Types of 501(c) Organizations

Federal income tax exemption is defined by the Internal Revenue Service (IRS) under Internal Revenue Code (IRC) 501(c). Most nonprofits fall under 501(c)(3).

Every 501(c)(3) organization is categorized by the IRS as a "private foundation" or "public charity" by an IRC § 509(a) ruling. When you apply for 501(c)(3) using IRS Form 1023, the IRS will send back a determination letter and 509(a) ruling.

501(c) Tax Exemptions

501(c)(3)

Charitable, religious, and educational organizations

501(c)(4)

Civic leagues and social welfare organizations

501(c)(5)

Labor/agricultural/ horticultural organizations

501(c)(6)

Business and professional leagues

501(c)(7)

Social and recreational

501(c)(8)

Fraternal beneficiary societies

501(c)(19)

Veterans organizations

Private Foundations

Private Nonoperating Foundations

Does not directly operate charitable services or activities.

Private Operating Foundation

Income or assets are substantially used for operations that directly benefit the public, rather than fgrant-making.

To be considered a "public charity", the organization must meet a 509(a) exception.

Public Charities

509(a)(1)

Organizations engaged in inherently public activities

- IRC § 170(b)(1)(A)(i) Churches
- IRC § 170(b)(1)(A)(ii) Schools
- IRC § 170(b)(1)(A)(iii) Hospitals
- IRC § 170(b)(1)(A)(iv) Endowment for a college/university
- IRC § 170(b)(1)(A)(v) Governmental entities
- IRC § 170(b)(1)(A()vi) Publicly supported charities (Most popular type of organization, e.g. United Way)

509(a)(2)

Publicly supported organizations:

- More than onethird of support from gifts, grants, contributions, membership fees, and certain gross receipts
- Not more than onethird from gross investment income and net unrelated business taxable income.

509(a)(3)

Supporting organizations that, in general, support organizations described in IRC § 509(a)(1) or (2), although they themselves are not publicly supported.

509(a)(4)

Organizations that are organized and operated for the purpose of testing products for public safety.

