

Type of Group	Description	Advantage	Disadvantages
Informal Group	A group of people that share a common interest with no formal documentation through state or federal agencies.	<ul style="list-style-type: none"> ● No startup cost involved. ● Little time investment required. 	<ul style="list-style-type: none"> ● No group banking is available. ● Any funds raised are claimed as taxable income and individual would be responsible for claiming as such on personal taxes. ● Generally, an individual cannot apply for grants, with the exception of the Direct Support Fund. ● While very unlikely, participants could be sued as an individual. Contact your personal insurance carrier to find out if you have personal liability to cover any lawsuits.
Unincorporated Association (fictitious name)	An organization of people who have set up an agreement between each other and have filed paperwork securing the organization name through the state but are not incorporated. This association would be similar to a sole proprietorship as an individual usually would take responsibility for taxes and liability.	<ul style="list-style-type: none"> ● Can obtain an <u>Employee Identification Number(EIN)</u> from the IRS to open a group bank account. ● Establishes group name and protects the group from misrepresentation securing your name and brand. ● Small startup cost and time investment required. 	<ul style="list-style-type: none"> ● Any funds raised are claimed as taxable income and the same rules would apply as informal group. ● Cannot apply for grants without a fiscal sponsor. ● While very unlikely, participants could be sued as individuals. Contact your personal insurance carrier to find out if you have personal liability to cover any lawsuits. ●
State Incorporated Non-profit	An organization that has incorporated as a non-profit corporation with the state in order to limit individual	<ul style="list-style-type: none"> ● Can obtain an <u>Employee Identification Number(EIN)</u> from the IRS to open a corporate bank account. 	<ul style="list-style-type: none"> ● Additional startup costs and more time investment required; may need to consult with a Certified Public Accountant.

	liability. All revenues belong to the corporation.	<ul style="list-style-type: none"> ● Establishes group name and protects the group from misrepresentation securing your name and brand. ● Any funds raised belong to the corporation. ● Liability from lawsuit transfers to group so if your group is sued, the responsibility and burden of a lawsuit would likely fall on the corporation. ● Can obtain group liability insurance. 	<ul style="list-style-type: none"> ● May have trouble applying for grants without a fiscal sponsor. ● Any funds raised are claimed as taxable income to the corporation.
501(c)(3) (Tax exempt or Federal Non-Profit Organization)	Is a tax-exempt organization under section <u>501(c)(3)</u> of the United States Internal Revenue Code. An organization must be <u>organized</u> and <u>operated</u> exclusively for <u>exempt purposes</u> set forth in section 501(c)(3).	<ul style="list-style-type: none"> ● Can obtain an Employee Identification Number(EIN) from the IRS to open a corporate bank account which is important in order to separate finances and bookkeeping. ● Establishes a corporate name and protects the group from misrepresentation securing your name and brand. ● Any funds raised are claimed as non-taxable income. meaning your group doesn't pay taxes due to status. ● Can apply for grants without a fiscal sponsor. ● Liability from lawsuit transfers to corporation. ● Can obtain group liability insurance. 	<ul style="list-style-type: none"> ● Higher startup cost and time investment required, might need to consult with a Certified Public Accountant. ● If group's expected annual revenue is less than \$10,000 in the first three years the filing fee is \$400. ● If group's expected annual revenue is greater than \$10,000 in the first three year the filing fee is \$850. ● A 501(c)(3) has restrictions on certain activities, including lobbying, ballot initiatives, and referendums, and electioneering. Please see the <u>IRS site</u> for exemption requirements. ●