

Step by Steps Instruction for Setting up a Nonprofit Organization (手抄本)

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Step 1. Preparation work

You got a brilliant idea already.

- (1) Find a good business name
- (2) Have a good summary about your organization, its vision, mission, basic description, main participants, board directors, advisory board...

Step 2. Building a website

This is very useful not only for public image but big help for obtaining 501(c)(3) status and setting up donation account at PayPal.

- (1) Register a domain for your website

www.mydomain.com

to register org domain, it will cost you \$17.98 for 2 years

- (2) Find a hosting company for your website

We use www.arvix.com for \$76.80/2 years, including website hosting, unlimited email accounts, mailing lists... plus free databases like SQL, MySQL... (we moved to a different hosting company after it was bought out and service went down quickly)

- (3) Find a web developer. In Alisha's case, the website was developed by her brother who majors in CS at Berkeley.

The final product is www.kidsfirstproject.org.

Step 3. Register a nonprofit with state government

You can do it online and takes about 30 min if you know the information to fill out the application form.

www.filinginoregon.com

The fee is \$50 for nonprofit.

To help you with the contents of the form, here is Alisha's registration.

<http://records.sos.state.or.us/webdrawer/webdrawer.dll/webdrawer/rec/4058323/view/SOS%20-%20C%20corporation%20-%20Business%20Entity%20Filing%20Records%20-%20113148894.PDF>

The key is to register as nonprofit, not LLC, not C or S corp.

Even the organization has other staff as board directors, it doesn't need to be here in the business registration. One person and address is what state gov't is looking for.

The review and approval could be done as fast as within the same day.

Step 4. Apply for Employer ID

This is just like SSN for individual person. The new nonprofit as an entity also needs an ID for all kinds of reasons including filing tax returns.

It is an online process and the ID will be avail instantly after finishing the application process.

[http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-\(EIN\)-Online](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online)

For the type of legal structure, you should choose

"View Additional Types, Including Tax-Exempt and Governmental Organizations"

Step 5. Open a bank account

Take your business registration paperwork and the new EID, of course, your driver license or learner permit, go to a local bank and talk to the personal banker. If you are under age 18, they will ask an adult to be listed in the account.

This is a time consuming step but it will be done eventually.

Exciting part is you can provide your own image to customize the debit card for your nonprofit.

Step 6. Open a donation account at PayPal

PayPal offers a very competitive rate for nonprofit donation. The charge is 2.2% plus \$0.30 for each transaction.

But to qualify for nonprofit rate, you will need to provide a lot of paperwork and the review process is lengthy.

Here is details for the required paperwork:

<https://www.paypal.com/webapps/mpp/brc/nonprofits-and-limitations>

But you can set up the account right away to place the PayPal donation button on your web site. The cost would be 2.9% plus \$0.30 per transaction. The rate will be adjusted as soon as they finish reviewing your paperwork.

Remember, you will need the bank info before opening the PayPal account.

Step 7. Apply for 501(c)(3) status from IRS.

Without this status, any donation to your nonprofit will not qualify for tax deduction. But once your application is approved, the tax deduction for all donations will be retro activated back to the date you incorporated your nonprofit.

Due to the reform on non-profit application process, IRS makes a new form available to any nonprofit as long as you don't expect to receive donations above \$50,000 a year. The form you will need to fill out is 1023-EZ. This form is available at

www.pay.gov

You can fill out on line there and make the payment of \$400 there too.

You need to work on the worksheet carefully before getting on the form. Make sure you have the correct NAICS code for your activity.

We got approval mail from IRS in a week! I think two things helped a lot. One is a professional website; and two is the formal organizational structure. 1023EZ Form also needs you to fill out your top 5 board directors. So have this board setup before applying for 501(c)(3).

Step 8. Close the Loop

You will need to fax your approval letter back to business registration dept at state. In Oregon, the fax number is 503-945-8772.

Don't forget to attach it to the paperwork to PayPal for your status adjustment.