



Training Playbook:

Deciding Whether to Launch
a 501(c)(3)

Support Group

Introduction

Nonprofit (not-for-profit) organizations significantly lessen the burden of government to provide services and programs. For this reason, the IRS offers special tax benefits to nonprofits that qualify and complete all legal and fiscal requirements annually.

Nonprofit organizations are often called 501(c)(3) groups, but there are different types of 501(c)(3) organizations. You want to qualify (and be classified) as a 501(c)(3) public charity. For this classification, you must apply to the federal government after incorporating your nonprofit in your state.

While support groups for municipal agencies are sometimes named “Friends of ...,” that’s just an informal naming convention, not part of the IRS code. You can name a 501(c)(3) group anything you want. However, professional names like “Friends of XYZ Shelter” are more effective than cute or clever names, which can lack clarity regarding the relationship between the shelter and the group. You should be aware that if you name your group “Friends of XYZ Shelter,” everything that group does (or doesn’t do) will reflect on your shelter. Few members of the public will make a distinction.

Municipal shelters with their own “Friends of” group include:

- [Pima Animal Care Center](#) and [Friends of PACC](#)
- [Dallas Animal Services](#) and [Friends of DAS](#)
- [Jacksonville Animal Care and Protective Services](#) and [Friends of Jacksonville Animals](#)

Other municipal shelters partner with one or more 501(c)(3) groups, but do not have an exclusive relationship with them (e.g., [Burlington Animal Services](#) and [PAWS of Alamance County](#)).

Potential Advantages

There are several advantages to forming a 501(c)(3) support group. They are not bound by the same restrictions the municipality places on its agencies. (They are bound by law and donor restrictions, however.)

Contributions made to a qualified 501(c)(3) are tax-deductible to the extent allowed by law. Individuals ([who give almost 80% of all U.S. charitable dollars](#)) tend to be more comfortable giving to a well-managed 501(c)(3) group than to an arm of government. Another advantage is that today’s social media platforms allow third parties to raise funds on behalf of a 501(c)(3), although there are some drawbacks in terms of accessibility of donor information.

In addition, 501(c)(3) groups can enter contracts or borrow money and will qualify for:

- Corporate and foundation grants that require 501(c)(3) status
- Free public service announcements, internet space, sales and property tax exemptions
- Lower postal and advertising rates, as well as special digital advertising options

An important caveat: If your only motivation for creating a 501(c)(3) organization is the ability to advertise potential tax deductibility of contributions, you'll pay a high price, given the time and energy it takes to collaborate with a 501(c)(3) group successfully. Tax advantages may affect when, how or how much an individual gives, but they almost never constitute the reason why. Donors give to create impact and make a difference.

A shelter or its 501(c)(3) support group should always advise donors to consult their own financial advisors on the deductibility of contributions. Every donor's situation is different. That's why we use phrases like "deductible to the extent allowed by law" and never recommend anything that could be construed as tax advice.

Other advantages to having a 501(c)(3) support group include:

- If you can attract the right leaders for the group, they can help you make connections at the highest levels of your community and use those connections for multiple purposes.
- These groups allow community members to participate in special relationships with the municipal shelter as donors, board and committee members, advocates, champions, and volunteers of all types.
- These groups can help you reach out to culturally, socially and politically diverse audiences within your community, which can result in new initiatives and increased public awareness.

Potential Disadvantages

Though there are many advantages to having a 501(c)(3) group supporting a municipal shelter, you should consider the following:

- They require investments of time, energy and nurturing from you and your team.
- Governing documents will need to be created and maintained.
- Government regulation and formal procedures (including IRS filings and associated costs), public disclosure requirements and annual reports will be required.
- People who are movers and influencers in your community will expect to have their ideas and opinions considered in a true partnership.
- Formation at too low a level of strategic thinking can leave a shelter bogged down with volunteer "leaders" who want to participate in shelter operations inappropriately.

Some communities have 501(c)(3) groups composed primarily of shelter volunteers who foster, adopt and engage daily with programs. Others have impressive leadership boards who help to raise millions for new facilities or comprehensive programming.

You'll need to consider where your group should fall on this continuum. Build what your community and your team can support and grow.

Also, 501(c)(3) groups can buy and sell, borrow and lend, sue and be sued, and hire, evaluate and terminate their own employees. Those activities can qualify as advantages or disadvantages, depending on your circumstances.

Two Critical IRS Rules

Always keep these two important IRS rules in mind:

1. Political activity cannot be a substantial part of the activities of a 501(c)(3) organization; however, public charities are allowed to engage in some lobbying. The [Bolder Advocacy](#) program provides resources and tools to help public charities navigate the limitations.
2. Activities must not personally benefit directors, officers or members.

Good 501(c)(3) groups will adopt [conflicts-of-interest policies](#), review those policies regularly and ensure that board members sign [conflicts-of-interest documents](#) (usually annually). Remember that [IRS Form 990](#), which the 501(c)(3) must file annually, will ask about both conflicts-of-interest documents and processes.

Conclusion

The formation of a 501(c)(3) support organization is a major strategic step that should be undertaken with thought, care and the willingness of all team members to commit to genuine partnership. Every community and shelter is different in its ability to take that step. Use [Checklist: "Taking Stock of Your Shelter's Unique Circumstances"](#) to help make your decision about whether to move forward with forming a 501(c)(3) group.

Resources

- GrantSpace has an article about the [advantages and disadvantages of becoming a nonprofit organization](#).
- While the target audience for this [booklet created by the Center for Non-Profits in New Jersey](#) is churches, not animal shelters, it offers a helpful discussion of what one should consider to get a 501(c)(3) up and running.
- If you have a support group and are unsure of its 501(c)(3) status, you can begin your research by checking this [IRS website](#). To receive grants from major animal care donors, a nonprofit group must not only have applied for 501(c)(3) status, but also be in good standing with the IRS at the time of the application.