

PARKS & TRAILS NEW YORK CONFERENCE ROUND TABLE

**AN OVERVIEW OF SELECTED PROVISIONS OF THE INTERNAL
REVENUE CODE THAT REGULATE THE ACTIVITIES OF
SECTION 501 (c) (3) ORGANIZATIONS**

Background of Section 501(c)(3) status.

What does 501(c)(3) status mean to the organization?
Why 501(c)(3)?
Public charity vs. private foundation.

IRC Section 501(c)(3) (Exemption from federal income tax).

In order to be exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code, an organization must satisfy the following requirements:

1. The organization must be organized and operated exclusively for one or more exempt purposes.
2. No part of the net earnings of the organization may inure to the benefit of any private shareholder or individual.
3. No substantial part of the activities of the organization may be carrying on propaganda, or otherwise attempting to influence legislation.
4. The organization may not participate in, or intervene in, any political campaign on behalf of or in opposition to any candidate for public office.
5. The organization must serve a public rather than a private purpose.
6. The organization may not operate for illegal purposes or engage in activities which are contrary to a clearly established public policy.

IRC Section 170 (Charitable deduction).

Quid pro quo limitations.
Substantiation requirements.

IRC Sections 511 through 514 (Unrelated business income tax).

Tax applies to the net income of an exempt organization which is attributable to:

1. A trade or business,
2. which is regularly carried on, and
3. which is not substantially related to the organization's exempt purpose.

IRC Section 4958 (Intermediate sanctions).

Excise tax imposed upon "insiders" for excess benefit transactions.
Excise tax may also be imposed upon "managers" who knowingly permit the organization to engage in an excess benefit transaction.

IRC Section 6104 (Public disclosure).

Exemption application (Form 1023)
Annual Returns (Form 990 or Form 990-EZ (three years))