

## Life Cycle of an Exempt Organization

Organizations that meet the requirements of Internal Revenue Code section 501(a) are exempt from federal income taxation. In addition, charitable contributions made to some section 501(a) organizations by individuals and corporations are deductible under Code section 170.

The content includes explanatory information, and links to forms that an organization may need to file with the IRS. The materials cover five stages in an organization's life cycle:

1. **Starting Out:** Creating an organization under state law, acquiring an employer identification number, and identifying the appropriate federal tax classification.
2. **Applying for Exemption:** Acquiring, completing, and submitting application forms; how the IRS processes applications; and getting help from the IRS during the application process.
3. **Required Filings:** Annual exempt organization returns, unrelated business income tax filings, and other returns and reports that an organization may have to file.
4. **Ongoing Compliance:** How an organization can avoid jeopardizing its tax-exempt status, disclosure requirements, employment taxes, and other ongoing compliance issues.
5. **Significant Events:** Audits, private letter rulings, and termination procedures.

Life Cycle pages are available for the following types of organizations:

Every exempt charitable organization is classified as either a *public charity* or a *private foundation*. Generally, organizations that are classified as public charities are those that (i) are churches, hospitals, qualified medical research organizations affiliated with hospitals, schools, colleges and universities, (ii) have an active program of fundraising and receive contributions from many sources, including the general public, governmental agencies, corporations, private foundations or other public charities, (iii) receive income from the conduct of activities in furtherance of the organization's exempt purposes, or (iv) actively function in a supporting relationship to one or more existing public charities. Private foundations, in contrast, typically have a single major source of funding (usually gifts from one family or corporation rather than funding from many sources) and most have as their primary activity the making of grants to other charitable organizations and to individuals, rather than the direct operation of charitable programs.

If you think your charitable organization is or will be a public charity, click [Life Cycle of a Public Charity](#) to view a chart showing the life cycle of a public charity. This chart contains links to helpful information about points of intersection between your organization and the IRS, including access to explanatory information and forms that your organization may need to file with the IRS.

If you think your charitable organization is or will be a private foundation, click [Life Cycle of a Private Foundation](#) to view a chart showing the life cycle of a private foundation. This chart contains links to helpful information about points of intersection between your organization and the IRS, including access to explanatory information and forms that your organization may need to file with the IRS.

*Civic leagues* and *social welfare organizations* are exempt under section 501(c)(4) of the Internal Revenue Code. Social welfare organizations generally fall into one of the following categories:

- Organizations that may be performing some type of public or community benefit but whose principal feature is lack of private benefit or profit;
- Organizations that would qualify for exemption under section 501(c)(3) but for a defect in their organizing documents or if they were not "action organizations"; and
- Nonprofit organizations that traditionally have been labeled in common parlance as social welfare organizations.

During its existence, a social welfare organization has numerous interactions with the IRS – from filing an application for recognition of tax-exempt status, to filing the required annual information returns, to making changes in its mission and purpose. The IRS provides information, explanations, guides, forms and publications on all of these subjects – they are available through this IRS Web site. The illustration below provides an easy-to-use way of linking to the documents most organizations will need as they proceed through the phases of their “life cycle.”