Let’s Go Legal was created by Washington Nonprofits and Wayfind to provide basic nonprofit legal education to nonprofits in Washington. The legal information is not legal advice and should not be treated as such. Please consult an attorney for information related to the circumstance of your organization.

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Let’s Go Legal was developed through a collaboration between Wayfind and Washington Nonprofits, in partnership with the Office of the Secretary of State of Washington.

These materials accompany videos and are supported by key documents. Visit the Let’s Go Legal webpage for more:

www.washingtonnonprofits.org/letsgolegal

Wayfind
A nonprofit with a mission to improve the quality of life in Washington by providing free business legal services for nonprofits and microenterprises.

www.wayfindlegal.org

If Let’s Go Legal leads you to think you need legal assistance, contact Wayfind to learn more about their free legal assistance for nonprofits.

Washington Nonprofits
Our state association for all nonprofits, Washington Nonprofits makes sure that nonprofits have what they need to succeed.

www.washingtonnonprofits.org

Washington Nonprofits creates regular learning opportunities for nonprofits across Washington. We have a set of learning tools available to individuals and boards looking to improve their practice.

Let’s Go Legal is the third in a series of nonprofit learning resources. Some of the topics covered here connect with topics covered in these other resources.

Boards in Gear
Unlocking the Why, What, Who, and How of Nonprofit Boards

www.washingtonnonprofits.org/boardsingear

Finance Unlocked for Nonprofits
Unlocking financial literacy for nonprofit board members to deliver mission and protect assets

www.washingtonnonprofits.org/fun

Let’s Go Legal was guided by a team of legal advisors. We greatly appreciate their contribution to these resources. Their contribution should not be viewed as legal advice.

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As you begin, keep in mind these four big ideas:

1. **Nonprofit law is complicated**, and only an attorney with knowledge of your specific situation can counsel you. These are training materials are intended to deepen your understanding and help you know what to ask. These materials are not intended to be legal advice. Please see an attorney for answers to specific questions. Wayfind provides pro-bono legal services.

2. **Even though you are a nonprofit, you are required legally to operate like a corporation.** Once a nonprofit becomes official in the eyes of the state, it is a corporation governed by corporate law, and you need to protect that status.

3. **There are three legal jurisdictions you must always consider: Local, State and Federal.** These materials review Washington State Law and Federal Law rules. Consult your local jurisdiction (city, town, or county) for more information about business licenses and other local requirements.

4. **Organizations have life cycles, just like any living thing.** They are created, they grow, they plateau, and sometimes they die. The legal needs of an organization’s board and staff are guided by where that organization is in its life cycle and what is happening around it.
These materials cover the five most important topics related to nonprofit compliance:

1. **Governance – State Law**
   
   We begin with State Law because that is where a nonprofit first registers to become official. The Articles of Incorporation are filed to create the corporation and the board adopts Bylaws and sets out its plan to monitor money and keep records. It stays compliant with state corporation law and other state law requirements, including filing corporation and charity reports every year.

2. **Governance – Federal Tax Law**
   
   Many nonprofit organizations want their revenue to be exempt from federal income taxation and want to be able to accept tax-deductible funds from foundations or individuals. This means they need to apply for special status from the IRS at the Federal Level. We call such tax exempt status, “501(c)(3) tax-exemption” and refer to organizations with this tax-exempt status “501(c)(3) organizations” because those
qualities for exemption are described in section 501(c)(3) of the tax code. Tax-exempt organizations must abide by a set of federal tax rules under section 501(c)(3).

3. **Fundraising**

When you accept other people’s money for a charitable purpose, you agree to abide by laws that require that you spend such money on the purposes for which it was intended. These state and federal rules tell us how we need to communicate about money received, how we should account for it, and what kinds of fundraising activities we can conduct.

4. **Employment Law**

People engaged in the work of an organization help it move its mission forward. They also bring with them a whole set of rules that govern how they should be hired, paid, deployed, and treated.

5. **Intellectual Property Law**

Nonprofits create and communicate ideas that are intangible. It is vital that organizations protect these ideas and the products that share them, from websites, to print materials, to unique research on the issues they are addressing. Likewise, it is important that nonprofits are careful about how they use the ideas of others.

**These materials are just a start.** We have provided examples of policies and additional resources so that you can customize this information to your organization.
**VOCABULARY**

1. PERSON: Director, Board member, or Trustee?

While there are clear distinctions in the meaning of the words themselves, for the sake of clarity, this guide uses director, board member or trustee in the context of a nonprofit board interchangeably, or as the same. The term refers to the people on the governance team of an organization.

2. ORGANIZATION: Nonprofit, Charity, or 501(c)(3)?

This guide covers a range of organizations serving the public good. Let’s review the types of organizations to be clear what we are talking about.

**Nonprofit (or nonprofit corporation):** An organization created for a public benefit without shareholders or a profit motive. CPAs often call these organizations “Not-for-profits” to underscore that their purpose is something other than profit; a profit can be earned and returned into the organization. Nonprofit status is determined under state law. A nonprofit registers with the Washington Secretary of State as a corporation, called “incorporation.”

**Charitable corporation:** A nonprofit may also need to register with the Washington Secretary of State as a “Charity” when it is asking people for donations to support its charitable purposes. It is required to do so if it is either raising at least $50,000 in any accounting year or paying someone to do the work of the organization.

**Tax-exempt organization:** A nonprofit corporation that has been approved by the Internal Revenue Service (IRS) is called “tax exempt.” Organizing as a nonprofit corporation at the state level does not automatically grant the organization exemption from federal income tax. Tax-exempt status exempts a nonprofit from paying federal corporate income tax and allows contributions given to the organization to be tax deductible to the donors. There are many classifications of tax-exempt organizations, with 501(c)(3) being just one of them. Federal tax law applies to all 501c3 tax-exempt organizations.

**IRS:** “IRS” stands for the Internal Revenue Service. The IRS is the taxing agency for the United States Federal Government. The IRS is the federal agency that regulates and monitors 501c3 tax-exempt organizations. Section 501c3 of the Internal Revenue Code is the law that applies to 501c3 tax-exempt organizations.
RESOURCES

**Governance**
Washington State Business and Occupation Tax (B&O Tax):
http://dor.wa.gov/content/findtaxesandrates/bandotax/

Washington Secretary of State Nonprofit Corporations:
http://www.sos.wa.gov/corps/nonprofitinformation.aspx

Washington Secretary of State Nonprofit Charity:

IRS Form 1023 and Instructions

IRS Form 1023EZ information
http://www.irs.gov/uac/About-Form-1023EZ

United Way of King County Governance and Management Resources,
http://www.uwkc.org/partner-with-us/nonprofits/governance/

Washington State Gambling Commission
http://www.wsgc.wa.gov/activities/fundraising-events.aspx

Tax-exempt information

Recordkeeping

**Employment Law**
Washington State Department of Labor & Industries Independent Contract information

City of Seattle Office of Labor Standards – Minimum Wage (Seattle)
http://www.seattle.gov/laborstandards/minimum-wage

Davis Wright Tremaine article on Minimum Wage (Seattle)

**Intellectual Property**
United States Patent and Trademark Office
http://www.uspto.gov

**Other Resources**

**501 Commons**
Nonprofit Legal Resources

**National Council of Nonprofits**
Tools & Resources
https://www.councilofnonprofits.org/tools-resources
KEY DOCUMENTS REVIEW

1: STATE
Articles of Incorporation (sample)
Bylaws (sample)
Conflict of Interest and Certification
Document Retention Policy
Gift Acceptance Policy
Minutes (sample)

2: FEDERAL
Form 1023
Form 990
Form 990EZ
Form 990N

3: FUNDRAISING & DONATIONS
Quid Pro Quo Letter (that meets Federal requirements)
Thank You Letter (that meets Federal requirements)

4: EMPLOYMENT
Anti-discrimination Policy/ Equal Employment Opportunity (EEO) Policy
At-will Policy
Confidentiality Policy
I-9 Form: Blank
Independent Contractor checklist (http://www.lni.wa.gov/IPUB/101-063-000.pdf)
Whistleblower Policy

5: INTELLECTUAL PROPERTY
Disclaimer Template
Photo Releases/Story Releases
Privacy Policy template
Take-down Request – DMCA