LET’S GO LEGAL!
The right road to compliance and protection

In partnership with

Nonprofit Association of Washington

COMMUNITIES RISE

WASHINGTON
Secretary of State
Corporations & Charities Division

Let’s Go Legal! is part of a resource series on nonprofit fundamentals that includes Boards in Gear and Finance Unlocked for Nonprofits. Connect to these resources and more at nonprofitwa.org/learn.
Introduction to Let’s Go Legal!

1. ABOUT THIS GUIDE

Your nonprofit’s mission is important. Let’s Go Legal is here to help you achieve it and stay compliant in the process. This guide will get you started on a road to compliance by thinking of your nonprofit like a car. Just like a car, you need to register your nonprofit and know how to operate the organization. There are state and federal rules of the road to follow. Your nonprofit needs money and resources (fuel) to power the organization. The people in the car matter too, these are your nonprofit’s valuable workers. Lastly, similar to cars, every organization has a unique look and feel as well as special materials that you may want to protect.

Law is complicated and can seem like a maze of rules. Laws exist to protect your organization and show the community that your nonprofit is legitimate. Your organization can take some simple steps to build a strong foundation to achieve its mission. This guide contains basic educational information about nonprofit law, and you should consult an attorney about your nonprofit’s specific circumstances.

At the end of each chapter is a checklist that you can use to examine your organization’s legal and compliance practices. Use the checklist to identify outstanding tasks and keep track of due dates. The Let’s Go Legal guide is just a start. Policy examples and additional resources are included so that you can customize this information to your organization.

Thank you!

Communities Rise
Washington State Office of the Secretary of State, Corporations & Charities Division

All the nonprofits who participate in Let’s Go Legal trainings and use the materials, your feedback helps guide efforts to create exceptional resources about nonprofit fundamentals.

Let’s Go Legal was guided by a team of legal advisors. We greatly appreciate their contribution to these resources. Their contribution should not be viewed as legal advice.

❖ Brenda Tausch Lapora
❖ Jodi Nishioka
❖ Judith Andrews
❖ Nancy Stephens
❖ Taylor Ball
Every organization has a unique look—and maybe some special materials—that need to be protected.

Before you can hit the road, your car needs to be registered. Those driving need to know the rules of the road.

Articles of Incorporation
Bylaws
Fiduciary Duties
Recordkeeping
State Taxes

If you want to move faster between states, you need to drive on a federal road, and more rules apply.

Charitable Purpose and Assets
Private Benefit
Lobbying
Political Campaigns
Public Documentation

Your fuel is money. You need to raise funds to pay for expenses and programs.

Registration and Reporting
Written Acknowledgment
Restricted Gifts
Fundraising Activities

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nonprofitwa.org/learn
2. WHY LEARN ABOUT NONPROFIT LAW?

Organizations have lifecycles, just like any living thing. Organizations are created, then they grow, plateau, and sometimes die. The legal needs of an organization’s board and staff are guided by where that organization is in its lifecycle and what is happening around it.

Even though you are a nonprofit, you are required legally to operate like a corporation. Once a nonprofit becomes official in the eyes of the state, it is a corporation governed by corporate law, and you need to protect that status.

There are three legal jurisdictions you must always consider: local, state, and federal. These materials review Washington State Law and Federal Law rules. Consult your local jurisdiction (city, town, or county) for more information about business licenses and other local requirements.

Nonprofit law is complicated, and only an attorney with knowledge of your specific situation can counsel you. These materials are intended to deepen your understanding of basic nonprofit law and help you know what to ask. These materials are not intended to be legal advice. Please see an attorney for answers to specific questions. Communities Rise provides pro-bono legal services.

3. WHAT LEGAL TERMS SHOULD YOU KNOW?

The first step to engaging with this guide is to have a common understanding of the words used and what the words mean.

A. Person: Director, board member, or trustee?

While there are clear distinctions in the meaning of the words themselves, for the sake of clarity, this guide uses director, board member, or trustee in the context of a nonprofit board interchangeably, or as the same. The term refers to the people on the governance team of an organization.

B. Organization: Nonprofit, charity, or 501(c)(3)?

This guide covers a range of organizations serving the public good. To be clear, let’s review the types of organizations that will be discussed.

- **Nonprofit (or nonprofit corporation):** An organization created for a public benefit without shareholders or a profit motive. CPAs often call these organizations “Not-for-profits” to underscore that their purpose is something other than profit; a profit can be earned and returned into the organization. Nonprofit status is determined under state law. A nonprofit registers with the Washington State Office of the Secretary of State as a corporation, called “incorporation.”

- **Charitable corporation:** A nonprofit may also need to register with the Washington State Office of the Secretary of State as a “Charity” when the organization is asking people for donations to support
its charitable purposes. A nonprofit is required to do so if the organization is either raising at least $50,000 in any accounting year or paying someone to do the work of the organization.

- **Tax-exempt organization:** A nonprofit corporation can apply for and receive tax-exempt status from the Internal Revenue Service (IRS). Organizing as a nonprofit corporation at the state level does not automatically grant the organization exemption from federal income tax. Tax-exempt status exempts a nonprofit from paying federal corporate income tax and allows contributions given to the organization to be tax deductible to the donors. There are many classifications of tax-exempt organizations, under section 501(c)(3) of the Internal Revenue Code. Federal tax law applies to all 501(c)(3) tax-exempt organizations.

- **IRS:** “IRS” stands for the Internal Revenue Service. The IRS is the taxing agency for the United States Federal Government. The IRS is the federal agency that regulates and monitors 501(c)(3) tax-exempt organizations. Section 501(c)(3) of the Internal Revenue Code, is the law that applies to 501(c)(3) tax-exempt organizations.

### 3. HELP FOR NONPROFITS

**Government**

**INTERNAL REVENUE SERVICE**

The IRS is a bureau of the Department of the Treasury with a mission to provide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all. Tax information, tools, and resources for charities and other tax-exempt organizations are available on the IRS website.

- Phone – Nonprofit Taxes: 877-829-5500
- TTY/TDD: 800-829-4059
WASHINGTON STATE OFFICE OF THE SECRETARY OF STATE, CORPORATIONS & CHARITIES DIVISION

The Washington State Office of the Secretary of State, Corporations & Charities Division has information available on nonprofit corporations and charities in Washington, training resources, frequently asked questions, and a live chat option to support your organization.

• Corporations:
  - https://www.sos.wa.gov/corps/
  - Email: corps@sos.wa.gov
  - Phone: 360-725-0377

• Charities:
  - https://www.sos.wa.gov/charities/
  - Email: charities@sos.wa.gov
  - Phone: 360-725-0378, opt 1; 800-332-4483 (WA only)

NONPROFIT ASSOCIATION OF WASHINGTON

Nonprofit Association of Washington (NAWA) convenes a powerful network of nonprofit organizations across Washington State to learn, advocate, and collaborate, so that nonprofits can achieve their missions. NAWA has learning opportunities and resources to help strengthen your nonprofit management practices and build connections with others around the state.

• https://nonprofitwa.org/
• Phone: 855-299-2922
COMMUNITIES RISE

Communities Rise offers legal services, trainings, peer learning, and coaching. Communities Rise works with organizations, small businesses, and communities located in Washington state that have been impacted by systemic oppression to increase capacity and build power as well as community leaders in the broader nonprofit, public, and philanthropic sectors to create systemic change.

- [https://communities-rise.org/](https://communities-rise.org/)
- Phone: 206-324-5850

501 COMMONS

501 Commons provides expertise to nonprofits through 30+ services, including a full range of management consulting, technology consulting, outsourced HR, accounting, IT infrastructure, and database management as well as professional development and board training, free information, and referral services.

- [https://www.501commons.org/](https://www.501commons.org/)
- Phone: 206-682-6704