

## **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 1-800-829-4933 or Web Site: [www.irs.gov/](http://www.irs.gov/)
- 2) Contact Arizona Corporation Commission for application for Non-Profit Corporation, 1300 W. Washington St., Phoenix, AZ 85007-2929, (602) 542-3135. Internet information from [www.cc.state.az.us](http://www.cc.state.az.us)
- 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 (filing fee is \$40)
- 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. (This costs approximately \$200.00)
- 7) File IRS form 1023 "Application for Recognition of Exemption" with the Internal Revenue Service (Application fee is \$750.00.) <http://www.irs.gov/charities/article/0,,id=139504,00.html>
- 8) Annual report required by Arizona Corporation Commission listing current officers and including financial statements. (Annual fee is \$10.00)
- 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.