Forming a Foundation

By

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Key Decision for New Foundations

• Align with another non-profit organization for administrative services

• Align with a for-profit organization for administrative services

• Establish a stand-alone capacity to handle administrative services
Two Major Tasks

• Form a non-profit corporation under state law (Chapter 504A of the Iowa Code (2001))

• Obtain appropriate tax-exempt status under federal law
Options for Federal Tax-Exempt Status

- Operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes (I.R.C. § 501(c)(3))
- Civic leagues or promotion of social welfare or local associations of employees (I.R.C. § 501(c)(4))
- Labor, agricultural or horticultural organizations (I.R.C. § 501(c)(5))
- Business leagues, chambers of commerce, real estate boards and boards of trade (I.R.C. § 501(c)(6))
- Clubs organized for pleasure or recreation (I.R.C. § 501(c)(7))
Features of Tax-Exempt Status

• Income is exempt from tax for all Section 501(c) organizations

• However, only Section 501(c)(3) organizations can assure deductibility of contributions for income, gift and estate tax purposes
Applying for Tax-Exempt Status

- Application is made on Form 1023
- Requires several months for approval
Fee for Tax-Exempt Status

- For gross income of $10,000 or less—$150
- For gross income of more than $10,000—$500
Annual Tax Return

A tax-exempt organization must file an annual tax return with the Internal Revenue Service.
Major Organizational Decisions

• Organizational structure desired
• Who manages the funds
• Purposes for which the funds can be used
• Who receives the remaining funds if the Foundation is dissolved
Organizational Steps

- Agree on corporate name
- Designate incorporator or incorporators
- Draft articles of incorporation
- Designate a registered office and registered agent
- Specify conditions for the class or classes of members
- Hold organizational meeting
- Adopt bylaws (directors)
- Adopt banking resolution
Organizational Structure
(Articles of Incorporation)

• Corporate name
• Duration
• Purpose or purposes
• Distribution of assets on liquidation
• Registered office and registered agent
• Number of directors on initial board and names and addresses
• Limitations on corporate powers
• Date of existence
• Name and addresses of each incorporator
Content of Bylaws

• Number and terms of board of directors and how elected, quorum and voting requirements, filling vacancies
• Committees to be created
• Place and notice of meetings
• Officers and removal of officers
Fees for Organization

Filing articles of incorporation — $20
Thank You!