

What is Charitable Purpose?

Charitable purpose is what sets a 501(c)(3) organization apart from other types of nonprofits. In order to qualify for 501(c)(3) tax-exempt status, organizations must exist exclusively for one or more of the following charitable purposes, as defined by the IRS, and broken down below.

What is the difference?

Nonprofit Organizations

Nonprofit status is a concept of state law. Nonprofit corporation status is granted by the Secretary of State. There are several kinds of nonprofits, not all are tax-exempt.

Charitable Organizations

Charitable organizations are a type of nonprofit. Their charitable purpose sets them apart from other nonprofits. Designated by the IRS through section 501(c)(3) of federal code. Such organizations are tax-exempt. Must meet the IRS definition of charitable to qualify.

Charitable (Generally)

The catch-all category. Covers organizations that do not fit into one of the other categories.

1. Relief of the poor, distressed or underprivileged
2. Advancement of religion
3. Advancement of education or science
4. Erecting or maintaining public buildings/monuments/works
5. Lessening the burdens of government
6. Lessening neighborhood tensions
7. Eliminating prejudice and discrimination
8. Defending human rights secured by law
9. Combatting community deterioration and juvenile delinquency

Examples: Community Foundations, St. Jude's, NAACP

Religious

Basic guidelines:

1. Beliefs must be truly and sincerely held; and
2. Practices/rituals not illegal or contrary to public policy
3. Regularly scheduled, publicized service with regular attendance.

Examples: churches, ministries, missions, church-related charities, seminaries

Testing for Public Safety

Not simply promoting public safety, activities must include testing products for use by the general public.

Examples: Underwriter's Laboratory or Consumer Reports

Fostering amateur sports competition

A rare designation. Competition on higher level than amateur athletics such as Post baseball or YMCA swimming, etc.

Examples: USA Cycling or USA Volleyball - competitions that feed into the Olympics.

Literary

Reserved for nonprofit bookstores or publishing activities.

Examples: religious publishing houses/college bookstores

Scientific

Scientific research done in the public interest. Results must be made available to the public.

Examples: University studies published in medical journals.

Educational

One of the more commonly used categories, with a wide range of possibilities. Two requirements to qualify:

1. Instruction or training of individuals for the purpose of improving or developing their capabilities; or
2. Instruction of the public on subjects useful to individuals and beneficial to the community

Examples: Primary or secondary school, college, tech school. Public discussion groups, forums, lectures, etc. Museums and zoos. Also, some alumni associations, children's sports leagues and nonprofit daycares

Prevention of cruelty to animals or children

To provide for the general safety of children or animals.

Examples: ASPCA, World Wildlife Fund, humane societies, and endangered species habit groups. For children, APSAC, local Child Protection Teams, etc.

Watch out for...

Examples of nonprofits that may appear charitable but are not:

- Volunteer Fire Department-501 (c)(4)
- Rotary Club-501(c)(4)
- Labor and ag unions-501(c)(5)
- Chamber of Commerce-501(c)(6)
- Economic Dev. Corporation - 501(c)(6)
- Fraternities/sororities-501(c)(7)
- Country Clubs-501(c)(7)
- Cemeteries-501(c)(13)
- Legion, Post, etc.-501(c)(19)