



How do we become a recognized nonprofit?

By Carol L. Topp, CPA

An organization is either a nonprofit or a for-profit venture. In order to be recognized as a nonprofit, you must take some steps to look and act like a nonprofit group.

1. Have a mission statement that focuses on a charitable, educational or religious purpose, not a profit-making purpose.
2. Establish a board of leaders, so that a single person does not “own” the organization.
3. Create bylaws to govern your organization. See my Sample Bylaws at HomeschoolCPA.com/leader-tools/sample-documents/

Many homeschool group leaders think that their organizations are not nonprofits because they have not pursued official recognition as a nonprofit by their state or the federal government, but *they are a nonprofit organization* (if they fit the three criteria listed above), just not a *recognized* nonprofit. These types of groups are legally considered “unincorporated associations” in most states.

If you desire to be a “recognized” nonprofit you can go to additional lengths with your state and the Internal Revenue Service. Becoming a recognized nonprofit has many benefits including tax exemption, the ability to accept tax deductible donations, and participation in programs and fund raisers only open to recognized nonprofits.

Your State

Your homeschool group can be recognized in your state as a nonprofit organization by filing for nonprofit incorporation. Usually the Secretary of State’s office will grant your group an identity as a nonprofit corporation. This means that your group is a separate legal entity with nonprofit status. See the article titled [Do We Need to Incorporate?](#) for more information on the benefits and costs of incorporating. The main reason that a homeschool group might file to become a nonprofit corporation is for limited liability protection for their leaders and as a step toward tax exempt status with the IRS.

This website has a list by state of nonprofit statutes and links to each state’s incorporation websites: <http://www.hurwitassociates.com>

Incorporation as a nonprofit in your state does *not* make your organization tax exempt with the IRS (nor tax exempt with most states). Your organization will still need

to pay taxes on their income. If your organization wants to be tax exempt, they need to go to the next step, tax exempt status with the IRS.

The Internal Revenue Service

The IRS grants tax exempt status to qualified nonprofit organizations that apply. The most common type of tax exempt organization is the 501(c)(3) status named after the IRS Code that explains eligibility. 501(c)(3) tax exempt status is a highly desired status for several reasons.

- Any financial surplus (i.e., profit) is not taxed. Instead the surplus is used for your nonprofit purpose in future years.
- Your organization may accept tax-deductible donations.
- Some programs and fund raisers are only open to 501(c)(3) tax exempt organizations.

. See the articles titled [Do We Need 501c3 Status?](#) And [Are You Ready for 501c3 Application?](#) under Leader Tools/Articles at HomeschoolCPA.com or more information on obtaining 501(c)(3) tax exempt status.

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