



# Nonprofit Legal Services Initiative



## Protecting Your Nonprofit's Tax-Exempt Status

This checklist summarizes best practices and legal requirements to help ensure your nonprofit organization remains in compliance with IRS rules and federal/state policies, protecting your 501(c)(3) tax-exempt status. Based on guidance from the National Council of Nonprofits, IRS, and related authorities.

### 1. IRS Tax-Exemption Rules

- ☐ Ensure your organization is not operated for private interests.
- ☐ Limit legislative influence — no “substantial part” of activities should seek to influence legislation.
- ☐ Completely avoid political campaign activity (per Johnson Amendment).
- ☐ Avoid illegal activities or those that violate public policy.

### 2. Annual Federal Filings

- ☐ File Form 990, 990-EZ, or 990-N by the 15th day of the 5th month after fiscal year-end.
- ☐ Understand filing thresholds for Form 990 variants.
- ☐ Avoid automatic revocation by filing annually for three consecutive years.

### 3. State & Local Compliance

- ☐ Register and file annually with Minnesota Secretary of State and Minnesota Attorney General.
- ☐ Complete charitable solicitation filings.
- ☐ Maintain necessary business licenses and tax exemptions.
- ☐ Register for unemployment insurance if employing staff.

### 4. Governance & Internal Policies

- ☐ Adopt and review bylaws, conflict of interest, whistleblower, and retention policies.
- ☐ Hold regular board meetings with documented minutes.
- ☐ Implement audit procedures where required by law.

### 5. Records & Accountability

- ☐ Maintain three years of tax filings, IRS letters, and financial statements.
- ☐ Document donations, grants, W-9s, and 1099s.
- ☐ Track all financial transactions and agreements.

### 6. Lobbying vs. Advocacy Compliance

- ☐ Avoid political campaign activity per the Johnson Amendment.
- ☐ Consider electing 501(h) status for clear lobbying expenditure limits.
- ☐ Ensure advocacy stays nonpartisan and issue-based.

## 7. IRS Determination Letter & Public Transparency

- \_\_\_ Make the IRS determination letter publicly available.
- \_\_\_ Share past three years of Form 990 filings, as required.

## 8. Unrelated Business Income

- \_\_\_ If applicable, report unrelated business income via Form 990-T and pay required taxes.

### Sources

- National Council of Nonprofits: [www.councilofnonprofits.org/running-nonprofit/governance-leadership/protect-your-nonprofits-tax-exempt-status](http://www.councilofnonprofits.org/running-nonprofit/governance-leadership/protect-your-nonprofits-tax-exempt-status)
- IRS Charities and Nonprofits: [www.irs.gov/charities-non-profits](http://www.irs.gov/charities-non-profits)
- IRS Publication 557 – Tax-Exempt Status for Your Organization
- IRS Form 990 Overview: [www.irs.gov/forms-pubs/about-form-990](http://www.irs.gov/forms-pubs/about-form-990)
- IRS Political Campaign Intervention Rules: [www.irs.gov/charities-non-profits/charitable-organizations/the-restriction-of-political-campaign-intervention-by-section-501c3-tax-exempt-organizations](http://www.irs.gov/charities-non-profits/charitable-organizations/the-restriction-of-political-campaign-intervention-by-section-501c3-tax-exempt-organizations)

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