

Comparison of 501(c)(3) and 501(c)(4) and 501(c)(6)

Compiled from multiple publicly available web and printed resources**

	501(c)(3)	501(c)(4)	501(c)(6)
Purposes	<p>Public: An organization must be organized and operated exclusively for an exempt purpose - religious, charitable scientific, testing for public safety, literary, educational purposes, fostering amateur sports competition, or preventing cruelty to children or animals, etc.</p>	<p>Social Welfare: An organization must be organized as a non-profit and operated exclusively for the promotion of social welfare--promoting the common good and general welfare of the people in the community</p> <p>Primarily engaged in promoting the common good and general welfare of the people of the community – e.g., bringing about civic betterment and social improvements</p>	<p>Membership: Organizations that are associations of persons with a common business interest which promote the common interest and do not conduct a regular trade or business for profit</p>
Examples	Churches, boys' and girls' clubs, charitable hospitals, non-profit retirement homes or elderly homes, parent-teacher associations ...	Civic leagues – e.g., Lions Club, social welfare organizations, homeowners & tenants' associations, veterans organizations such as the VFW, employee associations ...	Chambers of commerce organizations, economic development corporations, real estate boards, trade boards, professional football leagues (NFL)...
Tax Treatment	<p>Exempt from most federal taxes</p> <p>Contributions are generally tax-deductible for the donor Contributions are not subject to federal gift tax</p> <p>Subject to Unrelated Business Income Tax (UBIT)</p>	<p>Exempt from most federal taxes</p> <p>Contributions are not tax-deductible</p> <p>Contributions may be subject to federal gift tax</p> <p>Not required to disclose its contributors</p>	<p>Exempt from most federal income taxes</p> <p>Contributions are not tax-deductible</p> <p>Membership dues may be deductible as business expense – however, org must track lobbying & political activity expenditures & report annually to members percentage of membership dues that are nondeductible as a result of these expenditures</p>

Tax Treatment (cont'd)		Subject to Unrelated Business Income Tax (UBIT)	Contributions need not be disclosed Subject to Unrelated Business Income Tax (UBIT)
Organizational Requirements	Must be a corporation, foundation or community chest, and follow all the state regulations pertaining to these types of organizations	Only has to be an organization that is not established for profits and only uses the funds for social welfare	No requirement (or less stringent)
Filing Requirements	IRS 1023 Form IRS 990 (Return of Organization Exempt From Income Tax) Failure to file may result in fines up to \$250,000 and revocation of tax exempt status	IRS 1024 Form IRS 990 (Return of Organization Exempt From Income Tax) Failure to file may result in fines up to \$250,000 and revocation of tax exempt status	IRS 1024 Form IRS 990 (Return of Organization Exempt From Income Tax) Failure to file may result in fines up to \$250,000 and revocation of tax exempt status
Assets	Assets must be dedicated to charitable purposes No part of net earnings may benefit private individuals	No requirement to dedicate assets No part of net earnings may benefit private individuals	No requirement to dedicate assets No part of net earnings may benefit private individuals
Social Activity	Social activities must be insubstantial	Social activity may be anything less than "primary"	Social activity may be anything less than "primary"

<p>Legislative/ Lobbying Activity</p> <p>Advocacy</p>	<p>Lobbying cannot be a substantial part of its activities</p> <p>Limit expenditures to influence legislation, ballot measures, and judicial nominations, among others</p> <p>Legislative activity must be insubstantial, or <20% if 501 (h) expenditure test election made</p>	<p>Unlimited expenditures to influence legislation, ballot measures and judicial nominations, among others</p> <p>May inform the public on controversial subjects an attempt to influence legislation relevant to its program as long as primary activity is the promotion of social welfare</p>	<p>May engage in limited political activities that inform, educate, and promote their given interest</p> <p>May not engage in direct expenditures advocating a vote for a political candidate or cause</p> <p>Contributors need not be disclosed</p>
<p>Political Activities</p>	<p>Prohibited from engaging in any partisan political activities, may conduct nonpartisan voter engagement activities</p> <p>May not established a PO for political activities</p> <p>Penalties: revocation of tax-exempt status and excise taxes on both the organization and its managers</p>	<p>May carry on partisan political activity subject to federal and state campaign-finance laws</p> <p>May not be the “primary purpose” of the organization; must be secondary I have a job abilities political activities</p> <p>Tax on political expenditures</p>	<p>Political activity permitted, but taxed</p> <p>Lobbying for a specific candidate prohibited</p>
<p>Dissolution</p>	<p>Upon dissolution assets must be distributed for charitable purpose</p>	<p>Not applicable</p>	<p>Not applicable</p>
<p>Bulk Mail Rate</p>	<p>Eligible for low cost non-profit bulk mailing permit</p>	<p>Not eligible for lowest bulk mail rates</p>	<p>Not eligible for lowest bulk mail rates</p>
<p>Public Charity 501(c)(3) 509(a)(1) -509 (a)(4)</p>	<p>“Not a private foundation”; normally receives a substantial part of its income, directly or indirectly, from the general public or from the government.</p>	<p>Not an issue under (c)(4)</p>	<p>Not an issue under (c)(6)</p>

Public Charity (cont'd)	Public support must be fairly broad; not limited to a few individuals or families.		
Private Foundation/ Non-operating foundation 501(c)(3) 509(a) – does not qualify as public charity	Receives most of its income from investments in endowments which is used to make grants to other organizations rather than being dispersed directly for charitable activities	Not an issue under (c)(4)	Not an issue under (c)(6)
Private Operating Foundation 501(c)(3) 4942(j)(3)	Private foundation that devotes most of its earnings assets directly to the conduct of its tax-exempt purposes, rather than to making grants to other organizations for those purposes		
Low Profit Limited Liability Company (L3C)	<p>A limited liability company in some U.S. states that has statutory duties other than making a profit for owners. It may be formed for many purposes, such as to provide steady jobs to employees or to protect the environment. It is treated as a limited liability company for legal and tax purposes. It is not prohibited from making a profit, but it is subject to fewer regulatory requirements than a non-profit in the United States. (Farlex Financial Dictionary. © 2012 Farlex, Inc. All Rights Reserved)</p> <p>A company organized to perform services or engage in activities that benefit the public. Unlike a nonprofit, an L3C is operated like a regular profit-making business and is allowed to make a profit as a secondary goal. A small but growing number of states -- including Illinois, Michigan, Utah, Vermont, and Wyoming -- have passed legislation allowing L3Cs. (Nolo's Plain-English Law Dictionary)</p>		
Benefit Corporation/ B Corporation	Corporate form designed for for-profit entities that wish to consider society and the environment in addition to profit in their decision making process. Benefit corporations differ from traditional corporations in regards to their purpose, accountability and transparency. The purpose of a benefit corporation includes creating general public benefit, which is defined as a material positive impact on society and the environment. A benefit corporation's directors operate the business with the same authority as in a traditional corporation, but where in a traditional corporation shareholders with proper standing judge the company's financial performance, here they judge qualitative performance based on the benefit corporation's stated goals. Shareholders in a benefit corporation determine if the benefit corporation has achieved a material positive impact. (Wikipedia)		
** This compilation of information has been prepared for conversational purposes and should not be relied upon or construed as legal or tax counsel.			

NOTES

For further information or assistance in the process of obtaining an IRS 501(c)(3), 501 (c)(4) or 501(c)(6) determinations:

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