How to Create a Nonprofit Organization In Nebraska

Provided as a service to Lincoln’s nonprofit community by the Funders’ Group of Lincoln and Lancaster County

2002
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Disclaimer: This publication is intended to provide general information only to groups who are considering becoming a nonprofit organization. It is not designed to provide legal or financial advice. Any questions you may have of a legal, financial or technical nature should be directed to an attorney, accountant, the Internal Revenue Service (IRS), Nebraska state government, or another professional with nonprofit experience.

What options does my group have to become a nonprofit organization?

Funding organizations in Lincoln and Lancaster County often receive calls from citizens inquiring how they can become a nonprofit organization in Nebraska. If your group is considering becoming a nonprofit organization, several options exist for you: 1) your group may choose to be a charitable organization without any special designation from the State of Nebraska or the IRS; 2) you may incorporate as a nonprofit with the State of Nebraska; or 3) you may incorporate with the State of Nebraska and apply for 501(c)(3) designation from the IRS.

1. Becoming a charitable organization

Groups of people in Lincoln and across the state of Nebraska get together to conduct programs to benefit people in their community—to increase literacy rates, to feed and clothe the homeless, to rescue abandoned animals, to clean up the environment and to mentor youth.

These programs are “charitable” because their purpose is to serve the public good. But that doesn’t mean that these programs are “nonprofit.” Nonprofit status must be given by the Internal Revenue Service.

2. Incorporate as a nonprofit with the State of Nebraska

Becoming a nonprofit organization is a form of incorporation. Organizations that incorporate as nonprofit exist for the public good rather than for the financial benefit of an individual (an owner) or stockholders. A nonprofit corporation is a legal entity, usually a group of people that has a charter granting it certain legal powers generally given to individuals, to buy and sell property and enter into contracts. Since the corporation is nonprofit, it cannot sell shares of stock or distribute income to members or other private entities. The law does not prohibit a nonprofit from making a profit. However, the income that is generated by the corporation must be used to operate the organization or granted to other nonprofit organizations.

3. 501(c)(3) Federal Income Tax Exempt Status

Tax-exempt organizations do not have to pay state and/or federal income taxes. Tax-exempt status does not automatically follow from incorporating as a nonprofit. Not all nonprofit organizations file for tax-exempt status and the IRS is not required to grant that status to every organization that applies.
Tax-exempt status is granted to those organizations whose main activities are charitable, religious, educational or scientific. An organization designated as a nonprofit corporation under state law may not mean the organization is tax-exempt under federal law. To be tax-exempt under Federal law, the organization must be described in one of the sections specified in the Internal Revenue Code and apply for exemption by filing Form 1023 for 501(c)(3) status or Form 1024 for all others. The organization is exempted from paying federal income tax on its organizational income. The organization may still have to pay state sales tax.

There are several different types of tax-exempt, nonprofit organizations, each with its own code number. Most code numbers begin with “501 (c) and then a number. Most foundations are legally allowed to support only nonprofit organizations that are designated as “501(c)(3)” by the IRS. Most foundations and corporations cannot give charitable donations to groups designated “501 (c)(6).” For example, being classified by the IRS as a 501(c)(6) means your group is considered a Chamber of Commerce or other business-related tax-exempt nonprofit organization—and these don’t always operate for purely charitable purposes. Getting an IRS designation of 501(c)(3) testifies that your group operates for purely charitable or educational purposes, and that donors to your organization may claim a full deduction.

To qualify as a 501(c)(3), the organization must be a corporation, community chest, fund, foundation or trust.

To receive recognition as a 501(c)(3) nonprofit tax-exempt charitable organization, you must complete Form 1023 (Application for Recognition of Exemption) and Form 8718 (User Fee for Exempt Organizations Determination Letter Request), available from the IRS. Many groups hire an attorney or a private consultant with experience to do this for them—and incur costs for this service. The IRS charges $500 to apply for 501(c)(3) status.

**Points to consider**

Before your group makes a decision about organizational structure, you need to consider various aspects associated with each option (For a comparison of the various organizations, refer to the tables below).
<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Officers</th>
<th>Liability</th>
<th>Tax Deductions</th>
<th>Receiving Grants</th>
<th>Continuity &amp; Structure</th>
<th>Fees</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Charitable Organization</strong></td>
<td>Not required to install officers or hold regular meetings unless the organization’s members want to.</td>
<td>There is no liability imposed upon the organization except for those taken on by the individual members personally.</td>
<td>Individuals and corporations cannot take tax deductions for their donations to the organization.</td>
<td>Ineligible to receive grants directly from governmental agencies or most foundations. The organization may have to use a fiscal agent.</td>
<td>Not required to install officers or hold regular meetings, so the organization may lack continuity and structure; the organization may be more susceptible to failure because of the possible lack of support from members.</td>
<td>Little to no fees involved since the organization will not have to complete the paperwork that is necessary to become a nonprofit corporation or a 501(c)(3) organization.</td>
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<tr>
<td><strong>Incorporating as a nonprofit organization</strong></td>
<td>Must hold regular meetings, elect a board of directors, write and observe its bylaws and give notice of meetings and changes to its articles of incorporation and bylaws to its members.</td>
<td>Members of the organization’s board may have some insulation from legal liability in relation to the organization’s debts.</td>
<td>Individuals and corporations may not be able to take full tax deductions for their donations to the organization.</td>
<td>The organization could receive grants that require the organization to be a legal entity.</td>
<td>Incorporation may give the organization some continuity and structure due to the requirements for a board of directors, regular meetings and incorporation documents.</td>
<td>Fees must be paid to the Nebraska Secretary of State’s office and report the names and addresses of members and officers every two years. If changes are made to the articles of incorporation after the document has been filed with the Secretary of State, addition fees must be paid.</td>
<td>The organization can own real estate and other large assets and apply for loans. Corporation cannot pay income to its members or other individuals as dividends. Payment to individuals can only be made for services rendered.</td>
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<tr>
<td>501(c)(3) tax-exempt status</td>
<td>Must hold regular meetings, elect a board of directors, write and observe its bylaws, record official minutes and give notice of meetings and changes to its articles of incorporation and bylaws to its members.</td>
<td>Organization is not liable for federal income tax on its earnings unless the organization brings in substantial earnings not related to the tax-exempt purpose of the organization. Directors, trustees, officers, employees and members of the nonprofit corporation as not personally liable for corporate debts or liabilities. Creditors can only go after the corporate assets in the nonprofit corporation.</td>
<td>Donors may take a tax deduction for donations made to your organization to the extent allowed by law.</td>
<td>Organization may be able to apply for government, corporate and private grants limited to 501(c)(3) organizations.</td>
<td>Incorporation may give the organization some continuity and structure due to the requirements for a board of directors, regular meetings and incorporation documents.</td>
<td>Fees must be paid to the Nebraska Secretary of State’s office and report the names and addresses of members and officers every two years. If changes are made to the articles of incorporation after the document has been filed with the Secretary of State, additional fees must be paid.</td>
<td>The tax-exemption application may require a lot of time to complete, especially with regard to budget matters (the organization will need to complete a 2-year budget). The organization must keep detailed financial records. The organization will need to complete a Form 990 Income Tax Return (Return of Organization Exempt from Income Tax) each year if more than $25,000 is earned in a year and if total assets at the end of the year are more than $250,000; if receipts are less than $25,000, the organization does not need to file a Form 990. The IRS requires a report on how earnings were spent at the end of the first two years of exemption. The IRS will then determine if the organization is qualified to continue as a 501(c)(3).</td>
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The organization after the initial two-year period.

The organization cannot lobby for legislation or endorse any candidate for public office.

If the organization dissolves, it must give its money to any other 501(c)(3) organization(s) of its choice.

Fundraising may be easier to conduct because donors may be more inclined to give donations to organizations granted tax-exempt status by the IRS.

The organization may be entitled to reduced postal rates.

Example:

The following illustrates the consequences to a group of citizens who have not become a nonprofit organization: A group of concerned citizens called “People of Lincoln” has had a huge success for twenty years at helping youth to grow up without any drugs, alcohol, teen pregnancy or crime. By the age of twenty-one, every child in Lincoln has graduated from high school and either has a good job or is about to graduate from college—all thanks to the programs and concern given by the group of concerned volunteers in Lincoln who have raised money for youth activities by having car washes, bake sales and raffles for the past twenty years. If the IRS hasn’t said that group is nonprofit—it’s not—it doesn’t matter how much good it has done and it doesn’t matter if anybody has profited from the program or not.

Many groups perhaps shouldn’t go to all the time, trouble and expense of getting nonprofit status from the IRS. The “People of Lincoln,” for example did all their good work without the IRS certifying them as nonprofit. None of the people who bought baked good or had their cars
washed or bought raffle tickets wanted tax deductions for the money they spent—the group has done just fine without the IRS ever hearing of them. They didn’t need the IRS recognition. However, if the “People of Lincoln” wants to ask a foundation for a grant of $10,000 to buy land to build a youth center, or if they want to ask a corporation for a grant of $7,500 for tutorial supplies and recreational equipment, the foundation isn’t allowed to give the money (according to IRS regulations) unless the “People of Lincoln” is recognized as a nonprofit by the IRS and the corporation probably won’t give because the IRS won’t let them take a tax deduction.

In summary, if your group is trying to decide whether to incorporate as a nonprofit or file for tax-exempt status, you will need to determine your activities in the future and consider the advantages and disadvantages of each option. If you group does not have the time or money to file for incorporation or tax-exempt status, you may want to consider remaining a charitable organization. If you wish to apply for government or foundation grants to finance your programs, you may want to file for 501(c)(3) status. If your group wants legal protection and the structure and continuity offered by a corporation, you should consider incorporating. Once you incorporate, you may also consider whether or not to take the extra steps to become a 501(c)(3) organization. Discussing the options with an attorney and accountant is recommended.

What else should my group consider before making a decision?

Monetary expenses

Deciding to become a nonprofit organization involves more than coming up with a name for your group or developing programs to benefit the community. It involves planning, thought, time and money. It is recommended that groups considering becoming a nonprofit organization, contact an attorney to assist them with the required paperwork, an accountant to complete their tax forms and an insurance agent to obtain proper insurance for their board of directors and officers, property, and worker’s compensation. If your organization intends to have a paid staff, you will need to obtain the necessary paperwork from the IRS and the state for employee withholding. You may wish to find professionals who will help your group complete the necessary paperwork to become a nonprofit on a pro-bono basis. Perhaps members of your group may have expertise in these areas. Local law colleges may also be able to provide assistance.

Seeking the assistance of professionals to help your group establish a nonprofit organization and maintain financial records can be quite expensive. It is recommended that you contact attorneys, accountants and insurance agents for their fees.

Time commitment

It is also important for your group to consider the time you may have to devote to completing the necessary paperwork for the IRS and the Secretary of State. The IRS estimates that the total average time to complete Form 1023 and its many schedules, to learn about the law and how to complete the form and the additional record keeping is **189 hours**! This is just one form out of many that you will have to complete in order to establish your group as a nonprofit organization.
Community need and current services offered by 501(c)(3)’s

Meet with other groups in the area you expect to serve during the first year of operations. Consult with major local funders such as government entities, United Way, the arts council, etc., and learn about planning processes they may have completed. In this manner, you can determine where the gaps are (which areas, geographically, are not being served or which needs, programmatic, are not being provided already by another group). Approach this research as if you were conducting a feasibility study on the viability of your program and organization.

Merging or collaborating with an existing entity

Perhaps your group should consider creating a project or program within another organization rather than spending time and energy to establish a whole new entity. There may be organizations already established that serve the same purpose and mission that your group wants to serve and perhaps they are operating more efficiently than your group could on its own. Working with another organization may help your group to absorb some of the administrative and operating costs as well. Your group may be able to contribute human resources and ideas to improve the impact of an existing program to those entities. Check with those organizations serving the area you wish to support and consider a possible collaboration.

Using a fiscal agent to apply for grant funding

Your group may not have the time, money or human resources to devote to becoming a 501(c)(3) organization, however you may still want to apply for grant funding from the government or private entities. Contemplate using an existing 501(c)(3) organization as your fiscal agent. A fiscal agent is an organization that agrees to accept and be responsible for grant monies on your behalf. Fiscal agents are usually nonprofit organizations that accept funds without tax liability. The IRS has held that a 501(c)(3) organization can distribute funds to organizations which have not themselves received 501(c)(3) status. However certain steps must be taken to insure that the funds are used only for charitable, education or other 501(c)(3) purposes (Revenue Ruling 68-489,1969-2 C.B. 210). The funds must be used for specific projects in furtherance of the sponsor’s own exempt purposes, the sponsoring organization must retain control and discretion as to how the funds are used, and the sponsoring organization must maintain records establishing that the funds were used for 501(c)(3) purposes.

In a typical arrangement, the non-exempt organization solicits grants or donations, donors and grantors make their checks to the tax-exempt sponsor and the sponsor pays expenses on behalf of or makes a grant to the non-exempt organization, sometimes taking a percentage of the donation as a fee. The sponsor may also take care of reporting for the non-exempt organization’s employees, allow the use of its bulk-mailing permit and/or provide office space, use of office equipment or clerical help.
Sustainability

Determine the sustainability of your organization. Is there support (monetary, volunteerism, time, talent and treasure) from the members of your group to keep the organization up and running? Are there funding sources to keep your programs operational? If your organization does not receive outside financial support, how will your programs be sustained? Many people have a lot of enthusiasm for an idea initially and you can use this momentum to develop a program(s) that will impact your community for the long-term. You want to build an organization that has a purpose to serve and a unique ability to deliver services over time—in other words, an organization that will last. Develop a business plan that will help your organization determine its mission, purpose and future direction.

What are the next steps my group needs to take?

If you wish to remain a charitable organization:

If your organization has decided that you do not have the resources necessary to become a nonprofit or tax-exempt organization, you may simply continue to pursue your charitable mission. You should be aware that your donors cannot take a federal tax deduction for donations made to your organization and you may not be able to apply for grants or similar funding unless you use a fiscal agent who is willing to assist you.

If you wish to become an incorporated nonprofit organization:

Your group may decide at this time that it is worth the time and money to become a nonprofit organization. Again, be aware that donors cannot take a federal tax deduction for donations made to your organization and you may not be able to apply for grants unless you use a fiscal agent. However, if you wish to pursue this option, the following steps are recommended for your group to become an incorporated nonprofit organization. The list may not be exhaustive, however, and you should check with an attorney to determine full compliance with state and federal law.

1. On paper, define your mission, goals and a set of objectives for reaching each of those goals.

2. Once it is determined that other groups are not already working toward your mission, goals and objectives, invite a “steering committee,” “advisory council” or “board of directors” to help you make short-range and long-range plans for meeting your objectives. Remember to ask: “What is needed? By when? Who will help me find the resources to do the work?”

3. To establish a board of directors in the State of Nebraska, the minimum number of directors is one. Be sure each member of the board of directors understands the legal and financial responsibilities of a nonprofit board member.
4. Define your organization’s purpose and create your bylaws and articles of incorporation. Reviewing bylaws and articles of several existing organizations may be helpful but remember that organizational structures and purposes vary—what may be appropriate for one organization may not be for yours. You may also want to complete a budget and a three to five year business plan. Contact the Nebraska Secretary of State’s office for assistance with meeting corporation requirements within the state, including registering your organization’s name. Section 21-1921 of the Nebraska State Statutes prescribes what information is to be included in the articles of incorporation.

5. Incorporate as a nonprofit corporation in Nebraska by registering with the Corporate Division of the Nebraska Secretary of State. Currently, the Secretary of State requires an original and one duplicate copy of the organization’s articles of incorporation, along with the payment of fees, for incorporation purposes. For further information, contact the Nebraska Secretary of State’s office. The fee to file the articles of incorporation is currently $10 plus $5 per page for the articles. The Nebraska Secretary of State’s Office can provide you with a schedule of additional fees. You will also be required to advertise that your group is seeking incorporation with the State of Nebraska in a legal, local newspaper of general circulation for three successive weeks.

6. You will need two affidavits of publication which the newspaper can prepare for you when the articles are published. One copy is sent to the Secretary of State and the second copy is to be kept with your own records.

7. You will also need to hold organizational meetings. The meetings include recording minutes, electing officers and adopting the bylaws. Many lawyer trade journals advertise corporate outfit kits that consist of the seal, preprinted forms, fill-in-the-blank minutes and bylaws.

8. Your organization will need to establish a corporate checking account. To open an account you will need an Employer Identification Number (EIN) (see page 10, #10 in this publication) and a corporate resolution authorizing the account (which can be passed at the first board of directors meeting). To obtain an EIN (Employer Identification Number), file Form SS-4, (Application for Employer Identification Number) with the IRS. The form can be obtained from the IRS website by phone or by fax. Ask for “Your Business Tax Kit.” Allow eight weeks from the date of application to receive your EIN. You will receive an EIN with the letter of determination even if you do not have employees.

9. After incorporation, you may wish to seek a fiscal agent if you wish to apply for grant funding from governmental agencies or private sources. Fiscal agents may include foundations, school districts or any other 501(c)(3) organization.

10. When filing a state corporate tax return in Nebraska, attach a copy of your organization’s federal return. The State of Nebraska will use the same EIN number as the IRS. If you plan to sell items to the public, you will need to obtain a sales tax number from the Nebraska Department of Revenue. In addition, if your organization has employees, you
will need to obtain withholding information from the Department of Revenue. You may obtain sales tax and withholding information packets by contacting the Nebraska Department of Revenue.

The IRS website (www.irs.gov) may be accessed for additional forms and information on nonprofit organizations. The Nebraska Department of Revenue will also assist you with filing for unemployment taxes.

11. Apply for local property tax exemption by contacting the county assessor’s Office.

If you wish to become a tax-exempt nonprofit organization

Your group may decide that it would be most advantageous to become an incorporated tax-exempt organization in order to receive gifts from donors that are deductible on the donor’s federal income tax form, seek grant funding from a variety of sources and give your organization structure and continuity. If this option is most appropriate for you, the following steps should be taken to become an incorporated tax-exempt nonprofit organization (again, this list may not be exhaustive and you should check with an attorney to determine compliance with state and federal law):

Follow steps 1-9 on pages 8 and 9 of this publication.

10. Apply for tax exemption as a 501(c)(3) nonprofit. This must be done before you can receive grants or tax-deductible contributions. Call the IRS for Form 1023 (Application for Recognition of Exemption) and the packet that goes with it. You may also request Publication 557 (Tax-Exempt Status for Your Organization). The process takes 3-24 months. You should obtain an EIN (Employer Identification Number) by filing Form SS-4, (Application for Employer Identification Number) with the IRS (see page 9, #8). The number is used by the IRS to track reports and your 1023 tax-exempt application.

11. When filing a state corporate tax return in Nebraska, attach a copy of your organization’s federal return. The State of Nebraska will use the same EIN number as the IRS. If you plan to sell items to the public, you will need to obtain a sales tax number from the Nebraska Department of Revenue. In addition, if your organization has employees, you will need to obtain withholding information from the Department of Revenue. You may obtain sales tax and withholding information packets by contacting the Nebraska Department of Revenue.

The IRS website (www.irs.gov) may be accessed for additional forms and information on nonprofit organizations. The Nebraska Department of Revenue will also assist you with filing for unemployment taxes.

12. Apply for local property tax exemption by contacting the your county assessor’s Office.
Additional Considerations

13. The Funders’ Group strongly recommends that an attorney and/or a CPA who is knowledgeable about nonprofit tax law review your bylaws, articles of incorporation, and application for tax-exemption before final submission. You might ask leading nonprofits in the area for their recommendations.

14. As you proceed, be sure to check with a CPA who is knowledgeable about nonprofit accounting for other needed financial documents and filings.

Maintaining your 501(c)(3) status

Once your group is recognized by the IRS as a 501(c)(3) organization, you must maintain your status in order to receive tax-deductible contributions and seek grants from funders. Nonprofits less than five years old need to remember that the initial letter they receive from the Internal Revenue Service detailing their 501(c)(3) status is an “advanced ruling” only. Newly created organizations that are publicly supported organizations as described in section 509(a)(1) of the tax code are not subject to the extra requirements of private foundation status (excluding excise taxes). To maintain this status, your organization must submit Form 8734 (Support Schedule for Advance Ruling Period) to the IRS within 90 days of the end of your advanced ruling period (the date is listed on your IRS determination letter) to show whether you have met the requirements of the public support test. If you do not meet the test, you will be classified as a private foundation and that status will be applied retroactively to the date of your organization’s inception. For information, contact your tax attorney or the IRS, (877) 829-5500.

In addition, you may also need to do the following:

1. Register each year with the Nebraska Secretary of State’s Office.

2. Send a copy of your annual report and your IRS Form 990 (if you are required to file one that year) to the Nebraska Secretary of State.

3. If you are required to file a Form 990 any year, you are required to make it available to people who ask to see it at your place of business during regular office hours. You do not have to show them a list of contributors. They may request a photocopy and you are allowed to charge a reasonable price. It is up to you whether you mail a copy if requested.

4. You may want to consider conducting an annual audit of your books, since some funders won’t consider your grant request without an audit. Costs will vary depending on the specific services provided by the auditors. You can get a brief one for a lower fee or a complete one for a higher fee. If you can afford an audit, it is recommended that you conduct one—to be sure that you are keeping your records correctly and to show fiduciary responsibility to your public.
5. Make sure that you are filing withholding tax, as you should, depending upon the level of salaries. If you have been working as an independent contractor, check with your accountant or treasurer as to how to do this.

**Recordkeeping Requirements**

Recordkeeping is one of the most important aspects of maintaining a solid internal control structure as well as accurately and completely filing the necessary forms including, Form 990.

Income Tax Regulation 1.6001-1 requires an exempt organization to keep permanent books and records sufficient to how specific items of gross income, receipt and disbursements.

Your record keeping system should include a summary of your business transactions. This summary is ordinarily made in your books (accounting journals and ledgers). Your books must show your gross income as well as your deductions. Good records will help you monitor the progress of your business, prepare financial statements, identify sources of receipts, keep track of deductible expenses, prepare your returns, and support items reported on returns.

You may choose any record keeping system suited to your business that clearly shows specific items of gross income, receipts, disbursements and supports your tax-exempt purpose. Such records may include but are not limited to:

- Articles of incorporation
- Bylaws
- IRS Determination Letter
- 1023 Application
- Minutes
- Calendar of events
- Dues statements
- Correspondence
- Contracts and deeds
- Scrapbooks and photo albums
- Publications and brochures
- Journals (general, cash receipts, payroll, disbursement)
- General ledger
- Bank statements
- Canceled checks
- Cash register tapes
- Receipts and invoices
- Purchase agreement for assets
- Depreciation schedules
- Sign-in book (guest or nonmember)
- Records for tracking nonmember income
- Tax returns
- IRS Forms 990 (Return of Organization Exempt from Income Tax) and 941 (Employer’s Quarterly Federal Tax Return)
- Employment tax returns (Forms W-2 (Wage and Tax Statement), W-3 (Transmittal of Wage and Tax Statements) 1096 (Annual Summary and Transmittal of U.S. Information Returns) and 1099 DIV (Dividends and Distributions))
- Audits and/or compilations
It is imperative for membership organizations such as social clubs, veteran’s organizations and fraternal lodges to keep records and follow procedures to determine the extent of non-member income as well as to determine if the tax-exempt requirements are followed.

Failure to maintain adequate books and records may result in penalties or the loss of your tax-exempt status.

**Other resources available to your organization**

There are numerous publications and websites available to help your organization decide if it wants to become a nonprofit. Some of the most useful resources include the following:

**Publications:**
*Publications may be ordered from the publisher directly or may be found at your local bookstore or library.*


**Helpful websites and related information:**
*Forms and fees for nonprofit corporations in Nebraska*
Nebraska Secretary of State’s Office
1305 State Capitol
Lincoln, NE 68509
(402) 471-4079
(402) 471-3237 FAX
website: http://www.nol.org/home/SOS

For information and forms concerning tax and revenue considerations for nonprofit corporations in Nebraska

Nebraska Department of Revenue
301 Centennial Mall South, 2nd Floor
Lincoln, NE 68509
(402) 471-2971
(800) 742-7474
website: http://www.revenue.state.ne.us

Internal Revenue Service
(800) 829-3676
(703) 368-9694 FAX
Form 1023, Application for Recognition of Exemption Under 501(c)(3), and the packet that accompanies the form (http://www.irs.gov/pub/irs-pdf/k1023.pdf) or call (877) 829-5500.
Form 1024, Application for Recognition of Exemption Under Section 501(a)
Form 8718, User Fee for Exempt Organization Determination Letter Request
Form 990, Return of Organization Exempt From Income Tax
Form 990-EZ, Short Form, Return of Organization Exempt From Income Tax
Form SS-4, Application for Employer Identification Number

Lancaster County Assessor’s Office
555 South 10th Street
Lincoln, NE 68508
(402) 441-7463
(402) 441-8759 FAX
website: assessor@ci.lincoln.ne.us

Information about starting a nonprofit: http://www.nonprofit.about.com/cs/startanonprofit/
Complete information about establishing a nonprofit organization including forms, samples, checklists, marketing, volunteer info and fundraising.
Questions and answers about becoming a 501(c)(3) organization.

Internet Nonprofit Center: http://www.nonprofits.org
FAQ’s about starting a nonprofit from administration to marketing to finance.

The Foundation Center: http://www.fdncenter.org/learn/faqs/starting_nonprofit/html
FAQ’s about starting a nonprofit organization and related resources.

North Carolina Center for Nonprofits: http://www.ncnonprofits.org/initial.pdf
Although this document refers to the steps involved in establishing a nonprofit organization in North Carolina, it offers general information to organizations across the country on resources, forms, publications, etc. need to start a nonprofit.

Guidestar: http://www.guidestar.org
A national database of 650,000 nonprofit organizations searchable by keyword, city, state, zip code, income range and charity type.

**Glossary of terms**

501(c)(3)—Section of the Internal Revenue Code that designates an organization as charitable and tax-exempt. Organizations qualifying under this section include religious, educational, charitable, amateur athletic, scientific or literary groups, organizations testing for public safety or organizations involved in prevention of cruelty to children or animals. Most organizations seeking foundation or corporate contributions secure a section 501(c)(3) classification from the Internal Revenue Service (IRS).

509(a)—Section of the tax code that defines public charities (as opposed to private foundations). A 501(c)(3) organization must also have a 509(a) designation to further define the agency as a public charity.

Annual Report—A voluntary report published by a foundation or corporation describing its grant activities. It may be a simple, typed document listing the year’s grants or an elaborately detailed publication.

Articles of Incorporation—A document filed with the secretary of state or other appropriate state office by persons establishing a corporation. This is the first legal step in forming a nonprofit corporation.

Assets—Cash, stocks, bonds, real estate or other holdings of an organization.
**Bylaws**—Guidelines for the operation of a nonprofit corporation, developed according to state law requirements. Bylaws often provide the methods for the selection of directors, the creation of committees and the conduct of meetings.

**Charity**—Traditionally encompasses religion, education, assistance to the government, promotion of health, relief of poverty or distress and other purposes that benefit the community. Nonprofit organizations that are organized and operated to further one of these purposes generally will be recognized as exempt from federal income tax under Section 501(c)(30 of the Internal Revenue Code and will be eligible to receive tax-deductible charitable gifts.

**Corporation**—A legal entity, usually a group of people that has a charter granting it certain legal powers generally given to individuals, as to buy and sell property or to enter into contracts.

**Form 990**—The IRS forms filed annually by public charities. The IRS uses this form to assess compliance with Internal Revenue Code. The form lists organizational assets, receipts, expenditures and compensation of officers.

**Internal Revenue Service**—The federal agency with responsibility for regulating charitable organizations and their activities.

**Public charity**—A nonprofit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and that receives its financial support from a broad segment of the general public.

**Tax-exempt organization**—Organizations that do not have to pay state and/or Federal income taxes. Federal tax-exempt status can be obtained by applying to the IRS and, in most states, for state income tax exemptions to the state Attorney General’s office.

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**Resources Used:**

*How to Start Your Own Neighborhood Association*, City of Lincoln Urban Development Department, 1998.

*Is Your Organization “Nonprofit”? What is a “Nonprofit Organization?,”* The Community Foundation Serving Coastal South Carolina.