

N[DATE]

[Recipient's Name]

[Organization]

[Address]

[Address]

Dear [Recipient]:

Congratulations! [Name of Organization] (the "Organization") has received a determination of tax-exempt public charity status from the Internal Revenue Service ("IRS").

This letter sets forth some important information regarding the Organization's responsibilities. This is a brief summary only. For more information, please see the IRS Compliance Guide for 501(c)(3) Public Charities, available at <http://www.irs.gov/pub/irs-pdf/p4221pc.pdf>, and the list of resources attached to this letter.

We also recommend that you watch some or all of *Legal Issues for New Nonprofits*, a free eight-part webinar series on the Partnership's website. Created for nonprofits that have recently received 501(c)(3) status, these webinars summarize many of the laws and best practices related to maintenance of tax-exempt status, corporate governance, fundraising, employment law, intellectual property, and risk management and insurance. They are available at <https://www.probonopartner.org/publications/legal-issues-new-nonprofits/>.

FEDERAL REQUIREMENTS

1. IRS Determination Letter

The Organization will have received a letter from the IRS recognizing its tax-exempt status as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Determination Letter").

The Determination Letter should be kept because it is proof that the Organization is exempt from federal income tax and is eligible to receive tax deductible donations.

2. Filing Requirements

The Organization must file an informational tax return with the IRS every year. There are three different forms that tax-exempt organizations can use. The form that the Organization should use depends on its annual revenues and assets, as follows:

- Form 990: For organizations with annual gross receipts of \$200,000 or more, and total assets of \$500,000 or more (note that smaller organizations are free to file this form if they wish);
- Form 990-EZ: For organizations with annual gross receipts that are less than \$200,000 but greater than \$50,000, and total assets of less than \$500,000 (note that smaller organizations are free to file this form if they wish); or
- Form 990-N (also called the “e-postcard”): For organizations whose annual gross receipts normally do not exceed \$50,000. The e-postcard must be filed electronically and requires only the following very basic information:
 - The legal name of the organization;
 - If applicable, any other name under which it does business;
 - Its mailing address and, if applicable, its website address;
 - Its taxpayer identification number;
 - The name and address of a principal officer;
 - The organization’s annual tax period;
 - Confirmation that the organization’s annual gross receipts are still normally below the threshold; and
 - If applicable, a statement that the organization is going out of business.

The Organization must keep excellent records of income and expenses, including sources of support, because they will need to be reported on Schedule A of Form 990 and Form 990-EZ. These records are also important for maintaining the Organization’s classification as a public charity, and not a private foundation. In order to maintain its public charity classification, the Organization needs to be able to show that it continues to be “publicly supported” (which generally means that it receives financial support from a broad group of funding sources).

Returns are due on the 15th day of the fifth month after the end of the Organization’s fiscal year. For example, an organization whose fiscal year ends on December 31 must file its Form 990 by May 15. Failure to timely file a Form 990 or Form 990-EZ can subject the Organization to financial penalties. Failure to file any version of the Form 990 for three consecutive years will result in an automatic revocation of tax-exempt status.

It is possible to request a three-month extension for the submission of a Form 990 or Form 990-EZ. To do so, the Organization must make a written request to the IRS for an extension, using IRS Form 8868. There is no extension available for a Form 990-N.

3. Notification of Changes

Significant corporate changes that the Organization makes may be reported to the IRS as part of the Organization’s Form 990 filing. In some cases, the IRS can be notified by a letter or by filing an IRS form (e.g., by filing Form 8822 for a change of address).

4. Disclosure Requirements

The Organization must disclose its three most recent Form 990 tax returns; its application for tax exemption (Form 1023) and related documents; and its Determination Letter to anyone upon request. This includes making these documents available for public inspection at the Organization's offices and either providing copies of the documents (the Organization can charge a reasonable fee for copies and postage), or making the documents "widely available" (for example, by posting them on the Organization's website or on another website). In-person requests for disclosure must be honored on the day of the request, and written requests must be honored within 30 days of the request. There can be financial penalties to the Organization for failing to follow these disclosure rules.

5. Requirements for Acknowledging Donations

There are specific requirements regarding the acknowledgements the Organization provides to donors, which vary depending on factors such as the amount of the donation, whether it is cash or in-kind, and whether the donor receives anything from the Organization in connection with the donation.

The IRS Compliance Guide sets forth the basic requirements for acknowledging donations, and this article on the Pro Bono Partnership's website also provides information about the requirements: <http://www.probonopartner.org/FileLib/Documents/acknowledgingdonations.pdf>.

6. Lobbying and Political Campaign Activities

As a 501(c)(3) tax-exempt entity, the Organization cannot have a "substantial part" of its activities consist of attempts to influence legislation. What constitutes substantial is not clearly defined in the Internal Revenue Code, so many organizations elect to replace the substantial part of activities test with a mechanical test based on expenditures to influence legislation. This is known as the "501(h) election" because it is permitted by Section 501(h) of the Internal Revenue Code. The Organization may have made the election at the time it applied for tax exemption. To make the election at this time, file IRS Form 5768.

The Organization is prohibited from participating or intervening in any political campaign on behalf of or in opposition to any candidate for public office. Violation of this prohibition can lead to loss of the Organization's tax exemption.

CONNECTICUT STATE REQUIREMENTS

1. Exemption from State and Local Taxes

The IRS has recognized the Organization as exempt from federal corporate income taxes, but separate filings must be made to claim exemption from Connecticut state and local taxes.

Exemption from Business Income Tax

If the Organization has not already done so, file Form REG-1 with the Department of Revenue Services and attach a copy of the Determination Letter. This will ensure exemption from state corporate business income tax.

Exemption from Sales Tax

The Organization is exempt from paying sales taxes when purchasing items to be used by the Organization for its charitable purposes. To utilize this exemption, complete Form CERT-119, attach the first page of the Determination Letter to the form, and show the form to retailers when making purchases. Note that a different form (Form CERT-112) is used for purchases of food or lodging for charitable purposes.

State Property Tax Exemption

In Connecticut, real and personal property owned by a nonprofit charitable organization is generally exempt from municipal property taxes, provided that the property is being used for the organization's own exempt purposes. However, this exemption is not automatic; in order to claim an exemption, the Organization must apply for exemption to the tax assessor of the town in which the property is located and then must file a Quadrennial Renewal Report (filed every four years) thereafter.

2. Secretary of State

Annual Report: Due each year at the anniversary of the Organization's incorporation date, this report lists the Organization's officers and directors and their addresses. The Annual Report is filed online at <http://www.concord-sots.ct.gov>. There is a \$50 filing fee.

Corporate Changes: Changes to organizational documents should be made as follows:

- Change of Officers and Directors: Notify the Secretary of State using the Annual Report.
- Change of Organization Address: Use the Secretary of State's Change of Address form, which must be filed at the time the change is made.
- Change of Registered Agent: Use the Secretary of State's Change of Registered Agent's Address form, which must be filed at the time the change is made.
- Changes to Certificate of Incorporation: Use the Secretary of State's Certificate of Amendment form.

3. Department of Consumer Protection

The Connecticut Department of Consumer Protection (“DCP”) oversees the Connecticut Solicitation of Charitable Funds Act (the “Act”). Most charities that solicit funds or anything of value in Connecticut must annually register with DCP, as follows.

Initial Registration: To register with DCP, a charity must file the Initial Charitable Registration Form with some required documentation and a \$50 filing fee. The form is available online at: http://www.ct.gov/dcp/lib/dcp/pdf/applications_added_2014/initial_charity_regist_appl_and_inst_r_final_4-11-14_new_format.pdf.

Organizations Exempt from Registration and Reporting Requirements: There are several possible exemptions from the Act’s registration and reporting requirements, the most common of which is for organizations that normally receive less than \$50,000 per year in contributions and do not compensate anyone primarily to do solicitation. To claim the exemption, the Organization must either file online at <https://www.elicense.ct.gov> or submit Form CPC-54, downloadable at http://www.ct.gov/dcp/lib/dcp/pdf/charities/cpc54_claim_of_exemption_rev_nov10.pdf. If circumstances change so that an exemption no longer applies, the Organization must register at that time.

Annual Re-registration: Registrations expire on the last day of the eleventh month following the Organization’s fiscal year-end, and must be renewed annually. DCP will mail a renewal notice approximately 30 – 45 days prior to the expiration date of registration with instructions for renewing online or by mail. Along with its renewal application, the charity must submit a copy of its most recent Form 990, 990-EZ, or 990-N and a \$50 filing fee. Charities with gross receipts exceeding \$500,000 annually must also include an audited financial statement.

4. Games of Chance/Raffles

Many nonprofit organizations use games of chance as fundraising activities. In Connecticut, games of chance are regulated by the DCP Charitable Games Unit. Each game has its own application and filing requirements.

5. Lobbying

Organizations that lobby, or organizations or individuals who lobby on behalf of others, which spend or receive (or agree to spend or receive) \$3,000 or more each year on lobbying must register with the CT State Ethics Commission.

- Organizations must register on or before January 15th or prior to the commencement of lobbying, whichever is later.
- Separate registrations are required from the person who is retained and paid to do the lobbying (called a “communicator lobbyist”) and from the organization that pays the lobbyist (called the “client lobbyist”).

- Client lobbyists only need to register once.
- There is a \$150 fee for the two-year registration period.
- See the website of the Office of State Ethics for more information:
www.ethics.state.ct.us

6. State Contractor Contribution Ban

Certain key people (called “Principals”) associated with any organization that holds or seeks a state contract, are prohibited from making campaign contributions to certain candidates for public office. The candidate to whom the ban applies depends on whether the contract in question is with an agency in the Executive Branch or the Legislative branch. See the website of the State Elections Enforcement Commission for more information:
<http://www.ct.gov/seec/site/default.asp>

FOR MORE INFORMATION

For further information or to obtain forms and instructions, contact the IRS or appropriate state agency. A list of contact information is enclosed.

You are also welcome to contact the Partnership with questions or to request assistance with new legal matters.

Congratulations again and welcome to the tax-exempt sector!

Best regards,

Pro Bono Partnership

By: [Your name]
[Title]

CONTACT INFORMATION

Internal Revenue Service
(877) 829-5500 (exempt organization helpline)
<http://www.irs.gov/Charities-&-Non-Profits>

Connecticut Secretary of State
30 Trinity Street
Hartford, CT 06106
(860) 509-6003
<http://www.sots.state.ct.us/index.html>

Connecticut Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford, CT 06106-5032
Tel: (860) 297-5962
Fax: (860) 297-5698
<http://www.ct.gov/drs/site/default.asp>

Connecticut Department of Consumer Protection
165 Capitol Avenue
Hartford, Connecticut 06106-1630
Tel: (860) 713-6100
Fax: (860) 713-7239
ctcharityhelp@ct.gov
<http://www.ct.gov/dcp/cwp/view.asp?a=1654&q=467358>

Connecticut Division of Special Revenue
Business address:
555 Russell Road
Newington, CT 06111
Tel: (860) 594-0500
Fax: (860) 594-0509
<http://www.ct.gov/dcp/cwp/view.asp?a=4107&q=483094>

Mailing address:
PO Box 310424
Newington, CT 06131-0424

Connecticut State Ethics Commission
18-20 Trinity Street
Hartford, CT 06106-1660
Tel : (860) 263-2400
Fax : (860) 566-3806
<http://www.ethics.state.ct.us>