



Thinking About Starting a Nonprofit 501(c)(3) ??? Before you think about starting your own nonprofit do your homework.

1. Find out about nonprofits already active in the area you're passionate about and join their efforts as a volunteer, a board member or even as staff.
2. Research the list of nonprofits already active in the same area, identify the three most compatible with your ideas and meet with them to explore partnerships such as a special project or initiative.
3. Learn about national organizations in the area of your interest and see if a local chapter is needed/already exists in your geographic area.
4. Identify if your effort will be small or local, consider forming an unincorporated association or club. You still have meetings and activities but can skip the reporting requirements * (an option for groups with an annual budget of under \$25,000).
5. Gather information. If you want to create an organization to fund activities or certain needs of others (i.e. scholarships, family emergency funds for a specific population) explore sponsorship of the fund by a local Community Foundation or other group. Getting a 501(c)(3) changes everything. Once you get this designation (as defined by the Internal Revenue Code that designates an organization as charitable and tax-exempt) the Internal Revenue Service has clear expectations in many areas including those are the mission, organizing documents, how nonprofits are governed as well as their management policies, use of financial statements, reporting on Form 990 and issues of transparency and accountability. One example of this is that you must have a board. While you likely have had help from friends and family, a nonprofit board has legal responsibilities.

Three main duties are:

- Duty of Care means that Board members must exercise reasonable care when a decision as a steward of the organization is made.
- Duty of Loyalty is the standard of faithfulness/ never use information obtained as a member for personal gain (no self-dealing).
- Duty of Obedience requires Board members to be faithful to mission. They must be true to the public's trust that the NPO will manage donated funds to fulfill its organization's mission. Source: The Legal Obligation of Nonprofit Boards, a Guidebook for Board Members. Board Source 1997

If you still think starting a nonprofit is right for you, check out these helpful tips.

Clarify your mission, goals and exactly who you would serve.

Talk with as many people as you can to find out what other groups are already

doing in related areas. Work with them if you possibly can rather than creating a new organization. In current economic times, you will find it harder to raise monies or gain support if you duplicate or significantly overlap the goals or services of an existing organization(s). Most nonprofits are started by the passion

of the founder and many are run by volunteers. It may take months or years to obtain grant funding.

Define your organization's purpose and create your bylaws. Reviewing bylaws of several existing organizations may be helpful, but remember that organizations' structures and purposes vary. What may sense for one organization may not make sense for yours.

The next step is to establish a board of directors of at least four to eight people. Be sure each board member understands the legal and financial responsibilities of a nonprofit board member.

Incorporate in Nebraska by filing Articles of Incorporation with the Secretary of State, download the forms at <https://sos.nebraska.gov/business-services/forms-and-fee-information> or call 402.471.4079. A \$30.00 fee is required to incorporate in Nebraska. In addition, the Nebraska Attorney General's Office represents the State in the enforcement of the Nebraska Nonprofit Corporation Act, learn more at ago.state.ne.us/your/office/public/nonprofit.htm or see Neb. Rev. Stat. §§ 21-1901-21-19,177.

Apply for a Federal Employer Tax Identification Number even if you have no employees. The number is used by the Internal Revenue Service (IRS) to track reports and your 1023 tax exempt application. Applications are available via the Internet at: www.irs.ustreas.gov or via call 800.829.3676 to get one by mail or at your local IRS office. This is the longest form that the IRS has.

Apply for tax exemption as a 501(c) (3) nonprofit. This is required before you can receive grants or tax-deductible contributions. Call the IRS (877/829-5500, 800/829- 3676 or 800/829-1040) for Form 1023 and the packet that goes with it. You can also get the forms on the IRS's web site at www.irs.ustreas.gov. The process takes can take anywhere from 3-24 months. While not difficult but lengthy (the longest IRS form in existence) you may want to ask a lawyer or accountant who is experienced with the nonprofit sector to review your bylaws and application for tax-exemption before submitting it to the IRS.

*Small tax-exempt organizations whose gross receipts are normally \$25,000 or less are now required to electronically submit Form 990-N, also known as the ePostcard. This change came as part of the Pension Protection Act of 2006 that added this filing requirement to ensure that the IRS and potential donors have current information about your organization.

Certain retail sales by nonprofits are exempt from sales tax. Some, but very few, items purchased by nonprofits are also exempt such as food for feeding the homeless. Once you receive your tax exempt status from the IRS, apply to the Nebraska Department of Revenue for exemption from state sales tax for items you are going to sell. Call the Department of Revenue at to request application and to get more information. Also, find out if you are eligible to get an exemption for local property taxes on real property or vehicles by contacting the Nebraska Department of Revenue. Should your nonprofit qualify for an

exemption from property tax your local county tax office will be notified. As you proceed, be sure to check with an attorney or CPA who is knowledgeable about nonprofit accounting about other needed financial documents and filings.

**** Confused?** To find out if you need to file the 990N even if you have never had to file any type of 990? Go to this IRS website that outlines this process and how organizations will be phased in organizations will be phased in at <http://www.irs.gov/charities/article/0,,id=184445,00.html>