

ONLINE RESOURCES

The Revised Code of Washington (RCW)

The state of Washington (like all other states) facilitates the formation of nonprofit corporations. The Revised Code of Washington (RCW) contains legal provisions for forming and maintaining nonprofit corporations with differing characteristics; “standard” nonprofit corporations are formed under RCW 24.03. There is no requirement that a Washington nonprofit corporation be “charitable” in the conventional senses of the word, only that it be formed in a way that does not allow individuals or for-profit corporations to own its assets or to have a right to share in its revenues. Many other provisions of Washington law make reference to nonprofit corporations- sometimes basing the definition on the Washington statutes and sometimes referring to the federal standards for tax-exempt organizations.

Below are tallies of nonprofit organizations in Washington state, classified by regular and more “specialized” RCW codes. For further explanation of these codes, see “Types of Nonprofits in Washington.”

Nonprofit Class	RCW	Count	Title
REG	24.03	68,617	Regular nonprofit corporations
REG (PUBLIC)	24.03.490	3934	Public benefit nonprofit corporation designation established
Total REG		72,551	
GRANGE	24.28	252	Granges
CORPSOLE*	24.12	3591	Corporations sole
FISH	24.36	25	Fish marketing act
FRATSOC	24.20	482	Fraternal societies
COOP	15.66	311	Washington state agricultural commodity commissions
CREDIT	31.12	108	Washington state credit union act
FRAT	24.24	207	Building corporations composed of fraternal society members
MILITARY	38	8	Militia and military affairs
MISC	24.06	719	Nonprofit miscellaneous and mutual corporations act
SAL	33	14	Savings and loan associations
PRO	18.100.050	80	Organization of professional service corporations authorized generally -- Architects, engineers, and health care professionals -- Nonprofit corporations
	18.100.132		Nonprofit professional service corporations formed under prior law.

*** Corporation Sole:** A Corporation Sole is an incorporated part of a church or spiritual organization, established to manage its’ assets, finances, and operations. It is a Corporation Sole because the incorporated entity is the head of the church or spiritual organization (usually bishops or parsons), and is thus one person as the sole officeholder. Incorporating as an individual allows the religious leader to separate him or herself legally from the control and ownership of church assets. This is different from other corporations that usually have boards with more than one person. The Corporation Sole position has a separate and continuing legal

existence. A contract made with a Corporation Sole continues from one officeholder to his or her successor or, if made during a vacancy in office, to the appointee.¹

The Corporation Sole statutes are also the source of a common scam. Con artists convince individuals to apply for incorporation under false religious pretexts so that they, too, are entitled to exemption from federal income taxes as a nonprofit, religious organization. The promise is that Corporation Sole provides an individual a legal way to escape paying federal income taxes, child support and other personal debts. In addition to eventually running into trouble with the IRS, victims of this scam also are usually swindled out of pre-filing money. Con artists have been charging up to \$1,000 or more per person to sell the details of this tax avoidance scheme.²

¹ Source: <http://www.businessdictionary.com/definition/corporation-sole.html>

² Source: http://www.fraudguides.com/tax_corporation_sole_statutes.asp

Types of Nonprofits in Washington ***Filings with the State of Washington***

Charitable Solicitations Organizations that solicit charitable contributions from Washington residents are generally required to register with and report annually to the Charities Division of the Washington Secretary of State. Of the 7566 nonprofits filed with the Division (as of June 2008), 2,765 were out-of-state groups that fundraise in Washington.

Charitable Trusts Under Washington law, any type of organization holding assets restricted to a charitable purpose that total more than \$250,000 are required to file an annual report with the Secretary of State.

“Regular” vs. Specialized Nonprofits “*Regular*” non-profits, as classified by the Washington Secretary of State, refers to non-profits governed by RCW 24.03. This contrasts with *specialized* nonprofits, which fall under other RCW codes corresponding to the organizations’ specific purposes. These categories include:

- Corporation Soles
- Nonprofit Co-operative Association
- Credit Unions
- Fish Marketing Act
- Miscellaneous and Mutual
- Military Corporations
- Public Benefit Corporations
- Savings and Loan Associations
- Special Co-operative Class
- Nonprofit Professional Service Corporations

Filings with the Internal Revenue Service*

The Internal Revenue Code (IRC), the relevant federal statute, defines several types of organizations (usually corporations but officially described by the generic “entities”) that are exempt from corporate income taxes on part or all of their net earnings. These organizations are often identified by the IRC section that describes them.

The most familiar such description is probably “section 501(c)(3),” which refers generally to organizations formed for charitable purposes. Familiar nonprofits, such as hospitals, museums, social service agencies, and schools, are “**public charities**” as defined by this section.

This section also governs “**private foundations.**” Individuals can often deduct from their personal income taxes amounts they have donated to 501(c)(3) organizations; generally foundations require 501(c)(3) status as a condition for making a grant.

990-N Though exempt from filing with the IRS prior to 2008, small 501(c)(3)s (those with less than \$25,000 per year in gross receipts) are now required to complete IRS Form 990N annually.

This report confirms that they continue to operate and have revenues below the threshold. As of April 2008, about 58% of all registered tax-exempt organizations in Washington had not filed a regular Form 990. Of this proportion, about 5% (as of mid-June 2008) filed as small 501(c)(3) organizations. The remainder of “non-filers” were either exempt from filing (most often because of status as a church) or had ceased operation.

* For additional information on other types of tax-exempt entities in the Internal Revenue Code, please see the Idealist.org Nonprofit FAQ, available at <http://www.idealists.org/if/i/en/faq/220-44-62-42>.