

Resources for Nonprofits

Resource 1 of 8: What is a 501(c)(3)? Benefits? Barriers?

This resource sheet will provide you the definition of a 501(c)(3) organization and its benefits and barriers, and will help you consider the following questions:

- *Is nonprofit status right for your organization?*
- *What are the benefits of nonprofit status?*
- *What might you need to know?*
- *What are some barriers to forming and to operating a 501(c)(3)?*

What is a 501(c)(3)?



A 501(c)(3) – often referred to as a nonprofit or not-for-profit – is a type of corporation whose purpose is educational, religious or charitable; due to the nature of its work, this type of organization has limited federal tax liability. According to federal law, to be tax-exempt under the 501(c)(3) section of the Internal Revenue Code, a corporation must be organized and operated exclusively for exempt purposes. Please refer to the [IRS definition](#) of a 501(c)(3) for the most current information on “exempt purposes.” You can also visit www.stayexempt.irs.gov for additional guidance.

MU Extension Specialists are available to assist you in locating the resources that you need to make decisions for your organization. This series of resource sheets is designed to provide information to connect you to the knowledge you’ll need to make decisions about your entity.

We do not, however, offer services to build, manage, or file nonprofit entities.

Services are intended for educational purposes only and do not constitute legal advice.

For legal guidance on nonprofit matters, individuals should consult an attorney.



an equal opportunity/ADA institution

University of Missouri
Extension Specialists
can help!
Use the QR Code to find
a specialist near you.



Resource 1 of 8: What is a 501(c)(3)? Benefits? Barriers?

Questions to answer before seeking 501(c)(3) status:

- Does our organization already have a designation (trust, corporation, or association)?
- Is our organization's structure clear? What must we do to clarify its structure?
- Are we willing to work to find the fiscal resources to maintain the organization?
- Do we have volunteers/staff in the pipeline to help our organization accomplish its purpose?
- Are we willing to learn about legal structure and bylaws to advance your organization?
- Are we willing to ensure that accounting procedures are in place in our organization?
- Are we willing to file all required forms for our organization, both now and in the future?

Benefits of a 501(c)(3) for the organization

- Limited exemption from having to pay federal taxes on the income of the corporation
- Ability to offer federal tax deductions to qualified donors
- Eligibility for grants and certain funding programs
- Limited liability protection for board members and volunteers
- Ability to apply for state sales tax exemption
- Eligibility for discounted or donated services
- Increased credibility and public trust

Barriers to success as a 501(c)(3):

- The process can be time-consuming
- There are federal and state filing requirements that must be timely met
- Some organizations prefer flexibility, but 501(c)(3) require a formal, organizational structure

For additional information:

Click here for additional information on [starting a corporation in Missouri](#).

Click here for the [State of Missouri's structural requirements for corporations](#).

To learn more about [federal requirements of a charitable organization](#) under section 501(c)(3) of the Internal Revenue Code

[Tech Soup](#) is a resource for discounted software for nonprofits.



Extension
University of Missouri