

# Lifecycle of Public Charity Engagement

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# Agenda – Life Cycle of Public Charity

- Formation and Qualification for Tax Exemption as a Public Charity
- Operating Charity Issues
  - State law duties
  - Form 990 filing compliance and common issues
  - Unrelated business income tax
  - Advocacy, lobbying, and political activities
  - Avoiding private benefit and private inurement, and intermediate sanctions
  - Section 4960 compliance
- Endings –Dissolution, Merger, and Sale of Assets

## Formation and Qualification for Tax Exemption as a Public Charity

## Formation and Qualification for Tax Exemption as a Public Charity

- Form as a legal entity under state law
- Most common: nonprofit corporation
  - Alternatives – trust, association, LLC
- Corporate formation documents:
  - Articles of Incorporation
  - Bylaws
  - Policies: Conflict of Interest, Whistleblower, Document Retention

## Formation – Organizational and Operational Tests

- 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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