



So You Want to Start a 501(c)3 Nonprofit? Complete the Following Checklist:

Date of Completion

FORM AN INITIAL EXPLORATORY GROUP.

Group may be informal or a structured steering committee. Consider who needs to be involved from the beginning, as this process can shape the organization and affect commitment levels in the future.

RESEARCH AND DISCUSS PURPOSE AND FEASIBILITY.

Hold initial planning meetings to build consensus on the purpose and form. Develop mission, vision, and establish underlying values, and assess the feasibility of the effort. Explore relationships with organizations that may be doing similar work, and be sure about whether a new organization is really the best way to proceed.

ASSIGN RESPONSIBILITIES.

Delegate responsibilities for work including drafting Articles of Incorporation and Bylaws, filing for incorporation, developing a program plan and budget, planning for fundraising, and building relationships with others in the community.

DEVELOP A PROGRAM PLAN.

What services will be offered to what clients, when, where, and led by whom?

DEVELOP A FUNDRAISING PLAN.

Develop a plan to raise funds for daily and program operations.

ESTABLISH A RECORD KEEPING SYSTEM.

Use this system for retaining meeting minutes and other organization documents.

DRAFT BYLAWS & CONFLICT OF INTEREST POLICY.

Model bylaws and policies are available from Momentum’s Help Desk. Samples from other similar organizations can also be helpful. A legal review of bylaws is advisable.

FORM INITIAL BOARD OF DIRECTORS.

A minimum of five directors is recommended. Be clear from the beginning about the roles and responsibilities of board members. This group writes the original bylaws, does much of the initial fundraising and hires staff, usually the Executive Director/CEO.

INCORPORATE WITH THE SECRETARY OF STATE OFFICE.

Filing can be done online.

Tennessee: Contact the office of the Secretary of State at www.sos.tn.gov. A one-time fee of \$100.00 is required.

Arkansas: Reserve a name through the Office of the Secretary of State. The filing fee is \$22.50 for online filing and \$25.00 for paper filing. The name is reserved for 120 days while Articles of Incorporation are filed. Complete the online form at Arkansas Secretary of State Documents. The fee for online filing is \$45. You may also download the form at Arkansas Secretary of State Business and Corporate Services. The fee is \$50 if you file a paper form.

Mississippi: Model three paragraph language must be included as part of articles of incorporation. A sample can be obtained from the MS Center. Contact the Secretary of State Office 601- 359-1633 or 1-800-256-3494 for additional information.

HOLD A FORMAL ORGANIZATIONAL MEETING.

Install board, add new board members, adopt bylaws, adopt conflict of interest policy, and elect officers at this meeting.

FILE FOR EMPLOYER IDENTIFICATION NUMBER (no fee).

Apply by either completing the EIN application on-line at www.irs.gov/EIN. It must be completed in one session. **Organizations must have an EIN BEFORE filing for tax exempt status through the IRS.**

SECURE IRS APPROVAL AS FEDERAL TAX-EXEMPT AGENCY.

Nonprofits who expect income less than \$50,000 yearly may complete the IRS on-line form 1023-EZ and pay a one-time \$400 fee. If yearly income exceeds \$50,000 you must complete longer Form 1023 and pay a one-time \$800 fee. Without IRS approval contributions to your organization are NOT tax-exempt.

Consider Joining Momentum Nonprofit Partners.

There is no membership fee and membership with Momentum is open to all 501(c)(3) agencies in the Memphis/Shelby County service area, including Madison, Tipton, Fayette, Haywood, and Lauderdale counties in west Tennessee; Tate, DeSoto, and Tunica counties in northern Mississippi; and, Crittenden County in eastern Arkansas. Join here.(insert link to form) Members receive access to digital resources from Standards for Excellence, a Capacity Assessment, discounts on registration fees for learning labs, boot camps and peer networks, free postings on our Nonprofit Job Board, resources and referrals from the Momentum Help Desk, among other benefits.

ESTABLISH A BOOKKEEPING/ACCOUNTING SYSTEM.

Work with a trusted bookkeeper and/or accountant to ensure that financial systems are in place and reporting remains accurate.

OBTAIN SALES TAX EXEMPTION

Tennessee: Certain Tennessee non-profits are eligible to be exempt from Tennessee state and local sales tax. You will need to complete an application for non-profit sales and use tax exemption and submit it and all required documentation (copies of articles, bylaws, IRS determination) to the Tennessee Department of Revenue.

Arkansas: Nonprofit organizations are not exempt from sales taxes on purchases made in Arkansas. For more information, on any exemptions. Nonprofit organizations must collect sales tax on sales of tangible personal property. To do so, they must complete the Application for Arkansas Business Permit. For additional information, contact the Sales & Use Tax Section at (501) 682-7104.

Mississippi: Under Mississippi law few nonprofits qualify for sales tax exemption. For guidance contact the MS Tax Commission at (601) 923-7015.

SECURE SECRETARY OF STATE APPROVAL TO RAISE CHARITABLE FUNDS.

Any nonprofit organization charity seeking to raise funds in each state must register with the state.

Tennessee: Register on-line at www.sos.tn.gov and pay \$50 annual fee prior to launching fundraising efforts.

Arkansas: Visit the website of the Office of the Attorney General at: www.ag.state.ar.us or call (800) 482-8982 for information.

Mississippi: If raising less than \$25,000 per year, file paper Form CE and pay \$50 annual fee. Contact the SOS office, Kathy French at (601) 359-1371 for more information. If raising more than \$25,000 nonprofits must file paper form CE and pay a \$50.00 one-time fee. Contact the office of the Secretary of State.

Note: This checklist was prepared as a guide for persons who are considering forming a charitable nonprofit organization. Depending on the type of program and the sources for funding, further registration, reporting, or licensing may be required.

Momentum Nonprofit Partners provides guidance to organizations on establishing 501(c)(3) status throughout our nonprofit training. However, professional, legal, or accounting advice, consult your attorney or certified public accountant (CPA).

(Adapted from *Starting a Nonprofit-The Essential Checklist* from Mississippi Center for Nonprofits with additional information from *Starting a Nonprofit*, Arkansas Nonprofit Alliance.)

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