

money for charitable purposes, often money derived from estates of the wealthy. Charities are formed to raise new money for charitable purposes.

The IRS will presume that your organization is a *private foundation*, unless you give notice within 15-months after its original legal inception to the contrary; namely that you are a *public charity*. The main distinction between these two categories is that public charities must be able to show that they have broad public financial support. The IRS will otherwise assume that the money is coming from one, or a few, private sources.

The main difference between these two categories, as far as tax exempt status is concerned, is that private foundations are liable for certain taxes on investments, and subject to certain operating restrictions and income distribution requirements. Private foundations will not be exempt from taxes, nor will contributions to them be deductible, unless provisions recognizing these additional rules are included in their Articles of Incorporation. IRS Publication 557 gives examples of the appropriate provisions.

The significance of your filing date is that the IRS rules provide that organizations filing for recognition within 15-months of their legal inception can use financial support received within that early period to demonstrate that they are a publicly supported organization. If you can make your case in a timely manner, you will receive a *definitive ruling*. ~~On the other hand, if you can convince your EOS that your organization can reasonably be expected to meet the support requirements, you will receive an *advance ruling* that you are a public charity, or publicly supported organization.~~

“Publicly supported” generally means that you receive at least a third of your total revenue from government or the general public. The IRS calls this its *one-third support test*. Alternatively, if you can show that you have (1) substantial government and public support (which is taken as at least 10% of your total revenue), (2) a program for attracting government or public support on an ongoing basis, and (3) favorably met at least some of an additional *five public support factors*, you may meet what the IRS calls its *facts and circumstances test*.

If you are, in fact, organizing what is essentially a foundation, then you would obviously seek recognition as such. If, as is more likely, the purpose of your organization is to promote or support particular interests and causes through volunteerism and fundraising, then you most certainly should seek recognition as a public charity.

~~If you are recognized as such under an advance ruling, the IRS will give you five tax years to accumulate experience that will show you are indeed publicly supported. This does not mean that your recognition is~~