



Starting a Non-Profit Organization in Indiana

Filling Out the Forms

Key Points

- Incorporating as a non-profit does not automatically result in 501(c)3 status or state sales and income tax exemption. These must be applied for separately.
- To successfully obtain 501(c)3 status, an organization must be able to show a defined charitable purpose, and a structure that ensures that the organization benefits the public, not the employees or owners of the organization.
- There is no special structure for faith-based organizations. They are subject to the same incorporation and reporting requirements as any other non-profit. The only significant difference is that churches and other houses of worship are not required to file a 990 federal tax return.

Key Points

During the formation of the non-profit organization, there are three separate agencies that will be involved; The Indiana Secretary of State, The Indiana Department of Revenue, and the Internal Revenue Service. The requirements of all three agencies must be met to ensure compliance. Each agency also has specific reporting requirements.

The process of forming a non-profit organization is straightforward. Following is a listing of the agencies and their forms which must be completed. We have also included contact information for each agency.

Indiana Secretary of State

Articles of Incorporation are filed with the Secretary of State. These articles represent the “birth certificate” for the organization, and set the basic ground rules by which the organization operates. According to Indiana Code 23-17-3-2, the Articles of Incorporation must include:

- The name of the corporation (which must include “Corporation,” “Company,” “Incorporated,” “Limited,” or an abbreviation thereof)
- A statement as to whether the corporation will be a public benefit, religious, or mutual benefit corporation
- The name and address of the Registered Agent
- The name and address of all the incorporators
- A statement as to whether the corporation will have members
- A statement regarding the distribution of assets upon dissolution ([IC 23-17-22-5](#))

The filing fee is \$30.

Secretary of State’s Office, Corporations Division
302 West Washington St. Rm. E018
Indianapolis, IN 46204
Information line: 317-232-6576
www.IN.gov/sos/business/corporations.html

Indiana Department of Revenue

The Department of Revenue is responsible for issuing the organization an Indiana Taxpayer Identification Number and issuing authorization for sales tax exemption.

Both of these are accomplished by filing Form NP-20A.

There is no charge for filing.

Department of Revenue

100 N. Senate Ave.

Indianapolis, IN 46204

Nonprofit Organizations 317-232-2188

www.in.gov/dor

Internal Revenue Service

“Non-profit status is a state law concept. Non-profit status may make an organization eligible for certain benefits, such as state sales, property, and income tax exemptions. Although most federal tax-exempt organizations are non-profit organizations, *organizing as a non-profit organization at the state level does not automatically grant the organization exemption from federal income tax.* To qualify as tax-exempt from federal income taxes, an organization must meet requirements set forth in the Internal Revenue Code.”

(From www.irs.gov/charities, italics ours.)

Internal Revenue Service – Employer Identification Number (EIN)

The IRS is responsible for issuing an Employer Identification Number (EIN) and determining if an organization meets the criteria to be a 501(c)3 tax-exempt organization.

To obtain an EIN, complete Form SS-4 and submit it to the IRS. The organization will need an EIN even if it has no employees. The EIN is roughly the corporate equivalent of a Social Security Number, and is used by the IRS for identification purposes. The EIN is not the same as the Indiana Taxpayer Identification Number.

There is no charge for obtaining an EIN.

Internal Revenue Service – 501(c)3 Status

Obtaining recognition as a 501(c)3 organization is much more involved. The application, Form 1023, is lengthy, and approval is not automatic. The IRS carefully reviews all applications to ensure that the organization is a bona fide charity. The process can easily take several months before a provisional determination is made.

Effective July 1, 2006, the application fee is \$750. For organizations which anticipate annual income of less than \$10,000 for the next four years, the fee is reduced to \$300.

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Internal Revenue Service – 501(c)3 Status

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If the organization is found by the IRS to be “an organization such as that described in Section 501(c)3 of the Revenue Code,” they will issue a Determination Letter. **NOTE:** Don’t be deceived by appearances! The Determination Letter is cheaply printed, and there is nothing grandiose or impressive about the format. Despite this, keep the letter safe! Virtually every grant will require that a copy of the Determination Letter be included with the application.

Houses of worship such as a church, mosque, or synagogue are not required to apply for 501(c)3 status, although some choose to do so.

Internal Revenue Service – Contact Information

The Internal Revenue Service can be reached by phone at 1-800-829-4933.

The IRS also has excellent resources for non-profit organizations on their website at www.irs.gov/charities.

DUNS Number

The Data Universal Numbering System (DUNS) is operated by Dun and Bradstreet, a commercial company providing business information.

All Federal grants and contracts require that a potential vendor obtain a DUNS number. Many private foundations also use the DUNS number for identification purposes.

A DUNS number can be obtained at no charge by calling 866-705-5711 or visiting <http://fedgov.dnb.com/webform/displayHomePage.do>.

Annual Reporting Requirements

After a non-profit organization is legally created, there are ongoing reporting requirements that must be followed for the following agencies:

- Indiana Secretary of State
- Indiana Department of Revenue
- Internal Revenue Service

Reporting Requirements-

Indiana Secretary of State

Indiana non-profit corporations must file an annual business entity report. This report contains information about the board of directors, registered agent, and contact information for the organization.

There is a \$10 fee for filing by mail, or \$6 for filing online.

An organization must be current in its business entity reports to be eligible for a state or federal grant.

Continued failure to file will result in the organization being administratively dissolved – in essence, the organization ceases to legally exist.

TIP: This will be one of the first things a grants administrator checks. Being behind in simple filing requirements creates serious doubts about the capacity and professionalism of the organization.

Reporting Requirements – Indiana Department of Revenue

Indiana non-profit corporations must file Form NP-20 with the Department of Revenue. This form is due each year at the same time as the Federal Form 990. Failure to file the NP-20 causes an organization to lose their state sales tax exemption.

Reporting Requirements – Internal Revenue Service

Any 501(c)3 corporation (other than a house of worship) with income over \$25,000 must file Form 990 or 990EZ on an annual basis. For most non-profit organizations, the due date is May 15th.

There is no fee for filing.

Form 990 is a public document. By law, an organization must provide a copy upon request. 990s are also available for viewing or download at www.guidestar.org at no charge.

Form 990 – A Tip

Many potential funders or donors use an organization's 990 for initial research. Some of the information that can be gleaned from a 990 includes:

- Income from donations, government contracts, fees for services, and membership dues.
- Expenses for programs, management, and fundraising.
- Assets and liabilities.
- Members of the board of directors and their compensation.
- Any employees or contractors receiving over \$50,000 per year.
- Investments.
- Grants paid or pledged.

A clean, well-organized 990 makes a great first impression!

Other Issues

Non-profit corporations have the same obligations to their employees as any other employer. Reporting of wages and withholding of income and social security taxes is a continued responsibility.

While 501(c)3 organizations are generally exempt from income tax, their employees are not. Employees of faith- and community-based organizations have to pay taxes.

Final Note

This list may not be exhaustive for every organization. In particular, organizations that have unrelated business income will have additional reporting requirements and potential tax liability.

It is each organization's responsibility to ensure that all necessary registrations, reports, and filings are completed.