

Looking to start a Non-Profit Organization?



Find everything you need to
know about what it takes to start
a Non-Profit Organization here!

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Common Types of Non-Profits

While there are many 501(c) designations for nonprofits, three common types of nonprofits include 501(c)(3), 501(c)(4) and 501(c)(7) organizations. Each type has benefits and restrictions, so, it's best for specific types of organizations, including charitable, political or lobbying and social or recreational clubs, respectively.

Visit: <https://www.irs.gov/pub/irs-pdf/p557.pdf> to see all the different types of Nonprofits and everything IRS related to Nonprofits.

Nonprofit Designations

While most nonprofit organizations are 501(c)(3)s, there are 28 other 501(c) designations. As such, it is important to do your own research to find out which type of 501(c) designation would best help you meet your goals and make your desired impact. To begin this research, the IRS offers an updated list of 501(c) organizations and their definitions. Visit the website listed above to view a full list or see common ones listed below.

- 501(c)(1): Corporations Organization Under Act of Congress
- 501(c)(5), 501(c)(16): Labor, Agricultural and Horticultural Organizations & Cooperative Organizations to Finance Crop Organizations
- 501(c)(6): Business Leagues
- 501(c)(7), 501(c)(8), 501(c)(10): Lodges, Fraternities, Societies & Recreation Clubs
- 501(c)(12), 501(c)(15), 501(c)(26), 501(c)(29): Insurance & Service Costs
- 501(d): Religious & Apostolic Association
- 501(k): Publicly Available Child Care Organizations

Continue to see the 5 Steps to Start a Non-Profit



#1 Research Feasibility & Nonprofit

Before committing to starting a nonprofit, it is essential to research whether you can start a nonprofit and if your desired mission will serve an actual need in the community. Starting a nonprofit when it is not feasible or needed can mean the rapid failure of your mission.

To assess the feasibility of your nonprofit, answer the following questions:

- **Do I have the financial resources to start a nonprofit?** Starting a nonprofit costs between \$2,500 and \$5,000. These costs go into legal, registration and business startup costs.
- **Do I have enough people to start a nonprofit?** Starting a nonprofit necessitates selecting a board of directors and enough volunteers or staff to put together and run your programs. Make a list of the people you have in mind to help you start your nonprofit, including their skills. Make a note of any skill gaps to ensure you fill them through further brainstorming.
- **Are people excited to support my cause?** If your community is not enthusiastic about your mission, it is unlikely they will donate to keep your programs running.
- **Will the economy support a nonprofit startup?** If people in your community are struggling to feed their families, they are unlikely to be able to financially support your cause.
- **Do you have the ability to commit to your nonprofit?** Nonprofit organizations, like any business, require time and effort to start and run. They are rarely a part-time effort for a founder. Look at your current responsibilities and decide whether you can take on a large initiative or not.

Now that you have assessed the feasibility and need of starting your nonprofit and fulfilling its mission, decide whether you want to move on to step two, which would require investing resources. If you find that your nonprofit initiative is not feasible or needed, it's best to stop now and consider an alternative means of supporting your cause.

#2 Build a Strong Foundation

Three Basic Steps

- Selecting your organization's name
- Recruiting your board of directors
- Writing your values, mission and purpose statements



The following section offers some guidance on how to complete each of these foundation-building steps to start your nonprofit.

Write Your Values Statement

This statement focuses on the principles your organization will follow at all stages of development & in every decision made by your staff, executives, board members & volunteers. List the behaviors you consider most important to fulfill your mission successfully and ethically. Then, delineate how those behaviors will be implemented in the day-to-day operation performed by all members of your nonprofit.

Write Your Mission Statement

This statement motivates your internal team to stay focused & determined. It should tell what you do, how you do it and why you do it. To write your statement, in one sentence, answer what services you provide, then incorporate the values your organization holds and the desired result of your mission.

Write Your Purpose Statement

This statement tells why your nonprofit is necessary. Describe what your nonprofit does in 50 words or less. First, state what category of service your organization provides. Then, elaborate on your service offerings. List how your nonprofit's services are different from competitors. Be specific enough to paint a compelling picture while also allowing room to grow as your organization grows.

Choose Your Nonprofit's Name

The name of your nonprofit should be chosen to align with the feelings evoked by your values, purpose and mission statements. Consider the category of services your organization provides, use descriptive words that represent your purpose, mission and/or values. Then, check with your state's business filing agency to ensure your company name isn't already in use in your state. Also, to ensure your organization's name isn't trademarked.

Select Your Board of Directors

Make a list of the skills and expertise that you need to successfully fulfill your mission. Most nonprofits need financial, marketing, legal and industry-specific skills and expertise to fulfill a mission. Next, create a list of people with these qualifications and that share an interest in your cause. Finally, contact those people to discuss involvement with your nonprofit. To assess them for board positions, ask them to volunteer before committing to a board role.

3. File Articles of Incorporation

When you file articles of incorporation, you are requesting to be recognized as a business by your state. Once approved, your initiative is legally a business. However, your business is not yet tax-exempt.

To file your Articles of Incorporation

- File Electronically Online @

<https://dfi.wi.gov/Pages/BusinessServices/BusinessEntities/FileOnline.aspx>

You will need to choose what form you need. Most common will be “Form 102 - Articles of Incorporation – Nonstock Corporation”

- File by Form visit:

<https://dfi.wi.gov/Documents/BusinessServices/BusinessEntities/Forms/CORP102.pdf>

Make sure you include your payment by check and following instructions at bottom of form to mail it

To legally conduct business in your state, you must also apply for a federal employer identification number (EIN).

- You can apply for your EIN easily online by visiting:

<https://www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers>

4. File for Tax-exempt Status

The process for filing for tax-exempt status varies depending on the type of 501(c) organization that you seek to form. To file for 501(c)(4) tax-exempt status, for example, you must first register your 501(c)(4) by filing Form 8976 using the Form 8976 Electronic Notice Registration System at:

<https://services.irs.gov/datamart/login.do>

Then, you must file Form 1024-A to request tax-exempt status. In contrast, to apply for 501(c)(3) tax-exempt status, you must file Form 1023 or Form 1023-EZ. The most common type of 501(c) tax-exempt nonprofit is the 501(c)(3). To fill this form out, visit:

<https://www.irs.gov/forms-pubs/about-form-1023>

5. Maintain Your Tax-exempt Status

Maintaining your tax-exempt status is an ongoing process. Your bylaws, records and state and federal filing laws are the keys to doing so. Here is a short checklist you should consider when putting together your long-term tax-exempt status maintenance plan:

- **Adhere to your bylaws:** Your bylaws offer a plan for running your nonprofit in a legal, ethical and impactful manner. They include details about when your board should meet, how to avoid conflicts of interest and how donor dollars should be spent. Follow your bylaws carefully and use them for all decision-making to keep your nonprofit healthy and, so, tax-exempt.
- **Keep detailed records:** Records should be kept all year regarding your nonprofit's activities. Specifically, to keep your tax-exempt status, it is imperative to keep careful financial records, including all organizational expenses, revenue, grants given and received, bank statements and canceled checks. Proving your organization is using funds solely for donors' intended purpose is key to keeping your tax-exempt status.
- **File federal tax forms annually:** On an annual basis, file at minimum a 990 Form (or 990-EZ form if your annual revenue is less than \$50,000). This form shows how your nonprofit handles raised funds and avoids conflicts of interest. It is also made available to potential donors. Not only does it help you keep your tax-exempt status, but it helps you to attract new donors by proving your credibility and ethical use of funds.
- **File state tax forms annually:** Many states require nonprofits to file a request on the state level to solicit donor funds from state residents. Others, such as Texas and California, require you to file for corporate tax exemption. File this paperwork annually with your 990 Form attached if required in your state. Doing so will allow you to keep your tax-exempt status on a state level and solicit the funds to keep your nonprofit running.

Bottom Line

Forming a tax-exempt 501(c) nonprofit offers advantages that help 501(c) organizations use donor dollars more effectively and, so, make a more positive impact. These benefits include attracting more donors and grants and cutting down on owed taxes. However, the nonprofit formation process can be challenging—requiring time, effort and even legal expertise. For this reason, we recommend you contact an experienced nonprofit lawyer to help you succeed.