



CHECKLIST FOR STARTING A NONPROFIT ORGANIZATION IN MARYLAND

PHASE 1: RESEARCH & ORGANIZE

☐ **Establish a Purpose**

The purpose of the organization needs to be aligned with the IRS 501(c)3 statute (<http://>

☐ **Research Similar Organizations**

Conduct a market analysis to identify other organizations that have similar purposes to your intended organization. Such organizations are resources to help you determine the degree of need in the community, the viability of your idea, the types of programs that already exist, and the potential level of support, both financial and otherwise, that exists. If you are at all unsure about what it takes to run a successful nonprofit, these agencies will be rich resources from which to learn – they are most likely to know “what it really takes” to make it work.

Maryland Nonprofits offers a list of all its membership organizations and the type of services they provide. http://eseries.mdnonprofit.org/scriptcontent/index_member_search.cfm?section=About

☐ **Recruit a Board of Directors**

This should be a group of 5-7 unrelated individuals that will be responsible (legally) as fiduciaries for the organization's governance, finances, and legal compliance (The IRS will be looking to see that your board is comprised of “unrelated” individuals – related is considered either familial or through business partnerships)

☐ **Develop a Conflict of Interest Policy**

This policy will assure that conflicts of interest are both avoided and mitigated when decisions are made regarding the use of organizational resources and/or assets. A conflict of interest policy and accompanying declaration of interest statement will also support the designation of board members who will be able to act in the best interest of the organization.

Maryland Nonprofits offers members model conflict of interest policies free of charge. [Join now](#)

☐ **Create a Mission Statement**

☐ **Develop Program Plans & A Budget**

You will need to describe in detail exactly what you plan to do programmatically. This includes exactly whom you plan to serve and by what means. Once you make those determinations you will need to create a budget forecast for your first three years. This includes all expected forms of income (grants, donations, fee for service, etc) and necessary expenses to operate your business and deliver the programs described.

☐ **Develop a Fundraising Plan**

Identify the likely sources of income upon which you can rely to support your cause. Grants alone are rarely enough to support organization over the long term. If you are planning to raise money through grants, do research as to what foundations are likely to fund your specific cause.

Maryland Nonprofits offers members free access to several grants research search engines in its Silver Spring and Baltimore offices. [Join now](#)

☐ **Draft Bylaws**

Bylaws are the organization's governing documents and dictate the specifics regarding how the board of directors functions and important decisions are made and carried out. The state does not require a copy of an organization's bylaws, but they must be attached to the federal tax exemption application.

PHASE 2: FILE FOR STATE CORPORATION STATUS

☐ **Check Availability of Your Trade Name**

Fee: \$25 to reserve a name in advance of filing Articles of Incorporation (this is not necessary as the name will be established when you file your Articles of Incorporation, however it will ensure that no other entity takes the name prior to your filing)

<http://www.dat.state.md.us/sdatweb/nameappl.pdf>

☐ **File Articles of Incorporation (Corporate Charter)**

Be sure to file Tax-Exempt Non-Stock Articles of Incorporation. In order to have articles that will qualify your corporation for federal 501(c)3 tax-exempt status, you must have a dissolution clause that meets the requirements of the IRS indicating that if your organization is dissolved, "assets will be distributed for an exempt purpose described in section 501(c)3, or to the federal government, or to a state or local government for a public purpose."

File with Maryland State Department of Assessments and Taxation

Charter Room 801

301 W. Preston Street

Baltimore, MD 21201-2395

410-767-1330

<http://www.dat.state.md.us>

Fee: \$170 (\$150 fee plus \$20 Organization & Capitalization Fee)

☐ **Obtain Federal Employer Identification Number (EIN) from the IRS**

You can file the form online or by mail, phone, or fax.

EIN Operations

Holtsville, NY 11742

Phone: (800) 829-4933

FAX: (631) 447-8960

<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>

☐ **Hold Organizational Meeting**

Board members identified in the Articles of Incorporation elect slate of Board Members (can be the same group or a different group of individuals). Bylaws are ratified. Meetings minutes are taken to create a record of the meeting.

PHASE 3: OBTAIN FEDERAL TAX-EXEMPTION DETERMINATION

☐ **Complete and File IRS Form 1023 (if seeking 501(c)(3) tax-exempt status)**

Form: www.irs.gov/pub/irs-pdf/f1023.pdf

Instructions: <http://www.irs.gov/pub/irs-pdf/i1023.pdf>

FAQ's: http://www.irs.gov/charities/article/0,,id=130101,00.html#A_36

Filing this form will require the purpose, program descriptions, budget, and bylaws identified above. You will also need a copy of your Articles of Incorporation and should include a copy of the minutes from your Organizational Meeting.

Fee: \$400 - if your projected budget is less than \$10,000

\$850 - if your projected budget is greater than \$10,000

(Increase coming in 2010 - <http://www.irs.gov/charities/article/0,,id=213932,00.html>)

PHASE 4: REGISTER FOR CHARITABLE SOLICITATION (MARYLAND AND OTHER STATES)

☐ **File Charitable Solicitation Form (COR-92)**

Maryland Charitable Organizations Division

Office of the Secretary of State

State House

Annapolis, Maryland 21401

410-974-5534 or 1-888-874-0013 (within Maryland)

<http://www.sos.state.md.us/charity/COR-92.pdf>

Other States

http://www.multistatefiling.org/n_appendix.htm

PHASE 5: STATE FILINGS AFTER ORGANIZATION RECEIVES 501(C)(3) DETERMINATION

- ☐ **File Combined Registration Application**
This is required to obtain a sales tax exemption
http://forms.marylandtaxes.com/current_forms/cra.pdf

PHASE 6: MAINTAIN STATUS

- ☐ **File Maryland Form No. 1 – Personal Property Return**
<http://www.dat.state.md.us/sdatweb/personal.html#forms>
- ☐ **File Form 990-N, Form 990-EZ, or Form 990 with IRS based on annual gross receipts**
<http://www.irs.gov/charities/index/html>
- ☐ **Read IRS Compliance Guide for 501(c)3 Public Charities**
<http://www.irs.gov/pub/irs-pdf/p4221pc.pdf>

PHASE 7: STATE TAX EXEMPTIONS

- ☐ **Apply for Property Tax Exemption**
<http://www.dat.state.md.us/sdatweb/county.html>
- ☐ **Obtain State or Local Licenses/Permits**
<http://www.dllr.state.md.us> or <http://www.blis.state.md.us>

PHASE 8: IF YOU HAVE EMPLOYEES OR INDEPENDENT CONTRACTORS

- ☐ **Register Employees with Comptroller of Maryland**
- ☐ **Pay State Employment and Unemployment Taxes**
- ☐ **Pay Federal Employment Taxes**
- ☐ **Pay Workers' Compensation Insurance**
- ☐ **Display Required Posters**

PHASE 9: OBTAIN PROPER INSURANCE FOR ORGANIZATION, BOARD MEMBERS AND OFFICERS

- ☐ **Assess property and liability insurance needs for the organization**
Maryland Nonprofits help member organizations with their insurance needs. [Join now](#)

IMPORTANT WEBSITES

Name Search	Maryland Department of Assessment and Taxation * Be sure to read the instructions before doing a search	http://sdatcert3.resiusa.org/ucc-charter/CharterSearch_f.aspx
Articles of Incorporation Forms and fees	Maryland Department of Assessment and Taxation	http://www.dat.state.md.us/sdatweb/corp_forms.html
Overview about becoming NPO	IRS	http://www.irs.gov/charities/content/0,,id=96986,00.html
Application for EIN (SS4)	IRS	http://www.irs.gov/businesses/small/article/0,,id=98350,00.html
Application for exemption (1023)	IRS	http://www.irs.gov/pub/irs-pdf/f1023.pdf
FAQs About Applying for Tax-Exemption	IRS	http://www.irs.gov/charities/article/0,,id=96590,00.html
Sales tax exemption	Maryland Comptroller	http://business.marylandtaxes.com/taxinfo/salesanduse/exemption/exemptions.asp
Charitable registration	Maryland Secretary of State	http://www.sos.state.md.us/Charity/RegisterCharity.htm
Info about other NPO's	Guidestar	www.guidestar.org
Info about Maryland NPOs	Maryland Nonprofits	www.marylandnonprofit.org