



CHARITABLE NONPROFIT CORPORATION

There are four main legal steps that need to be taken to become a charitable nonprofit corporation in Iowa with tax-exempt status recognized by the Internal Revenue Service.

STEPS	HOW	WHY	REMEMBER
<p>1</p> <p>Become a nonprofit corporation — \$20 FILING FEE</p>	<p>File and submit Articles of Incorporation to the Iowa Secretary of State.</p> <p>You may also file online through Fast Track Filing on the Iowa Secretary of State website: https://filings.sos.iowa.gov/Account/Signup</p>	<p>ADVANTAGES: Incorporation reduces liability for those working for the nonprofit corporation.</p> <ul style="list-style-type: none"> • same liability protection as regular corporations and limited liability companies • one of the easier risk management techniques available • nonprofit corporations are liable for their debts – but the board, staff, volunteers, and others involved are not <p>Also, significant federal and state tax benefits are available for incorporating as a nonprofit once it receives recognition of tax exemption from the IRS.</p>	<p>THIS IS STEP ONE! Being a nonprofit corporation in Iowa doesn't mean you are a charitable nonprofit... yet.</p>
<p>2</p> <p>Apply for an Employer Identification Number (EIN) — NO FEE</p>	<p>Apply for an EIN through the IRS website: https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online</p>	<p>An EIN can be used for several things, including opening a bank account for the nonprofit organization.</p> <p>When application asks, “<i>What type of legal structure is applying for an EIN?</i>”</p> <ul style="list-style-type: none"> • choose the bottom option beginning with: View Additional Types • on the next page select: Other Nonprofit/ Tax Exempt Organizations 	<p>Having an EIN does NOT mean that the IRS has recognized you as a charitable nonprofit.</p> <p><i>Think of this like a nonprofit's “social security number,” in that it gives the nonprofit corporation an identity.</i></p>
<p>3</p> <p>Hold a board meeting and adopt Bylaws — NO FEE</p>	<p>Gather your board to adopt your bylaws and begin conducting official business which is recorded in organizational minutes.</p>	<p>Bylaws are not filed with any government entity in Iowa; they are an internal document for the organization.</p> <p>The bylaws must be adopted before the FORM 1023 (<i>application for federal nonprofit status</i>) can be filed, as they are a requirement for the form.</p>	<p>Even though only one board member is required by Iowa law (Iowa Code 504.803), best practice is to have at least five board members (V.B.3). (<i>recommended by Iowa Principles & Practices for Charitable Nonprofit Excellence</i>)</p>
<p>4</p> <p>Submit Federal Application for Charitable Nonprofit Status — FORM 1023: \$600 FORM 1023-EZ: \$275</p>	<p>FORM 1023 must be submitted online and requires registration for an account: https://www.pay.gov/public/form/start/704509645</p> <p>— OR —</p> <p>FORM 1023-EZ (<i>for organizations with less than \$250,000 in total assets</i>):</p> <ul style="list-style-type: none"> • to see if you are eligible, review the Eligibility Worksheet on page 13 under the Instructions: https://www.irs.gov/pub/irs-pdf/i1023ez.pdf • if you are eligible, you can access Form 1023-EZ here: https://www.pay.gov/public/form/start/62759871 	<p>BENEFIT: One of the most attractive benefits of being recognized as a charitable nonprofit is the opportunity to receive funds from donors including government grants, foundation support, and individuals.</p>	<p>Following review of your application, the IRS will issue your organization an official IRS Determination Letter, which decides:</p> <ul style="list-style-type: none"> • if your entity will be recognized as a charitable nonprofit – 501(c)(3) • whether you will be classified as a public charity or private foundation <p><i>This process could take several months.</i></p>