

**Report to Texas Federation of Republican Women
Board of Directors
Regarding the formation of a 501(c) (3) Organization
for the purpose of Awarding Scholarships**

(NOTHING CONTAINED IN THIS REPORT SHOULD BE CONSTRUED BY THE READER TO BE LEGAL
ADVICE; THE CONTENTS OF THIS REPORT ARE FOR INFORMATION AND DISCUSSION ONLY)

From researching the initial set-up of a 501(c) (3) organization, I believe the following information should be kept in mind:

1. Consult with the IRS regarding what should be included in the nonprofit corporation's articles of incorporation in order for the corporation to be exempt from taxes. There are several publications and online information available to assist the organizer.
2. File a Certificate of Formation with the Texas Secretary of State to form the entity. Forms are available on the Secretary of State's website (see attached), and there are filing fees involved. The nonprofit corporation must also apply to the State of Texas for tax-exempt status, usually once the entity receives its federal tax exemption. Texas tax-exempt status is determined by the Texas Comptroller of Public Accounts.
3. A registered agent must be named for receiving service of process or official notices; the address of the registered agent must be a physical address – not a P.O. Box.
4. The nonprofit corporation should obtain an EIN from the IRS (Form SS-4) – this can be accomplished online. An EIN should be obtained, even if the organization has no employees.
5. The Texas Non-Profit Corporation Act and the Texas Business Organizations Code require a nonprofit corporation to have at least three directors, one president, and one secretary; the same person cannot be both the president and the secretary, and all officers and directors must be natural persons.
6. There are certain activities which could cause a nonprofit corporation to lose its tax-exempt status with the IRS. These include political and lobbying activities, which are very restricted.
7. Nonprofit corporations have many record-keeping and filing requirements – both state and federal. These include, but are not limited to, making records available to the public for inspection and giving receipts to donors. If the organization has employees, employment taxes must be paid. It would be wise to have a CPA available to advise on reporting requirements.

Attached are several pages of information from the IRS, the Secretary of State (Texas), and the Texas Attorney General's office. In this information are several links to websites and other information helpful in the organization of a 501(c) (3) nonprofit corporation.

It is my recommendation that if TFRW elects to pursue establishing a nonprofit corporation for the purpose of awarding scholarships, then at least three to five members of the board of directors should be selected to serve on a committee to establish such a nonprofit organization. The only costs involved should be the filing fees to form the entity with the State of Texas. There could also be some incidental costs, such as postage and copying expenses.

Respectfully submitted,
Julia Morton, Researcher