities of this trust shall be the carrying on of propaganda, or otherwise attempting to influence legislation. No part of the activities of this trust shall be the participation in, or intervention in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office.

b) The trust shall continue forever unless the trustees terminate it and distribute all of the principal and income, which action may be taken by the trustees in their discretion at any time. On such termination, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. The donor authorizes and empowers the trustees to form and organize a nonprofit corporation limited to the uses and purposes provided for in this Declaration of Trust, such corporation to be organized under the laws of any state or under the laws of the United States as may be determined by the trustees; such corporation when organized to have power to administer and control the affairs and property and to carry out the uses, objects, and purposes of this trust. Upon the creation and organization of such corporation, the trustees are authorized and empowered to convey, transfer, and deliver to such corporation all the property and assets to which this trust may be or become entitled. The charter, bylaws, and other provisions for the organization and management of such corporation and its affairs and property shall be such as the trustees shall determine, consistent with the provisions of this paragraph.

Sample Articles of Organization—Continued

- c) In this Declaration of Trust and in any amendments to it, references to "charitable organizations" or "charitable organization" mean corporations, trusts, funds, foundations, or community chests created or organized in the United States or in any of its possessions, whether under the laws of the United States, any state or territory, the District of Columbia, or any possession of the United States, organized and operated exclusively for charitable purposes, no part of the net earnings of which inures or is payable to or for the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation, and which do 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. It is intended that the organization described in this paragraph C shall be entitled to exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.
- d) In this Declaration of Trust and in any amendments to it, the term "charitable purposes" shall be limited to and shall include only religious, charitable, scientific, literary, or educational purposes within the meaning of those terms as used in section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, but only such purposes as also constitute public charitable purposes under the law of trusts of the State of _____.

Fourth: This Declaration of Trust may be amended at any time or times by written instrument or instruments signed and sealed by the trustees, and acknowledged by any of the trustees, provided that no amendment shall authorize the trustees to conduct the affairs of this trust in any manner or for any purpose contrary to the provisions of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. An amendment of the provisions of this Article Fourth (or any amendment to it) shall be valid only if and to the extent that such amendment further restricts the trustees' amending power. All instruments amending this Declaration of Trust shall be noted upon or kept attached to the executed original of this Declaration of Trust held by the trustees.

Fifth: Any trustee under this Declaration of Trust may, by written instrument, signed and acknowledged, resign his office. The number of trustees shall be at all times not less than two, and whenever for any reason the number is reduced to one, there shall be, and at any other time there may be, appointed one or more additional trustees. Appointments shall be made by the trustee or trustees for the time in office by written instruments signed and acknowledged. Any succeeding or additional trustee shall, upon his or her acceptance of the office by written instrument signed and acknowledged, have the same powers, rights, and duties, and the same title to the trust estate jointly with the surviving or remaining trustee or trustees as if originally appointed.

None of the trustees shall be required to furnish any bond or surety. None of them shall be responsible or liable for the acts or omissions of any other of the trustees or of any predecessor or of a custodian, agent, depository, or counsel selected with reasonable care.

The one or more trustees, whether original or successor, for the time being in office, shall have full authority to act even though one or more vacancies may exist. A trustee may, by appropriate written instrument, delegate all or any part of his or her powers to another or others of the trustees for such periods and subject to such conditions as such delegating trustee may determine.

The trustees serving under this Declaration of Trust are authorized to pay to themselves amounts for reasonable expenses incurred and reasonable compensation for services rendered in the administration of this trust, but in no event shall any trustee who has made a contribution to this trust ever receive any compensation thereafter.

Sixth: In extension and not in limitation of the common law and statutory powers of trustees and other powers granted in this Declaration of Trust, the trustees shall have the following discretionary powers.

- a) To invest and reinvest the principal and income of the trust in such property, real, personal, or mixed, and in such manner as they shall deem proper, and from time to time to change investments as they shall deem advisable; to invest in or retain any stocks, shares, bonds, notes, obligations, or personal or real property (including without limitation any interests in or obligations of any corporation, association, business trust, investment trust, common trust fund, or investment company) although some or all of the property so acquired or retained is of a kind or size which but for this express authority would not be considered proper and although all of the trust funds are invested in the securities of one company. No principal or income, however, shall be loaned, directly or indirectly, to any trustee or to anyone else, corporate or otherwise, who has at any time made a contribution to this trust, nor to anyone except on the basis of an adequate interest charge and with adequate security.
- b) To sell, lease, or exchange any personal, mixed, or real property, at public auction or by private contract, for such consideration and on such terms as to credit or otherwise, and to make such contracts and enter into such undertakings relating to the trust property, as they consider advisable, whether or not such leases or contracts may extend beyond the duration of the trust.

Sample Articles of Organization—Continued

- c) To borrow money for such periods, at such rates of interest, and upon such terms as the trustees consider advisable, and as security for such loans to mortgage or pledge any real or personal property with or without power of sale; to acquire or hold any real or personal property, subject to any mortgage or pledge on or of property acquired or held by this trust.
- d) To execute and deliver deeds, assignments, transfers, mortgages, pledges, leases, covenants, contracts, promissory notes, releases, and other instruments, sealed or unsealed, incident to any transaction in which they engage.
- e) To vote, to give proxies, to participate in the reorganization, merger, or consolidation of any concern, or in the sale, lease, disposition, or distribution of its assets; to join with other security holders in acting through a committee, depository, voting trustees, or otherwise, and in this connection to delegate authority to such committee, depository, or trustees and to deposit securities with them or transfer securities to them; to pay assessments levied on securities or to exercise subscription rights in respect of securities.
- f) To employ a bank or trust company as custodian of any funds or securities and to delegate to it such powers as they deem appropriate; to hold trust property without indication of fiduciary capacity but only in the name of a registered nominee, provided the trust property is at all times identified as such on the books of the trust; to keep any or all of the trust property or funds in any place or places in the United States of America; to employ clerks, accountants, investment counsel, investment agents, and any special services, and to pay the reasonable compensation and expenses of all such services in addition to the compensation of the trustees.

Seventh: The trustees' powers are exercisable solely in the fiduciary capacity consistent with and in furtherance of the charitable purposes of this trust as specified in Article Third and not otherwise.

Eighth: In this Declaration of Trust and in any amendment to it, references to "trustees" mean the one or more trustees, whether original or successor, for the time being in office.

Ninth: Any person may rely on a copy, certified by a notary public, of the executed original of this Declaration of Trust held by the trustees, and of any of the notations on it and writings attached to it, as fully as he might rely on the original documents themselves. Any such person may rely fully on any statements of fact certified by anyone who appears from such original documents or from such certified copy to be a trustee under this Declaration of Trust. No one dealing with the trustees need inquire concerning the validity of anything the trustees purport to do. No one dealing with the trustees need see to the application of anything paid or transferred to or upon the order of the trustees of the trust.

Tenth: This Declaration of Trust is to be governed in all respects by the laws of the State of _____.

- Trustee _____
- Trustee _____