


NONPROFIT ORGANIZATIONS
FUNDAMENTALS WORKSHOP

Form 990 Workshop

 The University of Texas at Austin
School of Law

 UT LAW CLE

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Form 990 Fundamentals

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Building a better
working world


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

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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)).

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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