



Five Great Reasons to Incorporate

By Carol Topp, CPA

Does a homeschool organization need to be a nonprofit corporation? Here's a short quiz to see if incorporating in your state as a nonprofit corporation would be beneficial for your homeschool group.

1. Do you wish to legally and financially **protect your leadership**?

Yes. Incorporate as a nonprofit to offer your leaders limited liability protection. Any damages from a lawsuit will be limited to the assets of the corporation. A nonprofit can be sued, but your members and directors can be protected from having their personal assets affected.

2. Do you wish the organization to **last beyond the current leadership**?

Yes. Incorporate so your organization has a legal identity of its own. It will exist even after the current leadership leaves.

3. Do you wish to **hire employees** or **purchase property** or equipment?

Yes. Incorporate so the organization, not individuals, pays employees or owns the property. Also, nonprofits may be exempt from paying property taxes on real estate and other property. Contact your county assessor's office for more information on property tax exemption.

4. Do you have **donors who want a tax exemption** for their donations?

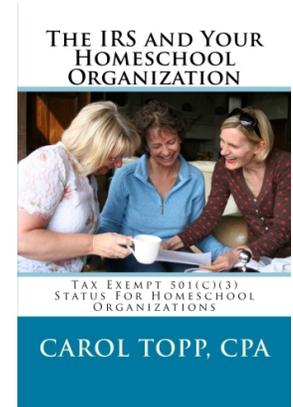
Yes. Incorporate with your state as a nonprofit and then pursue the 501(c)(3) charitable status with the IRS (called "tax exempt status" by the IRS). Almost all 501(c)(3) organizations are nonprofit corporations, not unincorporated associations. While it is possible for an unincorporated association to be granted 501(c)(3) tax exempt status, they would need to reapply for tax exempt status with the IRS if the organization later wished to incorporate.

5. Do you expect to **receive private or public grant money**?

Your group is not likely to qualify for public and private grants without 501(c)(3) "qualified charity" status. Incorporate with your state as a nonprofit organization and then pursue the 501(c)(3) charitable status with the IRS

My book *The IRS and Your Homeschool Organization* covers nonprofit incorporation and tax exempt status with the IRS in more detail.

Order a copy at <http://homeschoolcpa.com/bookstore/501c3-tax-exempt-status/>



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