

501(c)(3) FAQs

What is 501(c)(3)?

This is the section of the IRS code that describes what is typically referred to as nonprofit charitable organizations. If your library or Friends Group has 501(c)(3) status donations to you are tax deductible and you are eligible for many foundation grants.

Are all libraries eligible under 501(c)(3)?

Association libraries are clearly eligible under 501(c)(3). Municipal Public Libraries, School District Public Libraries and Special District Public Libraries are "government entities" and, by IRS definition, are already tax exempt so it is unlikely the IRS would issue a secondary tax exemption.

Are Friends Groups eligible under 501(c)(3)?

Yes. As long as they have been incorporated by the NYS Attorney General Charities Bureau first.

How do we apply for 501(c)(3) status?

You need to file Form 1023 for recognition as a tax-exempt 501(c)(3) organization. You can download all the forms you need from the IRS web site in the format of your choice. Publication 557 contains all the information about nonprofit tax-exemption as well as general information about nonprofit regulations.

How much does it cost?

If the library's revenues have been or a projected to be under \$10,000 a year, the fee is \$150. If you have revenues or project higher revenues, the fee is \$500.

Does the library need to be incorporated under NYS Not-For-Profit law to proceed with the application for IRS tax exemption?

A library's charter from the NYS Board of Regents is their incorporation. A Friends Group would need to be incorporated by the NYS Office of the Attorney General.

Will I need an attorney or an accountant to help me apply?

This is your choice. Although it's possible to incorporate an organization and receive a tax exemption without professional assistance, it can be a difficult task. It depends on your patience.

How does the IRS know we are a legitimate organization?

A library will have to attach a copy of their charter. The IRS requires a "conformed" copy, which means it must be an exact copy of the original. Don't send your original copy! Library Friends Groups should send a copy of their articles of incorporation – if they are not incorporated see the NYS Office of the Attorney General's Procedures for Forming and Changing Not-for-Profit Corporations in NYS, available through the OAG's web site.

What if we don't have the library's charter?

If the library does not have a copy of its charter (or can't find it!) first check with MHLS (Rebekkah Smith Aldrich, x239, rsmith@midhudson.org) they might have a copy on file. If they don't have it either a certificate of good standing can be requested from State Education Department's Office of Counsel. That is usually acceptable. It's just a formal letter saying that the library exists. Then they can send the wording of the charter from the Regents' votes which will have the IRS dissolution wording in it.

What other material will we need to submit?

You should submit your bylaws, and you'll need to have a clear statement of your programs and activities. If you have been operating without a tax-exemption, you may be asked to provide past financial information.

Are books counted as assets or inventory?

Books are considered assets.

Can we accept donations while the application is being processed?

Yes, but they will not be tax deductible.

Is there an annual form to file with the IRS?

Yes, the 990-e, 990-EZ or 990 depending on your annual gross receipts.

Can we lose our tax-exempt status?

Common reasons for losing tax-exempt status include (but are not limited to):

- Lobbying
- Significant change in your organizations purpose or activities
- No filing the correct paperwork annually

**For more information, forms and instructions visit the IRS web site,
"Tax Information for Charities & Other Non-Profits"**

<http://www.irs.gov/charities/>