

NONPROFITS – 501's: C3 & C6

501c Organization =
Nonprofit =
Tax Exempt =
Officers =

Tax-exempt, nonprofit organization.
 Entity's incorporation/organizational status as governed by state law.
 Federal income tax exemption governed by Internal Revenue Code.
 Anyone who holds a position of trust, authority, or command within an
 Organization (Pres, Vice-Pres, Secretary, Treasurer, Officer-Elects, CEO, Executive Director)

501(c)(3)	501(c)(6)
C3 need governance policies and practices in place. IRS keenly interested in (<i>refer to questions on 990</i>).	C6 need strong governance policies and practices in place. IRS keenly interested in (<i>refer to questions on 990</i>).
C3 must be organized and operate exclusively for exempt purposes.	C6 must be organized and operate exclusively for exempt purposes.
C3 Nonprofit and Charitable. Promotes public interests.	C6 Nonprofit (not necessarily Charitable). Promotes membership interests.
C3 earnings shall not inure to any private shareholder or individual.	C6 earnings shall not inure to any private shareholder or individual.
C3 commonly referred as "charitable organizations".	C6 commonly referred as "charitable organizations".
C3 purposes include charitable, educational, religious, literary, or scientific.	C6 purposes include business leagues, boards of trade, membership associations, professional leagues.
C3 members do not need to share a common interest.	C6 members share a common interest. <i>Activities must be directed to improvement of business conditions-promote common interests as future members of the profession. Promote higher business practices, better business methods, establish and maintain integrity within an industry to benefit an entire industry.</i>
C3 substantially related income exempt from federal income tax. Investment income exempt from federal income tax.	C6 substantially related income exempt from federal income tax. Investment income exempt from federal income tax.
Subject to tax on its "unrelated business income" whether or not the organization actually makes a profit, but not including selling donated merchandise or other business or trade carried on by volunteers.	Subject to tax on its "unrelated business income" whether or not the organization actually makes a profit, but not including selling donated merchandise or other business or trade carried on by volunteers.
C3 prohibited from supporting political candidates, and are subject to limits on lobbying. A C3 will lose tax-exempt status if IRS determines engagement in "substantial" lobbying activities.	C6 allowed for supporting political candidates and lobbying. A C6 is required to disclose to membership, the percentage of their annual dues paid related to lobbying activities.
<i>Prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office.</i>	<i>Not prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office.</i>
C3 can engage in public advocacy not related to legislation or election of candidates.	C6 Can engage in public advocacy not related to legislation or election of candidates.
C3 can receive tax deductible charitable contributions.	C6 Cannot receive tax deductible charitable contributions.

501(c)(3)	501(c)(6)
C3 contributions received from donors are deductible as charitable contributions on a donor's federal income tax return.	C6 contributions received from donors are not deductible as charitable contributions on a donor's federal income tax return. <i>Donations may be deductible provided they are ordinary and necessary trade or business expenses in the conduct of the taxpayer's business.</i>
C3 dues payments may be deductible to the extent that they serve an "ordinary and necessary" business purpose of the payer.	C6 dues payments may be deductible to the extent that they serve an "ordinary and necessary" business purpose of the payer.
C3 must make tax returns available for public inspection.	C6 must make tax returns available for public inspection.
C3 can use revenue to provide direct assistance, such as a food donation or a scholarship grant, to an individual recipient. Can use revenue to support another non-profit organization such as a hospital.	C6 cannot use revenue to provide direct assistance, such as a food donation or a scholarship grant, to an individual recipient. Can use revenue to support a service that supports all of its member businesses.
C3 must file annual IRS form 990, 990-EZ, or 990-N (depends on size).	C6 must file annual IRS form 990, 990-EZ, or 990-N (depends on size).
C3 Officers shall be reimbursed using an "Accountable Plan": Business connection for the expenses, adequate accountability for expenses within reasonable period of time, returns any amounts of excess expenses within a reasonable period of time. Substantiated & deductible business expenses under an accountable plan may be excluded from an officer's gross income and are not subject to income tax withholding and employment taxes.	C6 Officers shall be reimbursed using an "Accountable Plan": Business connection for the expenses, adequate accountability for expenses within reasonable period of time, returns any amounts of excess expenses within a reasonable period of time. Substantiated & deductible business expenses under an accountable plan may be excluded from an officer's gross income and are not subject to income tax withholding and employment taxes.