



## **EXAMPLE FROM USNA ALUMNI ORLANDO CHAPTER**

### **Procedure for Obtaining Federal Tax Exemption Status (FL Example)**

## ***PART I – INITIAL STEPS***

### **STEP 1 – Review Documents**

- 1. Review state documents** (listed are the Florida documents, may be different for your state)
  - Chapter 617, Florida Statutes (F.S.) – Articles of Incorporation
  - Chapter 617.1006, Florida Statutes (F.S.) – Articles of Amendment
- 2. Review federal documents**
  - The IRS form is F 1023 checklist.

### **STEP 2 – Decide Your Organization's Name**

- 1. Decide on the organization's name etc.**
  - It must “officially” be a corporation so the word Inc. or Incorporation must be in the name.
  - In the body of your “Articles of Incorporation” you may state – *also known as* any name you wish to use (or are using now).
  - You may drop the Inc. in your regular daily correspondence *except* when communicating officially with any government agency or financial institutions.
  - Your checking account must be in the official name etc. and must it appear on receipts.
  - The full, “official” name doesn’t have to appear on your web page or member announcements, member e-mail etc.
  - You will in all legal aspects be a “corporation – nonprofit”.

## ***PART II – PREPARATION***

### **STEP 3 – Develop Your Chapter Documents**

#### **1. Draft the organization’s “Articles of Incorporation”**

- The document (1) establishes the not-for-profit, (2) “incorporate” the named organization, and (3) details what your organization is going to do (or is doing) to justify the nonprofit status.
- The stated purpose in your articles of incorporation will be the charitable activity you will be engaging in.
- There are five sections for this document
  - Article I – Name and Location
  - Article II – Mission
  - Article III – Purpose
  - Article IV – Activities
  - Article V – Dissolution of the Chapter (This clause is the most often forgotten, or missed; it is how you will dispose of your assets if / when the not for profit ends)
- In the federal government (IRS), the nonprofit status is justified by satisfactorily completing forms, which when approved, should grant your organization tax exempt status.

*If this seems complicated don’t worry. It is a bit complex, but the concept is simple, and the steps while tedious are easily completed.* The Orlando Chapter’s “Articles of Incorporation” are available at:

<http://orlando.usnachapters.com/purpose.html>.

#### **2. Developing Bylaws**

- The chapter’s Articles of Incorporation are separate from the chapter’s Bylaws.
- The IRS scrutinizes the Bylaws, while the state scrutinizes the Articles of Incorporation.
- The state generally doesn’t want to deal with the Bylaws.
- The Articles of Incorporation will be passed by the state, which usually guarantees the IRS will accept them, but the IRS will define their own acceptance of your filing based on the full data in both the bylaws and the articles.
- The Orlando Chapter Bylaws contain the following:
  - Bylaw I – Name and Location
  - Bylaw II – Chapter Membership
  - Bylaw III – Chapter Board of Directors
  - Bylaw IV – Nominations / Elections
  - Bylaw V – Amendments
- The Orlando Chapter Bylaws are available at <http://orlando.usnachapters.com/bylaws.pdf>.

### **STEP 4 – Establish a Board of Directors**

#### **1. Establish a Board of Directors**

- A Board of Directors election should have been made by majority vote of the members.
- In that election, record how the vote was done (raised hands at general meeting is OK) and the date of the meeting (e.g., dd/mm/yyyy).

## **2. Voting on Becoming a Non-Profit**

- In the minutes, list the present board of directors actually present and their votes to establish nonprofit status.
- If need be, Roberts Rules of Order can be used.
- These particular meeting minutes must be recorded, printed and maintained in a file susceptible to being audited by outsiders.
- A copy of that particular board minutes must accompany the 501(c)(3) non-profit application when filed.

## **STEP 5 – Prepare Conflict of Interest Statements**

### **1. Develop a Chapter Conflict of Interest Statement**

- Conflict of interest statements are required for all members of the board of directors.
- The Orlando Chapter Conflict of Interest Statement includes
  - Article I – Purpose
  - Article II – Definitions (interested person, financial interest)
  - Article III – Procedures (duty to disclose, determining whether a conflict of interest exists, procedures for addressing the conflict of interest, violations of the conflict of interest)
  - Article IV – Records of Proceedings (minutes)
  - Article V – Compensation
  - Article VI – Annual Statements
  - Article VII – Periodic Reviews
  - Article VIII – Use of Outside Experts
  - Annual Review Signature Section
- A copy of the Orlando Chapter Conflict of Interest Statement is available upon request

### **2. Signing and Retaining Conflict of Interest Statements**

- Annually, have each board member sign a copy of the Conflict of Interest Statement.
- These signed copies must be retained with the other documents requesting your nonprofit application.

## **STEP 6 – Establish Contact Information**

### **1. Create Organization Contact Information**

- If not already done, establish
  - An official mail – USPS – address
  - A web site address, and
  - An e-mail address
- The USPS address must be a street address. PO Boxes will not be accepted by the government.

## **STEP 7 – Create a File Center**

### **1. Create a File Center with all the Legal Status Documents**

- Store all legal status documents and all the follow-up documents with your financial records.
- The Orlando Chapter retains a copy of all significant legal documents at two different locations (two board members' homes).

- Any arrangement with proper safety / security considerations which works for you should suffice.

*This series of steps legally provides the basis to begin filing at both the state and federal level.*

## **STEP 8 – Preparations for Filing**

### **1. Documents Needed** – You will need the following documents:

- The properly prepared board minutes with the non-profit vote results,
- Your conflict of interest declarations,
- The compiled list of board members (with office / titles home addresses, etc.), and
- The Articles of Incorporation.

### **2. Designating a Registered Agent**

- At this time you must designate an individual to be the **registered agent**.
- This must be whomever is designated to actually perform the filing.
- The registered agent must be the person to enter the data online, or actually sign and mail the printed out forms to the state.
- It is also recommended that the designated agent print out your state's not-for-profit act. (Chapter 617, F, S. from the on line screen of your state's government corporation web site.)
- The registered agent will do all filing.

## ***PART III – ACTUALLY FILING***

## **STEP 9 - Filing**

### **1. File for state corporation name**

- The significant point is to request a name not used by anyone else; then an acceptable Articles of Incorporation must be submitted, along with the proper filing fee.
- Go to your state corporation department (Florida is [www.sunbiz.org](http://www.sunbiz.org)), then go to "division of corporations", go to "forms", "corporation forms (not for LLC)", then go to "your state corporations (profit and nonprofit)."
- There you should find all the forms necessary to use with your state. For your information, there are literally thousands of pages of information at these web sites.
  - A print out of the forms screen will make a good reference list of all the documentation that may be involved with the state.
- State Fees for the State of Florida are:
  - Corporation Name: \$70
  - Amendments: \$35 (for changing chapter name, Board Members & Articles of Incorporation)
  - Annual Refiling: \$61.25
  - Certified Copy: \$8.75

## 2. Employee Identification Number and Corporate Bank Account

- Obtain an employee identification number (EIN)
- Federal filing can only proceed with an EIN, with a corporate bank account, and with an approved state corporation name.
- The state will issue the employee identification number (EIN) following their acceptance of your Articles of Incorporation.
- In Florida, there are banks that grant “no fees” accounts for non-profit organizations. When we received our state corporation confirmation and EIN, the Orlando Chapter was able to obtain a bank account with no fees.

## 3. Filing Federally

- The state will upload some information, but not necessarily all information, for the IRS to review.
- Go to the IRS site, find forms & pubs, find “non-profit articles of incorporation”, then you will find all the information necessary to complete the application to obtain your tax exemption certificate.
- File for federal 501(c)(3) non-profit status corporation with the IRS. File using form F 1023. There are numerous forms and guides on how to properly file with F 1023. Use the F 1023 checklist as the guide to prepare the F 1023 application.
- The Federal Fee is a one-time fee of \$400.
- Put it all together, mail it out. You should receive acknowledgement of receipt within 30 days.

Some final notes:

- This was done primarily by our initial Registered Agent, our Treasurer – Larry Hays ’59. Our current Registered Agent & Treasurer is Ray Jones ’60 There are organizations available to “help you” through the process and doing everything for you for additional fees. We opted against that. You can also work with an attorney to be your Registered Agent – again for additional fees. We opted against that, too. Your chapter can do everything on their own.
- Both the state of Florida and the IRS for Federal contacted us with their questions.
- 501(c)(3) non-profit exemption letters
  - State of Florida: [http://orlando.usnachapters.com/USNA%20Orlando%20Chapter%20\\_%20FL%20State%20Certificate%20of%20Exemption.pdf](http://orlando.usnachapters.com/USNA%20Orlando%20Chapter%20_%20FL%20State%20Certificate%20of%20Exemption.pdf)
  - IRS National: <http://orlando.usnachapters.com/images/IRS.pdf>

If you have any questions, please feel free to contact:

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