


Form 990 Workshop

January 2023

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The better the question. The better the answer.  
The better the world works.




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Presenters

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## Organizational Overview

### Formation

- In order to be exempt as an organization described in Section 501(c)(3), an organization must be both **organized and operated exclusively for one or more of the purposes specified in such section**. If an organization fails to meet either the organizational test or the operational test, it is not exempt (Treas. Reg. 1.501(c)(3)-1(a)).

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## Organizational Overview

### Organizational test for 501(c)(3) organization

- Organization of legal entity under state law
  - Articles of organization or incorporation
    - Limit purpose to one or more exempt purposes
    - Can't expressly empower the organization to engage in activities that don't advance those exempt purposes
    - Assets must be permanently dedicated to an exempt purpose
  - Bylaws
    - No specific requirements for federal tax law purposes, but there may be state law requirements
    - Annual accounting period: exempt organizations must keep books and file returns based on an annual accounting period (tax year)
      - Annual accounting period generally specified in bylaws
    - Board of directors (elections, terms, powers, etc.) and committees
    - Officers (elections, terms, powers, etc.)

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## Organizational Overview

### Organizational test for 501(c)(3) organization (continued)

- An organization is **not** organized exclusively for one or more exempt purposes if:
  - Its articles expressly empower it to devote more than an insubstantial part of its activities to influence legislation.
  - Its articles expressly empower it to participate in or intervene in any political campaign on behalf of or in opposition to any candidate for public office.
  - Its articles do not require its assets, upon dissolution, to be distributed for one or more exempt purposes or to a federal, state or local government for a public purpose.

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