

The Guide to Nonprofits and Tax Exemption

One of the great misconceptions surrounding nonprofit corporations is the idea that they all qualify for tax exemptions. The truth is that jumping through all the hoops to obtain tax-exempt status is hard work and many nonprofit organizations pay taxes like their for-profit counterparts. For those that do qualify for tax-exempt status, the most common designation, known as a 501c3 status, is available for entities that qualify as public charities and private foundations. This one designation, however, doesn't come close to providing options for the wide range of nonprofit organizations in existence. To accommodate many other kinds of nonprofit organizations seeking tax exempt status, the IRS has created 33 different tax-exempt statuses for which nonprofits can apply. See the chart below for more information:

Entity Code	What types of organizations qualify for the tax exemption?	Required application forms	Contributions allowable?	Recommended type of business entity for enterprise	Annual tax return form
501(c)(1)	This designation is for corporations formed under acts of Congress, which includes federal credit unions, that as agencies of the United States	Must contact the National Credit Union Association for application.	Yes	A federal credit union is unique type of cooperative business entity organized at the federal level.	None
501(c)(2)	Corporations created to hold titles for property owned by another nonprofit	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ
501(c)(3)	Organizations for religious, educational, charitable, scientific, literary, testing for public safety, fostering national or international amateur sports competition (as long as it doesn't provide athletic facilities or equipment), or the prevention of cruelty to children or animals	Form 1023	Yes	Nonprofit corporation	990 or 990EZ or 990PF
501(c)(4)	Civic leagues, social welfare organizations and local associations of employees, all created to promote community welfare for charitable, educational, or recreational purposes	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ
501(c)(5)	Labor, agricultural and horticultural organizations that are educational or instructive, including unions, created for the purpose of improving conditions of work, or products of efficiency	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ

501(c)(6)	Business leagues, chambers of commerce, real estate boards, and similar entities created for the improvement of business conditions	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ
501(c)(7)	Social and recreational clubs	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ
501(c)(8)	Fraternal beneficiary societies and associations, which provide payment of life, sickness, accident, or other benefits to members	Form 1024 and Form 8718	Yes	Nonprofit mutual benefit corporation	990 or 990EZ
501(c)(9)	Voluntary employees beneficiary associations, which provide payment of life, sickness, accident or other benefits to members	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ
501(c)(10)	Domestic fraternal societies, orders, etc., not providing life, sick, accident, or other benefits	Form 1024 and Form 8718	Yes	Nonprofit corporation	990 or 990EZ
501(c)(11)	Teachers' retirement fund associations	No standardized form available. Applications must meet IRS requirements.*	No	Nonprofit mutual benefit corporation.	990 or 990EZ
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations	Form 1024 and Form 8718	No	Nonprofit mutual benefit corporation	990 or 990EZ
501(c)(13)	Cemeteries, crematoria, and similar types of corporations	Form 1024 and Form 8718	Yes	Nonprofit corporation.	990 or 990EZ
501(c)(14)	State-chartered credit unions and mutual reserve funds	No standardized form available. Applications must meet IRS requirements.*	No	Nonprofit mutual benefit corporation.	990 or 990EZ
501(c)(15)	Mutual insurance companies or associations, other than life or marine insurance companies	Form 1024 and Form 8718	No	Nonprofit mutual benefit corporation	990 or 990EZ
501(c)(16)	Cooperative organizations to finance crop operations in conjunction with activities of marketing or purchasing associations	No standardized form available. Applications must meet IRS requirements.*	No	Nonprofit corporation	990 or 990EZ
501(c)(17)	Trusts providing for the payment of supplemental unemployment compensation benefits	Form 1024 and Form 8718	No	Trust	990 or 990EZ
501(c)(18)	Employee funded pension trusts created before June 25, 1959	No form available, but IRS recommends applying with Form	No	Trust	990 or 990EZ

		1024 and Form 8718.			
501(c)(19)	A post, organization, auxiliary unit, or similar entity consisting of past or present members of the Armed Forces of the United States	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ
501(c)(21)	Black lung benefit trusts, funded by coal mine operators to meet their liability for disability or death due to black lung diseases	No standardized form available. Applications must meet IRS requirements.*	No	Trust	990-BL
501(c)(22)	A trust created for employee pension plans	No standardized form available. Application must meet IRS requirements.*	No	Trust	990 or 990EZ
501(c)(23)	Veterans' organizations created before 1880 that provide insurance and other benefits to veterans	No standardized form available. Application must meet IRS requirements.*	No	Not applicable	990 or 990EZ
501(c)(25)	Title holding corporations or trusts	Form 1024 and Form 8718	No	Nonprofit corporation	990 or 990EZ
501(c)(26)	State-sponsored organization providing health coverage for high-risk individuals	No standardized form available. Application must meet IRS requirements.*	No	Nonprofit corporation	990 or 990EZ
501(c)(27)	State-sponsored workers' compensation reinsurance organization that reimburses members for losses under workers' compensation acts	No standardized form available. Application must meet IRS requirements.*	No	Nonprofit corporation	990 or 990EZ
501(c)(28)	National railroad retirement trusts that manages and invests the assets of the Railroad Retirement Account	No application required.	No	Trust	No form
501(c)(29)	Nonprofit health insurance issuers	No standardized form available. Send letter of application and Form 8718 to IRS.	No	Nonprofit corporation	990 or 990EZ
501(d)	Religious and apostolic associations/communal religious communities	No standardized form available. Send IRS a letter signed by an officer and a copy of the articles of incorporation.	No	Nonprofit religious corporation	1065

501(e)	Cooperative hospital service organizations	Form 1023	Yes	Nonprofit corporation	990 or 990EZ
501(f)	Cooperative service organizations of operational educational institutions (organizations that perform collective investment services for educational institutions)	Form 1023	Yes	Nonprofit corporation	990 or 990EZ
501(k)	Child care organizations	Form 1023	Yes	Nonprofit corporation	990 or 990EZ
501(n)	Charitable risk insurance pools	Form 1023	Yes	Nonprofit corporation	990 or 990EZ
521(a)	Farmers' cooperative associations	Form 1028	No	Nonprofit corporation	990-C

(*)—Applicants will need to read the appropriate 501(c) tax code to find out what the IRS requires. Typically these organizations will need to submit a letter describing the entity's functions and character along with a copy of the organization's formation documents.



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