



## Frequently Asked Questions

### **How can Anser help?**

Anser's professional staff can handle every phase of your non-profit organization's growth, from initial incorporation and tax-exempt status, to the development of sound financial systems. We work with you, helping you properly structure your nonprofit for IRS and approval and long term success.

We ask you some initial questions and provide you with draft documents, which include a 1023 draft document, Articles of Incorporation, a draft copy of the By-laws, a draft copy of a Conflict of Interest Policy, and a Form 2848 (Power of Attorney Form) which give us the ability to communicate with IRS on your behalf.

### **What are the fees Anser charges for this service?**

Our fees are typically \$700 to \$800 but may vary for unique situations and a \$400 retainer fee is required to start the process.

### **Is there more than one category of tax-exempt organizations?**

Yes. The most common is the Internal Revenue Code Section 501 (c)(3) public charity or private foundation, established for religious, educational, charitable (benevolent), scientific, literary, testing for public safety, fostering of national or international amateur sports, or prevention of cruelty to animals or children.

The IRS term for those who deserve our charity is "charitable class" and rulings by the IRS have held that persons who are aged, ill, handicapped, unemployed, or otherwise distressed are members of this class.

If you do not meet these general guidelines, there are many less common types of 501(c) tax exempt organizations to consider. Anser's dedicated staff can help you determine which 501(c) would be the best fit for your organization and we can complete the Package 1024 required for these types of 501(c)'s.

### **What does being a 501(c)(3) organization mean?**

A 501(c)(3) organization is simply a nonprofit organization (usually incorporated) that has applied for and obtained recognition of tax exemption by the Internal Revenue Service (IRS). For charities, as defined by the IRS, it means you can accept contributions and offer the donor a tax deduction for their gifts.



## **What are the benefits of becoming a 501(c)(3)?**

A primary benefit is being considered tax-exempt under the IRC Section 501(c)(3). This benefit allows you to accept contributions and donations that are tax deductible to the donor. Other benefits include exemption from federal and/or state income taxes, eligibility for government and foundation grants, possible exemption for FUTA (federal unemployment tax), and credibility.

## **How do I become a 501(c)(3) organization?**

You must complete and file a Form 1023, which Anser will do as part of the services we provide.

## **Are there fees required to file a Form 1023?**

Yes, the IRS has a two-tiered filing fee structure and the fees increased on January 3, 2010. The current fee schedule is: \$400 for organizations whose gross receipts do not exceed \$10,000 annually over a 4-year period and \$850 for organizations whose gross receipts exceed \$10,000 annually over a 4-year period.

## **Can I do the Form 1023 myself?**

Technically, you can complete the form yourself. It is advisable to have a professional who specializes in the area, such as Anser, complete the form. The form is long and requires schedules and attachments; typically the final application is between 28-75 pages. Anser completes the Form 1023, attachments and schedules on behalf of our clients.

## **How long does it take for the IRS to approve 501(c)(3) status?**

The IRS approval typically takes between 3-6 months. Occasionally it may take a little more time if there are written follow-up questions from the IRS. Delays could be for reasons ranging from simple errors on the application to issues concerning the qualification of the organization for exemption. In general, applications are processed in the order they are received by the IRS.

## **What kinds of information are required to complete a Form 1023?**

Specific questions must be answered regarding the organizations legal structure, its board of directors, and potential conflicts of interest. There are also pages of detailed questions



concerning the organization's activities and written narrative outlining the organizations purpose. Anser's expertise in this area is a benefit to our clients.

### **Can I start receiving donations and contributions before my Form 1023 is approved?**

Generally, yes. The IRS recognition is usually retroactive effective to the either the organizations legal formation or the start of its programs. If you have any pending grants or large donations awaiting the IRS exemption letter, provide us with a letter from them to that effect so we can have the IRS expedite your application.

### **What are Articles of Incorporation?**

Articles of Incorporation is a legal document that creates a corporation that states the organizations purpose and structure according to the laws of the state where to organization is being established. Required information, wording and fees vary from state to state for filing Articles of Incorporation. Articles of Incorporation are part of the service that Anser provides to our clients.

### **What is an Employer Identification Number (EIN) and how do I get one?**

An EIN is a number that the IRS assigns to business or nonprofit organization operating in the United States for identification purposes. It is also known as the Tax Identification Number (TIN) or the Federal Employer Identification Number (FEIN) or the Federal Tax Identification Number.

Once the Articles of Incorporation are approved by the State, forward a copy of the approval to us and we will apply for the number.

### **Do I have to have Bylaws?**

Yes, you cannot incorporate without having Bylaws. They are the primary official documents of your organization. Each state has it own requirements for bylaws. Anser will provide your organization with Bylaws that meet your organizations mission as part of the service we provide.

Bylaws are written during time when you are incorporating your organization and until you adopt Bylaws your organization does not legally exist. They are rules that govern the internal management of the organization and cover items such as how many people are needed on the board of directors, how the officers are elected, how meetings are conducted, and the duties of the board of directors.



## **Can we change the Bylaws and do we have to report changes to the IRS?**

Yes, you can change the Bylaws and the changes must be reported.

Organizations that are exempt from federal income tax, as described in Internal Revenue Code 501(c)(3), are required to report changes in their Bylaws to the IRS on their IRS Form 990.

States have their own regulations for reporting changes to an organization's Bylaws.

## **What is the difference between nonprofit and not-for-profit?**

Both terms are frequently used and are considered to be synonymous; there is no established difference between the two terms.

## **Do we need Liability Insurance for our Board?**

Generally it is a good idea to have Directors and Officers (D & O) Liability Insurance. The board members are volunteers who make decisions that are often difficult and the D & O Liability Insurance will provide them with protection. D & O Liability insurance may also cover the directors, employees and volunteers, who is actually covered depends on the policy your organization purchases.

## **What is a Form 990 and does our organization need to file the Form 990?**

The form 990 is the Annual Information Return that must be filed with the IRS within five-and-a-half months following the end of the fiscal year by tax-exempt charities, such as 501(c)(3)s. It is your organizations tax return.

All 501(c)(3) organizations are required to file a Form 990. There have been changes to the Form 990 for the year 2008, increasing the length and complexity of the return.

One of the other services Anser provides is preparing the Form 990, our professional staff will make sure your Form 990 is compliant and complete.

## **What happens if an organization doesn't file or files late?**

If you do not file on time, the IRS will send you a reminder notice. Late filing can result in penalties that could cost your organization thousands of dollars. If you have a legitimate reason for filing late the IRS may reduce or forgive the penalty.



If you know you will be filing late, you can apply for up to two consecutive extensions of 90 days.

However, an organization that fails to file the required Forms 990 for three consecutive years will automatically lose its tax-exempt status.

### **Can Anser help us if we have not filed or are filing late?**

Yes, compliance is part of our profession service to your organization. We can file the extensions and complete over due tax returns. Please contact our office with your questions.

### **How much does Anser charge for doing the Form 990 and related Forms?**

It varies depending on the size of your organization, it is difficult to provide an estimate until we have had the opportunity file the first tax return for your organization.

### **Can Anser do payroll for my organization?**

Yes, we offer payroll services which include:

- Payroll check writing
- Direct deposit
- Electronic payroll tax depositing
- Quarterly IRS Form 941 filing
- Annual w2's and Form 940

### **How much will it cost to have Anser do my payroll?**

The cost of having Anser depends on the number of employees in an organization and the various needs that individual to each organization we serve. Quotes are provided on individual basis.

### **Does my organization need an audit?**

Typically no, unless it required in your organizations Bylaws.

### **Does Anser do audits for their clients?**

Anser does not provide an audit service. But there are many qualified companies that will do audits for your organization.