



Tax Exempt Status

Florida Library Association

&

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What Does Tax Exempt Really Mean?

- Generally, no payment of federal or state *income* tax.
- Generally, no payment of *some* other taxes.
- Generally, provides an opportunity for donors to deduct the value of their donation.
 - Watch the presentation on fundraising & charitable donations for details on deductions

Note: *Generally* means there are exceptions

Tax Exempt Status Begins With a Non-Profit Corporation

Review the Non-Profit Basics Topic

Steps for Tax Exempt Status

- These steps must be taken in this order
 1. Begin by forming a state non-profit corporation
 2. Then apply to the IRS for tax exempt status
 3. With the federal exemption, apply to Florida for a Consumer's Certificate of Exemption

1. Forming a Non-Profit Corporation In Florida

- Consult an attorney
- Florida Secretary of State website
<http://ccfcorp.dos.state.fl.us>
 - Forms Fees
 - Help
- Forming a non-profit in Florida
<http://www.citmedialaw.org/legal-guide/florida/forming-nonprofit-corporation-florida>



2. Federal Tax Exemption 501(c)3

- Must be Organized (done at the state level)
 - Corporation
 - Foundation
 - Association
- Must be operated for exempt purposes
 - Charitable
 - Religious
 - Educational
 - Scientific
 - literary
- Action Organizations NOT eligible
- Must have dissolution provisions



Federal Forms & Fees

- Form Information

<http://www.irs.gov/charities/article/0,,id=96109,00.html>

- Form

<http://www.irs.gov/pub/irs-pdf/f1023.pdf>

- Fees

<http://www.irs.gov/charities/article/0,,id=139504,00.html>

3. Florida Tax Exemption

- Consumer's Certificate of Exemption
 - Must be 501(c)3
 - Apply to the Florida Department of Revenue
<http://dor.myflorida.com/dor/forms/2003/dr5.pdf>



We're Tax Exempt

What are Our Tax Responsibilities?

- Employment Taxes - compensated employees
 - Income
 - Social Security
 - Medicare
 - Other employment expenses
 - (See Non-Profit Employees & Volunteers topic for more details)

Florida Taxes

- Taxable corporate income exempt IF exempt for federal tax (501(c)3 status)
- Property Tax - exempt if owned by exempt entity & used exclusively for exempt purposes
 - Exclusively = solely
 - Predominantly = more than 50% & taxed pro rata
- Not exempt
 - Municipal utility tax
 - Liquor tax

Florida Sales Tax for Purchases

- Must have Florida Consumer's Certificate of Exemption
- Applies to purchases made to carry out the non-profit's customary activities
 - Must be made using non-profit funds
 - Cannot use personal funds with reimbursement
- Does not apply to anything that will be resold

Florida Tax for Sales

- Occasional Sales may be tax exempt if
 - Organization NOT a regular dealer
 - No more than 2 sales in any 12 month period
 - Taxes are paid on anything purchased for resale
 - Sales not conducted on commercial property where other businesses are making similar sales
 - Sale does not involve an aircraft, boat, mobile home, motor vehicle or other licensed vehicle

Florida Use Tax

- Applies to items purchased outside Florida which are brought or delivered into this state and would have been taxed if purchased in Florida.
- The use tax rate is the same as the sales tax rate, 6%.
- **Examples include:**
 - Purchases made through the Internet.
 - Mail-order catalog purchases.
 - Purchases made in another country.
 - Furniture purchased from dealers located in another state.
 - Computer equipment ordered from out-of-state vendors advertising in magazines.

Exempt Florida Use Tax for Purchases

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“Related” Non-Profit Income

- Non-profit income is related or unrelated
- Income related to its mission
 - With 501(c)3 status tax exempt at federal & state level
- All income
 - Can be used for operating costs
 - Can be used for employee salaries
 - Can be donated to other tax exempt organizations
 - Cannot be used to pay officers or members of the non-profit organization

“Unrelated” Non-Profit Income

- Non-profit income is related or unrelated
- Unrelated business income
 - Even with 501(c)3 status is probably taxable at federal & state level
 - Determined case by case
 - First \$1,000 not subject to tax
 - If taxed at the federal level then taxed at the state level

Restrictions on 501(c)3 Corporations

- Public or charitable mission
- Income must go to the non-profit entity
 - Must expend more than 50% of income to support mission
 - Be careful of amount spent on overhead
- May not engage in political campaigning
- Some non-partisan lobbying activities may be allowed
 - Education
 - Public forums
 - Voter registration without bias
 - Lobbying time & money must be limited

Reminders

- Employee Identification Number (EIN)

<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>

- Register as a non-profit organization in Florida

<http://dor.myflorida.com/dor/businesses/nonprofit.html>



Other Topics in this Series

- Non-Profit Basics
- ~~Tax Exempt Status~~
- Donations & Fundraising
- Non-Profit Board Members & Officers
- Non-Profit Employees & Volunteers
- Non-Profit Risk Management
- Non-Profit Income & Records
- Useful Non-Profit Resources



Remember



This presentation provides
information, not legal advice.

Always consult an attorney for legal advice.