

When Things Don't Work Out: Combining, Winding Down and Dissolution Issues

University of Texas Law
2024 Nonprofit Organizations Fundamentals Institute

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Dissolution

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All good things must come to an end...

- **BUT WHY!?**
- *Charitable Mission* - Resolved and/or changed.
- *Change in Economy/Lack of Resources*
- *Other Organizations*
- *Involuntary Termination* – Compliance/legal issues.



Dissolution

- **State Law Requirements**
 - Chapters 22 and 11 of TX Business Organizations Code
 - “Fundamental Action” – Voting and Notice Requirements
 - Plan of Distribution/Dissolution
 - State Filings – TX Form 652, *Certificate of Termination of a Domestic Nonprofit Corporation or Cooperative Association*

Dissolution

- **Other State Law Considerations**

- Additional Considerations (e.g., *Employees, etc.*)
- Attorney General Reqs (e.g., *Notice and/or Approval of Transaction*)
- Uniform Prudent Management of Institutional Funds Act (“UPMIFA”)
- Miscellaneous (e.g., *Charitable Registration, Permits, Licensing, etc.*)

Dissolution

- **Federal Tax Requirements**

- **Public Charities**

- Final annual information return (Form 990 Series - Final)
- Form 990, Schedule N

- **Private Foundations**

- Final annual information returns (Form 990-PF - Final)
- Termination vs. Dissolution
- Termination Tax - *Section 507 of Internal Revenue Code*
 - Voluntary Termination
 - Involuntary Termination
 - Transfer of assets to Public Charity
 - Conversion to Public Charity

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First appeared as part of the conference materials for the
2024 Nonprofit Organizations Fundamentals session

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