

CCCIA Ways and Means Report

501(c)(3) Assessment

As a means of providing additional revenue opportunities, the Ways and Means committee has assessed changing from IRS 501(c)(4) to 501(c)(3) status. A summary of pros/cons are provided below

Pros of the 501(c)(3) Status	Cons of the 501(c)(3) Status
Useful when applying for grants — some organizations will only give grants to a 501(c)(3)	The process will be time-consuming and require additional work from the Ways and Means Committee
Donations to CCCIA would be tax deductible	CCCIA Articles of Incorporation will require revision
The CCCIA will be exempt from sales tax	The CCCIA by-laws may require revisions
501(c)(3) is easily recognizable by the public. Most people have heard of “501(c)(3),” even if they don’t really know what it means	The IRS charges a “user fee” for filing for tax-exempt status. Currently the fee is \$275 for organizations who are eligible to file form 2023-EZ.
The CCCIA could retain its current structure and would remain a membership organization	It can take many months for the IRS to rule on the application
The CCCIA is eligible to file the shorter, simpler form, the 2023-EZ	Financial rigor from the CCCIA Treasurer is absolutely necessary.
	The application may not be approved

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FAQ's

How does the IRS define a charity or educational organization? Would the CCCIA qualify?

The IRS has defined hundreds of different entities that qualify as charities or educational organizations. These include community coalitions (S21), rural development organizations (S32), and community/neighborhood development, improvement (general) organizations (S20). (Source: [IRS](#)) The CCCIA Ways and Means committee believes that the CCCIA would qualify as a community/neighborhood development organization.

I heard that non-profits are not allowed to make profits. Don't you have to 'give back' all of your profits to the community?

Yes and no. A 501(c)(3) is permitted to make a profit, and it can provide its officers, directors, or employees a "reasonable compensation". Instead of paying out profits to owners, a 501(c)(3) nonprofit is required to use the revenue it generates to improve services consistent with its mission (Source: [Legalzoom](#)) The CCCIA has never, and will never, provide financial compensation to its volunteer board members.

What is the difference between a 501(c)(3) and a 501(c)(4)?

501(c)(4)'s include two types of organizations: social welfare organizations and local associations of employees. Social welfare organizations can include homeowner associations and volunteer fire companies if they fit the exemptions. These organizations can engage in lobbying efforts if the causes coincide with the organization's purpose. (Source: [Nonprofithub](#)). Donations to a 501(c)(3) are entirely deductible as a charitable contribution on the donor's tax return. In contrast, donations made to a 501(c)(4) are generally not deductible. This benefit to 501(c)(3) nonprofits can provide a greater incentive to donors, who otherwise might not contribute.(Source: [legalzoom](#)).

Wouldn't this change the entire mission or essence of the CCCIA?

The CCCIA Ways and Means committee has determined that the structure and membership model of the CCCIA can remain the same. Decision-making, voting, membership, and events would all operate as normal.