



**COOPERATIVE
EXTENSION**

Community and Economic **DEVELOPMENT**

Introduction

A nonprofit organization, often referred to simply as a nonprofit or NPO, is a type of entity that operates for purposes other than generating profit for its owners. Instead, nonprofits are dedicated to serving the public interest or furthering a particular social cause. These organizations can take various forms, including charities, educational institutions, religious organizations, advocacy groups, and more.

Here are key characteristics of nonprofit organizations:

MISSION-DRIVEN

Nonprofits are driven by a mission to address specific social, environmental, educational, or cultural needs. Their primary goal is to make a positive impact on society rather than maximizing profits.

GOVERNED BY BOARDS

Nonprofits are governed by boards of directors or trustees, who are responsible for overseeing the organization's activities, ensuring compliance with laws and regulations, and safeguarding its mission and assets.

PUBLIC ACCOUNTABILITY

Nonprofits are accountable to the public, their donors, and regulatory authorities. They are required to maintain transparency in their operations, financial reporting, and use of funds.

TAX-EXEMPT STATUS

Nonprofits typically qualify for tax-exempt status under Section 501(c) of the Internal Revenue Code in the United States. This status exempts them from paying federal income tax on the donations they receive and allows donors to receive tax deductions for their contributions.

LIMITED PROFIT DISTRIBUTION

Unlike for-profit businesses, which distribute profits to owners or shareholders, nonprofits are restricted in their ability to distribute profits. Instead, any surplus funds must be reinvested into the organization to further its mission.

Now, why are nonprofits used instead of other business types?

MISSION ALIGNMENT

Nonprofits are chosen when the primary goal is to address a social or community need rather than generate profits for individuals or shareholders. They are well-suited for organizations focused on charitable, educational, religious, or humanitarian purposes.

ACCESS TO FUNDING

Nonprofits have access to various sources of funding, including donations, grants, and government contracts. Many foundations, corporations, and individuals prefer to support nonprofit organizations as part of their philanthropic efforts.

LEGAL STRUCTURE

Nonprofit status provides a legal framework that prioritizes the organization's mission over profit-making. This structure helps ensure that resources are used to benefit the community rather than private interests.

TAX BENEFITS

Nonprofits enjoy tax-exempt status, which can significantly reduce their operating costs and attract donors who seek tax deductions for their contributions. This tax advantage allows nonprofits to allocate more resources toward achieving their mission.

COMMUNITY ENGAGEMENT

Nonprofits often foster community engagement and collaboration, bringing together individuals, businesses, and government agencies to address shared concerns and improve society's well-being.

ASPECT	NON-PROFIT ORGANIZATION	SOLE PROPRIETORSHIP	PARTNERSHIP	CORPORATION	COOPERATIVE
PURPOSE	Serve a public or social mission; not for personal gain	Generate profits for owner	Generate profits for owner	Maximize shareholder wealth	Serve members' needs
TAX STATUS	Typically, tax-exempt under section 501(c) 3	Personal Income taxed	Income taxed at partners' individual tax rates	Corporate income taxed	Income taxed at cooperative tax rates
LIABILITY	Limited liability for directors and officers	Unlimited personal liability	Unlimited personal liability	Limited liability for shareholders	Limited liability for members
OWNERSHIP	No owners; Governed by a board of directors or trustees	Owned and managed by one individual	Owned and managed by two or more individuals	Owned by shareholders (who may elect a board of directors)	Owned and managed by members
PROFIT DISTRIBUTION	Surplus funds reinvested into organization	Owner keeps all profits	Partners divide profits between themselves	Profits distributed to shareholders as dividends	Profits distributed to members as dividends
GOVERNANCE STRUCTURE	Governed by a board of directors or trustees	Decisions made by the sole proprietor	Decisions made jointly by partners	Governed by a board of directors and officers	Governed by democratic process by members
FUNDING SOURCES	Relies on donations, grants, and fundraising events	Relies on revenue from sales and services	Relies on revenue from sales and services	Relies on revenue from sales, investors, and investments	Relies on revenue from sales and membership fees

Starting a nonprofit organization in Louisiana involves several steps, from selecting a name to obtaining tax-exempt status. Here's a detailed guide to help you navigate the process:



STEP 1: Research and Planning

Define Your Mission and Goals: Clearly outline the purpose and objectives of your nonprofit. Consider conducting a needs assessment to identify the community's needs your organization will address.

Conduct a Name Search: Ensure your chosen name is unique and not already in use by another organization in Louisiana. You can search for existing business names through the Louisiana Secretary of State's website: Louisiana Business Filings Search.

Board of Directors: Recruit individuals who share your passion and vision for the cause. Your board will play a crucial role in governing the organization.

STEP 2: Legal Requirements

Incorporation: File Articles of Incorporation with the Louisiana Secretary of State. You can file online through the Louisiana Secretary of State's website or by mail. For detailed instructions and forms, visit the Louisiana Secretary of State's website: Louisiana Nonprofit Articles of Incorporation.

Obtain an EIN: Apply for an Employer Identification Number (EIN) from the IRS. This unique identifier is necessary for tax purposes and can be obtained for free on the IRS website: Apply for an EIN.

State Tax Exemption: Determine if your nonprofit qualifies for state tax exemption. Contact the Louisiana Department of Revenue for guidance on obtaining state tax-exempt status: Louisiana Department of Revenue.

STEP 3: Create Bylaws and Policies

Bylaws: Draft bylaws outlining the organization's structure, governance, and operating procedures. Ensure compliance with Louisiana laws and include provisions for board meetings, officer roles, and decision-making processes.

Conflict of Interest Policy: Develop a conflict of interest policy to guide board members and staff in disclosing and addressing potential conflicts.

STEP 4: Apply for Federal Tax-Exempt Status

501(c)(3) Status: To receive federal tax-exempt status, file Form 1023 (Application for Recognition of Exemption) or Form 1023-EZ (Streamlined Application for Recognition of Exemption) with the IRS. Detailed instructions and forms are available on the IRS website: IRS Tax Exempt Organization.

State Tax Exemption: Once you receive federal tax-exempt status, you may be eligible for state tax exemption. Check with the Louisiana Department of Revenue for any additional requirements.

STEP 5: Register for Charitable Solicitation

Charitable Solicitation Registration: If your nonprofit plans to solicit donations in Louisiana, you may need to register with the Louisiana Secretary of State's office or the Attorney General's office. Requirements vary depending on the organization's activities. Visit the Louisiana Secretary of State's website for more information: Louisiana Charitable Registration.

Annual Reporting: Ensure compliance with ongoing reporting and filing requirements, including annual reports, tax filings, and any other regulatory obligations.

Additional Resources:

- Louisiana Secretary of State: Louisiana Secretary of State's Office
- Louisiana Department of Revenue: Louisiana Department of Revenue
- IRS Tax Exempt Organizations: IRS Tax Exempt Organization
- Louisiana Nonprofit Resources: Louisiana Association of Nonprofit Organizations (LANO)



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