CHECKLIST TO STARTING A NONPROFIT ORGANIZATION IN TEXAS

1. Determine the purpose of the organization. Every organization should develop a mission statement that describes their reason for existing. Choose your board of directors. Your board will help you transform your ideas into reality by helping establish goals and fundraising strategies. In Texas, there must be a minimum of three directors on your board.
2. Write bylaws. Your bylaws will guide your organization's day to day operations. These should be drafted carefully and may require the assistance of an attorney experienced in nonprofit law.
3. File your Articles of Incorporation with the Texas Secretary of State's office. You will need a certified copy to submit to the IRS. For more information or copies of the appropriate form contact the Secretary of State at www.sos.state.tx.us or (512) 436-5770.
4. Develop strategic and fundraising plans. A strategic plan will help you outline the steps needed to fulfill your organization's goals, determine your staff needs, and establish operational priorities for the upcoming year and beyond. The strategic plan should determine your budget priorities, identify potential donors, establish bookkeeping practices, and delineate fundraising activities (e.g., mailings, dinner-dance, silent auction, etc.) There are six core elements of a successful nonprofit: (1) fundraising, (2) marketing, (3) internal operations, (4) programs, (5) volunteer development, and (6) community involvement.
5. Establish a system for record keeping and accounting. A protocol should be established for keeping all your organization's official records (such as board meeting minutes and financial reports) and records should be preserved for the life of the organization. Establishing written, board-approved, financial and internal management policies and procedures is considered essential for the organization's success.
6. Obtain a Taxpayer Identification Number from the IRS. You'll need this number to file informational returns with the IRS and to withhold your employees' income tax, and it helps when requesting a Texas sales tax exemption. You can obtain a Taxpayer Identification Number (also called an Employer Identification Number [EIN]) by filling out an SS-4 form. Contact the IRS at 1-800-829-FORM or www.irs.ustreas.gov for an SS-4 form or more information.
7. Request recognition of tax-exempt status from the IRS. Without a "determination letter" from the IRS, donors who want an income tax deduction may not make gifts to your charity. To receive 501 (c)(3) tax-exempt status by the IRS, you must fill out an IRS 1023 form and attach you proposed budget, Articles of Incorporation (certified), and bylaws (a true copy). This application should be filed within the first 15 months of your organization's existence. Contact the IRS at 1-800-829-FORM or www.irs.ustreas.gov to receive a copy of this form.
8. File for Texas, county and local tax-exempt status. In Texas, you may request exemption from sales and use, franchise, and hotel taxes from the Texas Comptroller's Office. There is no form to submit. Simply send a letter requesting exemption status. This letter should include your tax-exempt determination letter from the IRS, a copy of you Articles of Incorporation, bylaws, and a description of the activities conducted by your organization. To request an exemption from real and tangible personal property taxes, contact your local county appraisal or tax assessor's office.
9. Request permission for charitable solicitation. In Texas some cities require nonprofit organizations to obtain a permit to solicit funds from local citizens. This usually requires filing an application, an annual report, financial statement, and payment of a fee in order to obtain a permit or license.

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10. Obtain a nonprofit bulk mail permit from the US Post Office. If your organization will be doing any large mailings (over 200 pieces), this permit can be very helpful. Check with you local post office for applications for a bulk mail permit. See www.usps.gov.
11. Establish personnel policies. Your organization will be more successful in the long run if policies are firmly established to guide your current and future employees. Ideally, these policies should be established within the first year, in writing.
12. Register for unemployment compensation. This step should be done after your organization begins operation. Contact the Texas Workforce Commission at (512) 463-2518 to receive an employer packet describing your compensation responsibilities.
13. Be sure to withhold employment taxes for the IRS. Employers are required to withhold their employees' wage income and FICA taxes and submit these to the IRS regularly. Failure to do so can result in significant fines. Contact the IRS at 1-800-829-3676 or www.irs.ustreas.gov to receive appropriate forms.
14. Explore obtaining property and liability insurance for your organization. Liability insurance protects against suits alleging wrongdoing and negligence by the organization and its board members, staff and volunteers.
15. Contact the Center for Nonprofit Management for assistance with any of the above steps.