

Quick Reference Guide

Formal vs. Informal Non-Profit Groups

FORMAL NON-PROFIT CORPORATION

- 1) File IRS Form SS4 to obtain a taxpayer I.D. number. Toll Free Number 1-877-829-5500 or website: www.irs.gov/
 - 2) Contact Arizona Corporation Commission for application for Non-Profit Corporation, 1300 W. Washington St., Phoenix, AZ 85007-2996, (602) 542-3026. Internet information from azcc.gov.
 - 3) Develop and adopt a set of organization bylaws and establish officers of organization.
 - 4) File application and Articles of Incorporation with the Arizona Corporation Commission.
 - 5) Establish checking account with two signatures required on all checks.
 - 6) After receiving stamped and approved Articles of Incorporation from the Arizona Corporation Commission, publish the Articles in a local newspaper three (3) consecutive days to establish 501(c)(3) Non-Profit Tax Exempt Organization status.
 - 7) File IRS form 1023 "Application for Recognition of Exemption" with the Internal Revenue Service <http://www.irs.gov/charities-non-profits/application-for-recognition-of-exemption>.
 - 8) Annual report required by Arizona Corporation Commission listing current officers and including financial statements.
 - 9) Annual Financial Report is required by Internal Revenue Service. (IRS Form 990)
- Advantages of Formal Non-Profit Corporation status:
- a. Tax Deduction for donation to organization.
 - b. No personal liability for corporation board and officers as long as acting as a reasonable, prudent person.

Disadvantages:

- a. Expensive and time consuming to establish
- b. Requires diligent annual reporting by succeeding officers and board with penalties attached for non-compliance.

INFORMAL NON-PROFIT ASSOCIATION

- 1) File IRS Form SS4 to get a taxpayer I.D. number.
- 2) Develop and adopt a set of organization bylaws, establish officers of organization.
- 3) Establish checking account with two signatures required on all checks.

Advantages:

- a. Inexpensive
- b. Simple to establish

Disadvantages of Informal Association:

- a. Donations to organizations are not tax deductible.
- b. Personal liability can attach to officers and board if negligence is established.
- c. Board members can be held personally responsible for contractual obligations, which they have signed.
- d. IRS may determine that annual net income of the organization is subject to Federal income tax.