

## **Considerations When Forming a New Organization**

### **Should we form a corporation?**

Pro The corporate form provides a layer of protection for the principals in case the organization is sued.

Con There are state filing fees, usually small, and some state filing requirements.

Get information from the office of the secretary of state of your state.

Contact an attorney experienced with regulations governing nonprofits in your state for advice.

### **Should the organization have a Section 501c3 exemption?**

Pro Donors can deduct contributions for income tax purposes. Foundations can make contributions.

Con Activities are limited to education and issue advocacy. Lobbying for or against particular bills is very limited. Political activities are prohibited.

Apply for exemption on IRS Form 1023. File IRS Form 990 and Schedule A, Form 990 annually.

### **Should the organization have a Section 501c4 exemption?**

Pro May conduct educational and unlimited lobbying activities. May establish a PAC for political activities.

Con Donors may not deduct contributions for income tax purposes. The organization is required to disclose this on fund raising solicitations. Many foundations are prohibited from making contributions.

Apply for exemption on IRS Form 1024. File Form 990 annually.

The Alliance for Justice has published several helpful inexpensive guides for nonprofit organizations as well as some free material on their website. The Alliance can be reached at: Alliance for Justice, 11 Dupont Circle NW, 2<sup>nd</sup> Floor, Washington, DC 20036  
(202) 822-6070

<http://www.afj.org>

[alliance@afj.org](mailto:alliance@afj.org)

