

**Application Process to Obtain 501(c)(3) Tax Exempt Status
for Your AMWA Chapter**

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Phase I: Make sure that your chapter is engaging in 501(c)(3) activities.

Tip: If the major activities of your chapter are providing networking opportunities and job skills training for your members, you need not apply, at least not now (see below). The following quote is from the IRS in response to our preliminary application:

“Please be advised that it is common practice for business leagues to conduct educational activities for the benefit of their members. However, such activities usually are not sufficient to warrant recognition under IRC section 501(c)(3) as...they are in furtherance of promoting a common business interest rather than serving the general public directly and as a whole.”

- 1 To qualify for 501(c)(3) status, you will need to demonstrate that your chapter is aggressively pursuing activities that will benefit the general public.

2. What we did (see our position statement included in this handout):
 - a. All of our meetings are open to the public.
 - b. For more than half of our meetings, we select speakers and topics that have a wide appeal.
 - c. We broadly advertise these meetings to the public at large, using local newspapers, fliers posted at institutions throughout the Texas Medical Center and at local universities, and an extensive email list.
 - d. We established alliances with other non-profit entities in the Texas Medical Center (e.g., the UT Graduate School of Biomedical Sciences, Baylor College of Medicine)
 - e. We established a biomedical communication scholarship that is awarded every year, and is open to any student who has taken coursework in health sciences, writing, or journalism at any institution throughout the AMWA Southwest region.
 - f. We have made ourselves available for training and career counseling of students at local academic institutions.

3. If your chapter has not yet done anything like this, or similar activities aimed at benefiting the general public, you will most likely be turned down if you apply right now. Consider taking several years to redirect some of your chapter activities to make your application more likely to succeed.

Phase II: Submitting your application

Tip: You will need an “employer identification number” or EIN to proceed with the application. If you don’t already have one, look at IRS form SS-4 (see below for website), “Application for employer identification number,” for information on how to obtain an EIN immediately by phone.

You will need to submit the following:

- a. Form 8718: User fee for exempt organization determination letter request.
- b. Form 1023: Application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code.
- c. A copy of your constitution and bylaws, amended if necessary to contain required wording supplied by the IRS.
- d. A letter from the president of the chapter verifying the completeness and accuracy of the constitution and bylaws.
- e. Application fee.
- f. Support materials (e.g., newsletters, program announcements, etc.).

2. IRS forms

- a. The IRS forms and directions for filling them out can be obtained at an IRS office or downloaded at: www.irs.gov
Use the “Search forms and publications for...” option on the left hand side of the screen. You will be able to download what you need in PDF format.
- b. Form 8718
 - i. If your chapter has had annual gross receipts averaging no more than \$10,000 over the last 4 years, you will include an application fee of \$150. (The cost is \$500 if the annual gross receipts are more than \$10,000.
 - ii. A sample form indicating areas to fill out is included in this handout.
- c. Form 1023
 - i. To fill out this form, you will need to collect the following information. (Items indicated with a * are put into an appendix.)
 1. *A detailed narrative description of all the activities of the organization—past, present, and planned. This is where you present all the evidence that your organization is qualified for 501(c)(3) status.
 2. *Names, addresses, titles of current officers.
 3. Complete financial information (revenue and expenses) for the last 4 years and a current balance sheet for the chapter.
 4. *A separate breakdown of the following items from the statement of revenue and expenses:
 - a. Other income
 - b. Gain or loss from sale of capital assets
 - c. Contributions, gifts, grants, and similar amounts paid
 - d. Disbursements to or for benefit of members
 - e. Compensation of officers, directors, and trustees

- ii. A sample copy of form 1023 is included in this handout.
- 3 Constitution and bylaws
 - a. Must be latest version with dated amendments.
 - b. Must include “boilerplate” information required by IRS (see example in this handout). You may have to amend your constitution, in which case it will have to be approved at the chapter level and at the national level, in accordance with chapter bylaws.
 - c. Must include certification letter from chapter president declaring that the copy of the constitution and bylaws is a complete and accurate copy of the original signed and dated document, and that the organization was formed by the adoption of the document by two or more persons. (See example in this handout.)
 4. Support materials
 - a. Anything you may have that supports your contention that the major thrust of the organization is to contribute to public welfare/education.
 - b. If all the materials you have portray your chapter primarily as a networking organization, you are probably not ready to apply for 501(c)(3) status.

Phase III. What if you are turned down?

Tip: Don't quit. This happened to us, and you can turn it around.

1. The IRS may send you a letter indicating that they don't think you qualify, but that you are free to keep the case open and to file a position statement indicating why you think they are wrong in that decision.
2. You need to treat this letter as you would a page of reviewers' comments on a research paper. Just work through it, statement by statement, and address all the issues.
3. If you haven't already done so in the original submission, this is a good time to tap nonprofit alliances for letters of support.
4. Pay attention to the deadlines.
5. Establish contact with the person who has been identified as your contact person on the letter you received.
6. Enlist help from other chapter members if required to assist you in writing a really compelling position statement to send back.
7. You should not have to pay any additional fees, as long as you do everything within the stipulated timelines.

Phase IV. Now you have it; what next?

Tip: Keep the paperwork from the IRS in a safe place. You don't want to lose your certification letter just because some key person moves out of the chapter area with the letter in their files.

1. In many (most?) states, a 501(c)(3) status will allow you to be exempt from state sales tax. However, this is not automatic. You must get on the Web, make some phone calls, etc. and

find out how to do this. Then do it. For larger chapters, this can save you enough in a year to fund another event.

2. Depending upon how much money your chapter brings in every year, you may have to file a tax return. The IRS will send you instructions after you qualify.
3. Use your new 501(c)(3) status as a development tool. Every medium- to large-sized city has some businesses or organizations that might be willing to donate money or underwrite a certain activity, but it is much easier to sell this to them if they can write it off as a straight tax deduction.