

Nonprofit and Tax Exempt Status

Recognition as a Tax-Exempt Corporation in Ohio

To become recognized as a tax-exempt corporation (or “nonprofit” corporation) in Ohio, the organization must take multiple steps through several state agencies. The [Secretary of State](#) is responsible for all corporation filings in the state, including tax-exempt corporations. The [Attorney General](#)’s office regulates “charities.” [The Department of Taxation](#) provides exemption from state taxes. (These requirements are separate from [federal charity and tax-exempt status requirements](#), which are discussed in another section).

Filing as a Nonprofit Corporation

To be recognized as a nonprofit corporation in Ohio, an entity must [file Articles of Incorporation](#) with the Ohio Secretary of State. These articles must include the following:

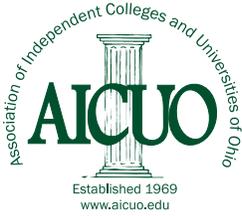
- Name of the corporation
- Location of the principal in-state office
- Purpose(s) of the corporation
- The articles may also include:
 - Initial directors
 - Initial members
 - Membership qualifications and classification



In addition to the required Articles of Incorporation, the organization may also adopt regulations for the governance of the corporation and the management of the organization’s affairs.

[Filing as a nonprofit corporation](#) in Ohio may exempt an organization from state and federal income taxes. However, the corporation still must pay certain other taxes, including applicable labor and employment taxes. For example, nonprofits are still responsible for payroll taxes, including federal and state withholdings for items such as Social Security and any applicable municipal income tax. Generally, nonprofit corporations are subject to the same employment regulations as for-profit corporations. These include worker’s compensation, unemployment compensation, the employee retirement income security act (ERISA), and the rules of the Ohio Civil Rights Commission.

The requirements for conducting the business as a nonprofit corporation in Ohio are also generally the same as the requirements for conducting the business of a for-profit corporation. This means that nonprofit directors are required to meet certain standards regarding [authority of directors](#), [conflicts of interest](#), and [meeting notification rules](#). In Ohio, [quorum](#) for a voting



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meeting of the directors is established by statute as a simple majority of the directors. Any of these requirements can be modified by the organization's articles of incorporation or by-laws.

Registration as a Charity in Ohio

Any 501(c)(3) corporation that [seeks to solicit charitable contributions](#) from Ohioans must register and submit financial reports with the state's Attorney General's office each year under the state's consumer protection laws. These annual reports are due on the 15th day of the fifth month following the end of the entity's fiscal year. The Attorney General's office is authorized by code to charge fees for this registration based on the amount of contributions the organization received.

The initial filing of an organization must include:

- A current copy of the organizational documents such as article of incorporation charter, or trust documents
- Organizational bylaws
- Proof that the organization is legally established and a copy of its federal tax exemption determination letter

Any amendments to these documents should be filed with the charity's annual report.

The annual filing can be made online and must include the following:

- Name of the organization
- Purpose of the organization
- Any additional names under which it will be soliciting donations
- Contact information for the organization's principal place of business in Ohio
- Names and addresses of directors, trustees and executive personnel
- Annual fiscal report of the organization as required under [1716.04](#) including:
 - A balance sheet
 - Statement of support, revenue, expenses and changes in fund balances
 - The names and addresses of the charitable organizations, fund-raising counsel, professional solicitors, and commercial co-venturers used, if any, and the amounts of money received from each of them
 - A statement of functional expenses to include, but not limited to, program, management and general, and fundraising
- Last day of the organization's fiscal year



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- Statement of whether the charity is registered in another state
- Statement of whether the charity has had its charity status suspended or revoked by another state
- Statement regarding whether the charity will solicit directly or use another charitable organization, fund-raising counsel, fundraising professionals or commercial co-venturers
 - If using any of the above groups to assist with soliciting, the organization must also provide contact information for those groups as well as information about payment arrangements with those groups, including salaries and bonuses.
- Charitable purpose for which the contributions solicited will be used
- Contact information for the persons within the charity who have final responsibility for the custody of the contributions
- Contact information for the person within the charity with responsibility for final distribution of the contributions
- Time period for solicitation and the counties in which the solicitation is planned to be conducted
- Activities scheduled to be carried on for the purpose of solicitation

State Tax-Exempt Status

Organizations operating in Ohio as a charity or as a church are exempt from paying certain state taxes. These include:

- [State sales tax](#)
 - Private colleges do not have to pay state sales tax but they may be required to collect state sales tax in situations where they are acting as the vendor – such as in campus bookstores
 - An exemption to the requirement to charge and collect sales tax is when food is sold to students in a dormitory, cafeteria, fraternity, or sorority
- [Personal property tax](#)
- [Commercial Activity Tax](#) (known colloquially as CAT, Ohio's business income tax)

Federal Tax-Exempt and Charity Status

A nonprofit corporation needs to gain both state and federal recognition in order to maximize the benefits of this status. As with Ohio law, federal law acknowledges that a nonprofit corporation is not necessarily a charity, but all charities are nonprofit corporations. A nonprofit corporation simply means that there is no distribution of profits to members. A charitable



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purpose means to have a function to promote the general welfare that does not violate public policy.

Tax Exempt Status

For purposes of the federal government, nonprofit organizations are entities governed by IRS [section 501](#). Under federal law, these entities are referred to as ‘tax-exempt,’ not ‘nonprofit’ corporations. Section 501 governs all organizations (nonprofit corporations, unincorporated associations and trusts) that are not subject to federal income tax. To gain recognition under federal law as a nonprofit, an entity must form as a corporation under the laws of the state in which it is operating and then file an [exemption application](#) with the Internal Revenue Service.

Charity Status

To the IRS, charities are nonprofit corporations formed under section 501(c)(3). These are defined as entities that are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literacy or educational purposes. To gain this status, it must be requested when filing for tax exemption recognition with the IRS (see above).

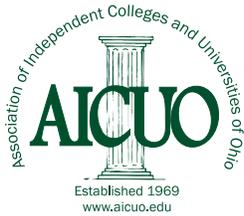
The most important benefit of being a charity is deductibility of contributions. If a nonprofit is recognized as a charity, contributions to charities are generally deductible by individuals and corporations for income tax purposes.

In addition to the disclosure (see below) and mission requirements, charities must also not violate “fundamental national public policy.” Currently, this means only racial discrimination. In *Bob Jones University vs. United States*, 461 U.S. 574 (1983), the Court upheld the IRS’s decision to revoke the charity status of Bob Jones University on the basis that the institution discriminated on the basis of race.

Form 990

Form 990 is the IRS’s primary method for obtaining information about the tax-exempt sector. Whether an exempt entity must [file](#) a 990-EZ or a traditional 990 is determined by the organization’s gross receipts. Private colleges and universities should assume that they are required to file the full Form 990. Failure to file this form can result in the revocation of the organization’s tax-exempt or charity status.

Unrelated Business Income Tax



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Engaging in commercial activity may not jeopardize an organization's tax-exempt status, but it may mean that the organization is subject to [unrelated business income tax](#) (UBIT). Three conditions must be met for the activity to be classified as unrelated:

- The activity must be a trade or business
- It must be regularly carried out
- It must not be substantially related to an organization's exempt purpose

Specifically [excluded](#) from UBIT is any trade or business operated for the convenience of institutions, such as a school cafeteria. If income is deemed subject to UBIT, the tax-exempt organization must pay tax on that income (and only that income) at the prevailing corporate rate.

References:

[Ohio Secretary of State Nonprofit Organization Information](#)

[Guide to Nonprofit Organizations in Ohio](#)

[Ohio UCC](#)

[Attorney General's Charity Homepage](#)

Ohio Revised Code Sections:

[ORC §1702-04](#) – Articles of Incorporation

[ORC §1701.12](#) – Authority of Nonprofit Corporations

[ORC §1716.02](#) – Charities Soliciting Contributions from Ohioans Must Register

[ORC §1716.04](#) – Annual Reporting of Charities to the Attorney General

[ORC §5739.02](#) – Exemptions to State Sales Tax

[ORC §5709.12](#) – Exemption from Property Tax

[ORC §5751.01](#) – Definitions of Exclusions to CAT Tax

[IRS Tax Information for Charities and Nonprofits](#)

[IRS Guide to 501\(c\)\(3\) Public Charities](#)

[Tax Exempt Organization FAQ](#)

[Annual Reporting Requirements FAQ](#)

[Bob Jones University v. U.S., 461 U.S. 574 \(1983\)](#)

[990 Forms and Instructions](#)

United States Code Sections

[26 USC 501](#) – Exemption from taxes on corporations