

WHAT IS CHARITABLE PURPOSE?

DEFINITION

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:

- Charitable (generally)
- Religious
- Educational
- Scientific
- Literary
- Testing for public safety
- Fostering amateur sports competition
- Preventing cruelty to children or animals



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.

WHAT IS CHARITABLE?

Religious

Two basic guidelines:

1. Beliefs must be truly and sincerely held; and
2. Practices/rituals not illegal or contrary to public policy

Examples: churches, ministries, missions, church-related charities, seminaries. Churches must also prove regularly scheduled service at a publicized time with regular attendance (no exclusively online churches).

Scientific

Better understood as scientific research. Project must be done in the public interest. Results must be made available to the public.

Examples: University studies published in medical journals.

Also, economic modeling, agricultural and climate studies.

Testing for Public Safety

Not simply promoting public safety, activities must include testing. Primary work should be testing finished products, ingredients, or other components for use by the general public.

Examples: Underwriter's Laboratory or Consumer Reports, Inc.

Literary

A rare designation. Reserved for nonprofit bookstores or publishing activities. Must be able to demonstrate how operation furthers an *exclusively* charitable purpose.

Examples: religious publishing houses or college bookstores.

Fostering amateur sports competition

Also, a rare designation. Competition should be organized on *at least* a regional level, higher than truly amateur athletics such as Post baseball or YMCA swimming.

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

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

These organizations work for the general safety of children or animals. Note that many children's organizations will be considered educational.

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

Charitable (Generally)

The catch-all category. Covers organizations that fulfill a charitable purpose but do not fit into one of the other categories. Further broken down into subcategories:

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

Watch out for ...

Examples of nonprofits that may appear charitable but are not:

- Volunteer Fire Dept – 501(c)(4)
- Rotary Club – 501(c)(4)
- Labor and Ag Unions – 501(c)(5)
- Chamber of Commerce – 501(c)(6)
- Economic Dev. Corp. – 501(c)(6)
- Fraternities/Sororities - 501(c)(7)
- Country clubs – 501(c)(7)
- Cemeteries – 501(c)(13)
- Legion, Post, etc. – 501(c)(19)