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**TAX-EXEMPT DESIGNATIONS: 501(c)(3) vs. 501(c)(6)**

One of the very first priorities of a newly-formed nonprofit is to apply for a tax-exempt designation with the IRS. But what designation applies to your organization? And how will that designation affect you? Here is a comparison of the rules and requirements for the two most common types of tax-exempt organizations - 501(c)(3) and 501(c)(6)

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| **501(c)(3)** | **501(c)(6)** |
| Charitable, religious, scientific, educational or literary organizations | An organization that promotes the common business interests of its members |
| Donations to 501(c)(3) are tax-deductible as charitable contributions | Donations to 501(c)(6) are not deductible as charitable contributions (but may be deductible as business expenses) |
| May not engage in political activity | Political activity is permitted as long as it is not the organization’s primary activity |
| May engage in lobbying that is insubstantial in relation to their overall activities | May engage in unlimited lobbying; however, lobbying activity may be subject to tax |
| Assets must be dedicated to charitable purposes | No specific requirements for asset dedication |
| Activities must serve a public purpose | Activities can serve the business interests of the membership |
| Social activities must be insubstantial | Social activities can be substantial but must not be the primary purpose |