

## Organizations Denied Exempt Status

In two recent cases, requests for tax-exempt status under Internal Revenue Code Section 501(c)(3) were denied. In both instances the articles of incorporation of both organizations failed to include an exempt purpose clause and a dissolution clause.

The second organization was a business corporation that assisted nonprofit organizations in ending child slavery, assisting malnourished and ill children and providing educational funding for children, all activities that normally would be seen as qualifying the organization for nonprofit and tax-exempt status. However, the organization also issued stock, something that is essentially a for-profit purpose and thus contrary to code section 501(c)(3) exempt purposes.

Finally, both the organizations failed the [organizational test](#).

Often it is the little things that can cause the IRS (or state taxing agencies) to reject a request for exemption from income tax. (Because the “little things” are often big things to them).

When considering incorporating or re-organizing your ministry, always consider engaging the services of an experienced, local expert to assist with set up and filings. Web-based resources such as Legal Zoom, Start Church, and Nolo, that provide cut rate services and self-help resources, often cannot help ensuring the filings are accurate and timely, and can mean having to engage professional assistance later to correct or resolve problems that are discovered. They are best used only if you fully understand the process yourself and are merely using them to help expedite the process, not to ensure the process is done correctly.

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### DISCLAIMER

This material is presented with the understanding that the author is providing basic information only and assumes no liability whatsoever in connection with its use. Tax laws are constantly changing, are subject to differing interpretations, and the facts and circumstances in any particular situation may not be the same as those presented here. Therefore, we urge you to do additional research and make sure that you are fully informed and knowledgeable before using the information contained herein.

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