

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
- Procedure covered in I.R.S. Pub. 557 (rev. July 2001)

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!