

# Checklist for Illinois Charitable Organizations

## Formation Checklist For Not-For-Profit Corporations

Are you interested in starting a not-for-profit organization or planning to fundraise in Illinois? The following list is a guide to help you understand how to start a not-for-profit organization and the common requirements. Please note that this list is not comprehensive and additional steps may be required for some types of organizations. We encourage organizations to consult with an attorney to learn about all legal obligations applicable to their organization.

Not-for-profits that would like to be recognized as tax exempt by the IRS are required to file documents with federal and state governments and possibly local agencies. These filings are required both when the organization is formed and then annually thereafter. Exactly what is required to be filed will depend on, among other things, the organization's IRS tax status (for example, if the organization is a 501(c)(3), whether it has employees, what fundraising methods it uses and the states in which it fundraises, and the amount of contributions it raises).

### To Start a Not-For-Profit Corporation

There are a few very important governance and regulatory steps that you will need to do *prior* to receiving charitable status in Illinois.

#### 1. Determine the Purpose of Your Organization and the Board of Directors

To complete the paperwork to incorporate as an organization, you will need to be able to provide a name for your organization, the purpose or mission of the organization, and names and addresses of incorporators.

The Board of Directors manages and controls the organization, including expenditures and funding. The Board of Directors should be familiar with the organization's bylaws and their responsibilities under them.

#### 2. Complete an Application for Reservation of Name Under the Not-For-Profit Corporation Act (Optional)

An organization can reserve a name for 90 days by completing Form NFP 104.10 and paying a \$25 filing fee per name to the Illinois Secretary of State Business Services Department. The form is available online at [www.cyberdriveillinois.com/publications/pdf\\_publications/nfp10410.pdf](http://www.cyberdriveillinois.com/publications/pdf_publications/nfp10410.pdf).

#### 3. File Articles of Incorporation

To become a not-for-profit organization in Illinois, an organization needs to file Form NFP 102.10 with the Illinois Secretary of State's Office. If your organization is seeking IRS tax-exempt status, the organization will also need to list "other provisions" on a separate attachment, Article 5 of Form NFP 102.10. There is a \$50 filing fee paid to the Illinois Secretary of State Business Services Department. The form is available online at

[http://www.cyberdriveillinois.com/publications/pdf\\_publications/nfp10210.pdf](http://www.cyberdriveillinois.com/publications/pdf_publications/nfp10210.pdf).

**Attachment to Form NFP 102.10** (if seeking IRS tax-exempt status):

The IRS requires certain provisions regarding purposes of the organization, prohibitions on private inurement and dissolution. Sample IRS provisions are online at <http://www.irs.gov/Charities-&Non-Profits/Charitable-Organizations/Charity-Required-Provisions-for-Organizing-Documents>.

**4. Develop Bylaws for Your Organization**

Bylaws regulate how the affairs of an organization are managed, including setting up the Board of Directors and the rules and procedures of the organization and the board. These bylaws inform the Board of Directors on how to regulate the organization and must be consistent with Illinois law relating to not-for-profits (805 ILCS 105-102.25).

**5. Hold a Directors Meeting**

The organization will need to hold the first meeting of the directors or incorporators to approve the bylaws, elect additional directors, appoint officers and approve additional resolutions such as opening a bank account. The organization should take minutes at the meeting and establish records.

**6. Obtain an FEIN (Federal Employer Identification Number)**

To obtain an FEIN for your organization from the IRS, complete IRS Form SS-4. There is no cost to obtain a number. You can file IRS Form SS-4 online or over the phone. The form is available online at <http://www.irs.gov/Charities-&Non-Profits/Employer-Identification-Number>.

**7. Obtain an Illinois Department of Revenue Account ID**

To obtain an Account ID, complete the Illinois Business Registration Application, Form REG-1. The form is available online at <http://www.revenue.state.il.us/taxforms/Reg/REG-1.pdf>.

**8. Register with the Illinois Attorney General**

Any charities holding or soliciting funds in Illinois must register with the Illinois Attorney General's Office *prior* to any solicitation of funds. Please note that organizations may register prior to applying for IRS tax exempt status.

To register, an organization must complete Form CO-1 with all necessary attachments, including either copies of Illinois Form AG990-IL for each year of the organization's existence OR Form CO-2 if the organization is less than 1 year old. These forms are to be submitted with a \$15 registration fee payable to "Illinois Charity Bureau Fund." Instructions and forms are available online at [http://www.illinoisattorneygeneral.gov/charities/register\\_report.html](http://www.illinoisattorneygeneral.gov/charities/register_report.html).

If your organization has not applied for IRS tax-exempt status, please answer

“no” to question 18 on the registration form, CO-1.

Contact the Charitable Trust Bureau at 312-814-2595 with any questions.

#### **9. File IRS Tax-Exempt Status Application for Recognition of Exemption**

For more information on 501(c)(3) status for charitable organizations, please visit the IRS’ website at

[http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501\(c\)\(3\)-Organizations](http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501(c)(3)-Organizations).

To apply for tax-exempt status, your organization will need to either complete Form 1023 or Form 1024. The forms are available online at

[www.irs.gov/Charities-&-Non-Profits/Have-you-completed-and-signed-the-correct-application%3F](http://www.irs.gov/Charities-&-Non-Profits/Have-you-completed-and-signed-the-correct-application%3F).

#### **10. Obtain Illinois State Sales Tax Exemption**

To obtain a state sales tax exemption, the organization will need to contact the Illinois Department of Revenue on the organization’s letterhead requesting an Exempt (E) number. There is no fee to apply and no standard form to complete. For more information, including what your organization needs to submit with the letter, visit <http://www.revenue.state.il.us/NonProfits/>.

**In addition to these requirements, an organization may need to complete additional paperwork with the following state agencies or local offices:**

##### **Illinois Department of Revenue**

If your organization is conducting raffles and/or gaming such as bingo, pull tab and jar games for fundraising, you may need to obtain a license and pay a fee. For more information, please visit <http://tax.illinois.gov/CharityGaming/>.

##### **Local County/Municipal Registration/Licensure**

Your city or county may also require a license for raffles, games and door-to-door solicitation. Check with your city or county clerk for more information.

##### **Illinois Department of Employment Security**

If your organization has employees in Illinois, your organization will need to register with the Illinois Department of Employment Security. For more information, please visit to <http://www.ides.illinois.gov/Pages/default.aspx#>.

##### **Local Business Registration**

Your city or town may require local business filings or registration. Check with your city clerk for more information.

##### **Local Property Tax Exemption**

To apply for a charitable use tax exemption, contact the chief county assessment officer.

## Ongoing Reporting Obligations Checklist

After starting a not-for-profit organization and filing the appropriate registration information, your organization's obligations do not end. Depending on the makeup of the organization, there may be additional filing requirements with various federal, state and local government agencies. Generally, these filings are due annually. Please contact the appropriate agency listed below for more information.

### IRS

Most tax-exempt organizations are required to file an annual information return with the Internal Revenue Service. Generally, information returns are due every year by the 15th day of the 5th month after the close of the organizations' tax year (extensions can be requested). An organization that fails to file required information returns (Forms 990, 990-EZ, 990-N, or 990-PF) for three consecutive years will automatically lose its tax-exempt status.

The form an organization must file generally depends on its financial activity, as follows (note: these thresholds apply for 2010 Tax Year and later (returns filed in 2011 and later)):

- If the organization is a public charity and gross receipts are normally  $\leq$  \$50,000, the organization files **Form 990-N** (E-Postcard)
  - Instructions: N/A
  - Form: <https://www.irs.gov/Charities-&-Non-Profits/Annual-Electronic-Filing-Requirement-for-Small-Exempt-Organizations-Form-990-N-e-Postcard>
- If the organization is a public charity and gross receipts are  $<$  \$200,000 and total assets are  $<$  \$500,000, the organization files **Form 990-EZ**
  - Instructions: <http://www.irs.gov/pub/irs-pdf/i990ez.pdf>
  - Form: <http://www.irs.gov/pub/irs-pdf/f990ez.pdf>
- If the organization is a public charity and gross receipts are  $\geq$  \$200,000 or total assets are  $\geq$  \$500,000, the organization files **Form 990**
  - Instructions: <http://www.irs.gov/pub/irs-pdf/i990.pdf>
  - Form: <http://www.irs.gov/pub/irs-pdf/f990.pdf>
- If the organization is a private foundation, it files **Form 990-PF**
  - Instructions: <http://www.irs.gov/pub/irs-pdf/i990pf.pdf>
  - Form: <http://www.irs.gov/pub/irs-pdf/f990pf.pdf>

### Illinois Secretary of State's Office

A Corporate Annual Report is to be filed with the Illinois Secretary of State's Office annually prior to the first day of the corporation's anniversary month (the month in which their articles of incorporation were filed). An authorized officer of the corporation must sign this report and there is a \$10 filing fee for reports filed on time. Late reports incur a \$3 penalty fee per state law.

**Safe Harbor Provision:** This information is not intended to serve as an inclusive filing list for all not-for-profit organizations. There are various types of not-for-profit organizations with varying filing requirements. Therefore, all organizations should exercise due care in ensuring regulatory requirements are fulfilled.

Failure to submit this report may cause the organization to be involuntarily dissolved or have its certificate of authority to transact business in Illinois revoked.

Information and instructions are available online at

[http://www.cyberdriveillinois.com/departments/business\\_services/annual\\_reports/corp\\_instructions.html](http://www.cyberdriveillinois.com/departments/business_services/annual_reports/corp_instructions.html).

### **Illinois Attorney General's Office**

Registered charities are required to file an annual report within six months of the organization's fiscal or calendar year end. There is a \$15 filing fee payable to the Illinois Charity Bureau Fund. A 60-day extension of this due date can be requested in writing and must be received by the Illinois Attorney General's Office prior to the due date.

Filing requirements are based on the gross revenue and assets of the organization.

Additional information, including a link to the AG990-IL, is available online at

[http://www.illinoisattorneygeneral.gov/charities/register\\_report.html](http://www.illinoisattorneygeneral.gov/charities/register_report.html).

If an organization's gross revenue and assets are \$25,000 or less during the fiscal year, they may file AG990-IL disclosing only total revenue, total expenditures and assets at the end of the fiscal year (Line A, G and O of the AG990-IL).

If the organization has more than \$25,000 in gross revenue and assets, they must file Form AG990-IL with a copy of their IRS Return or Report (IRS 990, 990EZ, 990PD, etc.). Two individuals (the president or authorized officer and the treasurer or two trustees of the organization) must sign the AG990-IL.

In addition, if an organization's gross contributions exceeded \$300,000, or if the organization used a paid professional fundraiser that raised contributions in excess of \$25,000, audited financial statements are required.

Instructions are available online at

<http://www.illinoisattorneygeneral.gov/charities/ag990-instructions.pdf>.

### **Illinois Department of Revenue**

If your organization has employees, the organization must file the Employer's Quarterly Tax Return, Form IL-941. Instructions are available online at

<http://tax.illinois.gov/taxforms/withholding/prioryears/il-941.pdf> and IRS instructions are

available at <http://www.irs.gov/pub/irs-pdf/i941.pdf>. The form is available online at

<http://tax.illinois.gov/TaxForms/Withholding/2015/IL-941.htm>.

### **Chief County Assessment Officer**

If your organization has a property tax exemption, generally the organization has to annually attest that there has been no change. A charity will lose its exemption if it fails to annually attest. For more information, please contact the chief county assessment officer.

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## Resources for Charitable Organizations State Agencies

### **Illinois Attorney General's Office**

Charitable Trust Bureau  
100 W. Randolph Street, 11th Floor  
Chicago, Illinois 60601  
Phone: 312-814-2595

### **Illinois Department of Employment Security**

Employer Support Hotline: (800) 247-4984

### **Illinois Department of Revenue**

Local Government Services Bureau MC 3-520  
101 W. Jefferson Street  
Springfield, Illinois 62702  
Phone: 217-782-8881

### **Illinois Secretary of State**

Department of Business Services  
501 S. Second Street, Rm. 350  
Springfield, IL 62756  
Phone: 217-782-6961 or 312-793-3380

### **Internal Revenue Service (IRS)**

You may direct technical and procedural questions concerning charities and other nonprofit organizations, including questions about your tax-exempt status and tax liability, to the IRS Tax Exempt and Government Entities Customer Account Services at (877) 829-5500 (toll-free number) or write to the IRS at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

### **Helpful Links**

A Guide for Organizing Not-For-Profit Corporations from the Secretary of State's Office  
[http://www.cyberdriveillinois.com/publications/pdf\\_publications/c165.pdf](http://www.cyberdriveillinois.com/publications/pdf_publications/c165.pdf)

Illinois Nonprofit Principles and Best Practices from Forefront  
<https://myforefront.org/sites/default/files/files/pages/Purple%20Book%20PDF.PDF>



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