Obtaining 501(c)(3) Status for your Fire Corps Program

A misconception among some Fire Corps programs is that they are automatically considered tax exempt because the national office is a nonprofit entity. However, this is not the case. Individual Fire Corps programs are only classified as tax exempt if they fall under the department and share their tax exemption. If your program does not share your department's tax exemption, there are steps you can take to gain tax-exempt status. While several types of tax-exempt status exist under the Internal Revenue Code, filing under Section 501(c)(3) is the most common and works well for Fire Corps programs.

There are several benefits your Fire Corps program can enjoy once 501(c)(3) status is obtained. Your program could become eligible for increased public and private funding and grant opportunities, and individual donors can claim personal federal income tax deductions for their contributions to your program, which may create an incentive to donate. There are several financial benefits as well. As a tax-exempt organization, your Fire Corps program may become eligible for state and federal exemptions from payment of corporate income, sales, and property taxes. Additionally, the organization may enjoy lower postal rates on third-class bulk mailing, less expensive advertising rates in publications, and discounted space from some Internet service providers. Free radio and PSA announcements are often provided by the local media to 501(c)(3) organizations, which would be a great resource for Fire Corps to reach and educate the community.

To obtain 501(c)(3) tax-exempt status for your Fire Corps program, follow these steps:

- **Set the foundation for your Organization.**
  Your organization must have a name, a Board of Directors or Board of Trustees, and a set of bylaws in place before the application process begins. The number of Board members required depends on the size of your organization and may be as small as one director. The number of Board members and their responsibilities should be detailed in the bylaws and in your organization's articles of incorporation.
- **File a Certificate of Incorporation.**
  The Internal Revenue Service (IRS) requires your organization to have a "certificate of incorporation," also know as "articles of incorporation," in order to be recognized for exemption. This document establishes the existence and purpose of your organization within the state and outlines the basic information and characteristics of your nonprofit. There are tangible benefits for incorporating your organization. While nonprofits can be sued, obtaining incorporation protects members and directors from personal liability. The specific requirements and forms for this process can be found on your state's Secretary of State web site.
- **Apply for a federal Employer Identification Number (EIN).**
  All nonprofit organizations must obtain an EIN, regardless of whether they have any employees. This number is used on all federal tax returns and reports. Use Form SS-4, which can be found under "forms" on www.irs.gov, to obtain your EIN.

- **File for an IRS determination of federal tax-exempt status.**
  In order to apply for tax-exempt status, go to the IRS web site at
  www.irs.gov/bus_info/eo/ and obtain the application form (Form 1023),
  Publication 557, and the instructions. You must submit your Fire Corps program's
  Articles of Incorporation and bylaws during this process. The IRS estimates it
  takes an average person more than four hours to learn about the form and another
  eight hours to fill it out and return it. Be sure each question is answered as
  precisely as possible with great detail. On the IRS web site, click on "Charities
  and Non-Profits" to find the "ABC's for Exempt Organizations," a document that
  will guide you through the process and address common questions. If you have the
  capability, hiring a lawyer or a certified public accountant (CPA) can be very
  helpful in successfully navigating this process. See if a local attorney or CPA will
  donate their services.
  When submitting your application, be sure to follow the instructions provided by
  the IRS and include all accompanying documents. Mistakes like leaving out
  required documents or even filling out the check incorrectly for the application fee
  can lead to the delay of your approval or can even result in your application being
  denied. Make copies of everything before you send the application and use
  certified mail to ensure delivery. You will receive an acknowledgement notice
  from the IRS when your application is received. If your program qualifies for tax-
  exempt status, it may take up to 60 days to receive your approval letter.
- **File for state and local sales tax exemption.**
  Once you obtain federal tax-exempt status, check with your local and state
  departments of revenue to see if your program qualifies for sales tax exemption on
  a state and local level. It may take a few months to receive approval.
- **Apply for a nonprofit mailing permit.**
  Contact your local post office to find out if you qualify for reduced postage rates
  and to obtain the necessary paperwork.
- **Protecting your 501(c)(3) status.**
  Nonprofit organizations must maintain detailed corporate records, including
  meeting minutes, and document any major corporate decisions. Financial
  transactions must also be recorded diligently because nonprofit organizations are
  susceptible to government audits. Nonprofit organizations have to constantly
  comply with all IRS and state regulations. For some nonprofits this means filling
  out an IRS 990 Form if revenue has exceeded $25,000 annually. Because
  regulations may change, it can be difficult to ensure your program is being
  compliant. It is best to consult with an attorney or other versed professional to
  avoid pitfalls and successfully maintain your 501(c)(3) status.

If you decide to exercise the option of incorporating your Fire Corps program as a
separate entity, be sure to coordinate with your fire department or fire/EMS agency.
While there are benefits of obtaining 501(c)(3) tax-exempt status, it is important to work
with your fire service partners to keep them informed of your endeavors and progress.

Helpful Sites:

The following sites offer more details, definitions, and advice for each phase of starting a nonprofit:

http://nonprofit.about.com/od/nonprofitbasics/u/startingup.htm

http://smallbusiness.findlaw.com/business-structures/non-profit/