**State and Regional IPSE Alliances and 501(c) (6) Status:**

**What it is and How to Apply**

State and regional IPSE alliances should consider applying for 501(c)(6) non-profit status. Non-profit organizations focus on improving the quality of life for others at the all levels – community state, regional, national, and international (upcounsel). The Internal Revenue Service (IRS) defines a 501(c)(6) organization as a business league which is an association of individuals with a common interest for the purpose of promoting the common interest not carried on for profit. Professional organizations are considered a business league. To receive 501(c)(6) status requires the organization’s activities to be devoted to improving the organization; it does not provide particular services for individuals. The IRS also requires organizations with this status to receive meaningful membership support.

Many non-profit organizations secure a 501(c)(3) status. The primary difference between a 501(c)(3) and a 501(c)(6) is that organizations with a 501(c)(6) designation have unlimited lobbying opportunities whereas 501(c)(3) organizations are allowed only limited lobbying practices.

**Requirements for 501(c)(6) Status**

To meet the requirements of a 501(c)(6) organization state and regional IPSE alliances must apply to the IRS for that status.

In order to be eligible for 501(c)(6) an organization include the following characteristics (Ensor, 2022):

1. must be an association of persons having some common business;
2. must be a membership organization and have a meaningful extent of membership support;
3. must not be organized for profit;
4. No part of its net earnings may inure to the benefit of any private shareholder or individual;
5. its activities must be directed to the improvement of business conditions of one or more lines of business;
6. Its primary activity does not consist of performing particular services for individual persons; and
7. Its purpose must not be to engage in a regular business of a kind ordinarily carried on for profit, even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustainable/

In general a 501(c)(6) organization is a membership organization supported by membership dues. While such an organization may receive a substantial portion or even the primary part of its income from non-member sources, membership support, both in the form of dues and involvement in the organization's activities, must be at a meaningful level (Reilly, Hull, & Allen, 2003).

**Steps to Secure 501(c)(6) approval**

The following steps must be taken for a state or regional IPSE alliance to secure a 501(c)(6) status:

1. Secure an employee identification number (EIN).
2. Register for an account on Pay.gov (all applications for 501(c)(6) status must be submitted through this website).
3. Complete IRS Form 1024 (Enter “1024) in the google search box and select Form 1024)
4. Submit Form 1024 through Pay.gov with Form
5. The law requires payment of a user fee with each application which is submitted using Form 8718 and is generally $600.

**Form 1024**

Information used to complete Form 1024 enables the IRS to determine if an organization meets the requirements to receive a 501(c)(6) designation. All questions must be answered completely unless the answer is the same as a previous question when you may simply refer to that previous answer.

Your answers must provide sufficient detail about your past, present, and planned activities to demonstrate that you're described in the subsection of 501(c)(6) under which you are seeking recognition of exemption. In order to to be approved as a 501(c)(6) organization the IRS must be able to understand the activities and mission of your organization and specific activities that will result in accomplishing your mission.

One section of the application requires the organization’s financial information. Make sure that information in the budget is consistent with other information presented in your application. This financial data should be based on current plans, although future activities may vary somewhat.

Many items on Form 1024 are written in the present tense; however, answers on to questions should be based on past, present, and planned activities.

Generally, if you didn't file Form 1024 within**27 months** of formation, the effective date of your exempt status will be the date you filed Form 1024 (submission date).

**Submission Fee**

Organizations must pay a submission fee with Form 1024. In the past this has been $600. The fee must be paid through [Pay.gov](http://www.pay.gov/public/home) when you file Form 1024.

Payments can be made directly from your bank account or by credit or debit card. Form 1024 cannot be submitted without the correct fee.

User fee amounts are listed in Rev. Proc. 2022-5, updated annually. For the current Form 1024 user fee, go to [IRS.gov/Charities-Non-Profits/User-Fees-for-Tax-Exempt-and-Government-Entities-Division](http://core.publish.no.irs.gov/irb/pdf/wb202101.pdf#page=252). You can also call 877-829-5500.

 A complete application may include one or more documents in addition to Form 1024. [Pay.gov](http://www.pay.gov/public/home) can accommodate only one uploaded file meaning that all forms should be consolidated into a single PDF file. Combine your attachments in the following order.

* Form 1024
* Organizing Documents and any amendments articles of incorporation, constitution, etc.
* Bylaws or other rules of operation and amendments (if adopted).
* Form 2848, Power of Attorney and Declaration of Representative (if applicable).
* Form 8821, Tax Information Authorization (if applicable).
* Expedited handling request (if applicable)

Applications are reviewed in the order they are received; however, an expedited request may be submitted if the organization needs action on the application sooner.

**Form 1024 Sections**

Part I – Identification of Applicant

Complete name of organization as appears in organizing document(s)

Complete Address for all correspondence

Employee Identification Number

Month tax year ends

Contact person (name and title) for organization

Contact information for contact person

Officers, directors, and trustees

Part II – Organizational Structure

Type of organization

Formation date

State of formation

Bylaws

III – Activities

Complete and detailed description of past, present, and planned activities

 Each activity must include (1) what the activity is, (2) who conducts the activity, (3) percentage of time of the organization on the activity; (4) how activity is funded; (5) how the activity furthers the exempt status

National Taxonomy of Exempt Entities (NTEE) code

B01 Alliances and advocacy (education)

03 – Professional societies and associations

Description of any money or time spent on influencing selection or election of any state, federal, or local public office

IV - Compensation and Other Financial Arrangements

Yes/No: Compensation to officers, trustees, employees, members or independent contractors

V- Financial Data

Statement of Revenue and Expenses for 3 years including current year

Balance sheet – complete balance sheet for most recently completed tax year

VI – Reinstatement After Automatic Revocation

Information if exempt was automatically revoked

VII – Annual Filing Requirements

Indicate annual filing requirements (Form 990 or 990-EZ)

VIII – Signature

An officer, director, trustee, or other official who is authorized to sign for the organization must digitally sign Form 1024 at the end of Part VIII. The signature must be accompanied by the title or authority of the signer and the date.

Upload checklist and submit through Pay.gov.

For any assistance in submitting your 501 (c)(6) request, contact:

 Kristen Johnson, SEPSEA Chair krjohnson@astate.edu

 Lisa Pluff, SEPSEA Vice Chair for Finance ljpluff@uncg.edu

 Tom Smith, SEPSEA Executive Director tecsmith@uark.edu

**References and Resources**

Ensor, K. (2022). How to stare a 501(c)(6) organization (Complete guide). [How to Start a 501c6 Organization [The Complete Guide] (donorbox.org)](https://donorbox.org/nonprofit-blog/start-a-501c6#:~:text=A%20501c%20%286%29%20nonprofit%20organization%20is%20an%20association,themselves%20or%20their%20board%20members%20like%20other%20nonprofits.)

Instructions for completing Form 1024 can be found at [Instructions for Form 1024 (01/2022) | Internal Revenue Service (irs.gov)](https://www.irs.gov/instructions/i1024)

Reilly, J.F., Hull, C.C., BAB Allen, BAB). IRC 501(c)(6) Organizations. Exempt Organizations-Technical Instructional Program for FY 2003. [IRC 501(C)(6) Organizations (irs.gov)](https://www.irs.gov/pub/irs-tege/eotopick03.pdf)

Upcounsel. What is the purpose of nonprofit organizations? [What Is the Purpose of Nonprofit Organizations? (upcounsel.com)](https://www.upcounsel.com/purpose-of-nonprofit-organizations#:~:text=The%20purpose%20of%20nonprofit%20organizations%20is%20generally%20to,gain%20but%20to%20the%20advancement%20of%20public%20interest.)