



Forming a Nonprofit in Colorado

1. Incorporate in Colorado

- a. This is the process which legally creates the organization. It is important to accomplish this step before moving to step two
- b. File online at the Colorado Secretary of State's site [here](#).
 - i. Instructions for the online application are found [here](#).
- c. Tip: Although not required for formation, to obtain federal tax-exempt status as a 501(c)(3), the articles of incorporation must contain a purpose clause, a clause prohibiting private inurement, and a distribution of assets provision.
 - i. A purpose clause should indicate that the organization serves a purpose that meets an exemption category. Examples of these are charitable, religious, educational, scientific, or literary. The purpose clause can be added as an attachment in the "Additional Information" section.
 - ii. The prohibition on private inurement clause should clearly state that no net earnings of the nonprofit shall inure to the benefit of a private individual or individuals.
 - iii. The distribution of assets provision designates another 501(c)(3) organization to receive the organization's assets in the event the organization is dissolved. The distribution of assets clause can be written in Section 7.
 - iv. The Internal Revenue Service ("IRS") provides suggested language for these clauses [here](#) (Third, Fifth, and Sixth clauses).
- d. As of August 2020, there is a \$50 fee to file for incorporation.

2. Establish an Employer ID Number through the IRS

- a. An Employer ID Number, or EIN, is a numeric identifier for a business. It is unique to your organization and is permanently associated with the organization. Even if you don't have any employees, you are still required to have an EIN.
- b. File a Form SS-4 through the IRS. This can be done online [here](#).
 - i. Instructions for filling out the SS-4 are found [here](#)
 - ii. Tip: Be sure to check the box for "Other nonprofit organization" in section 9a. Then add a general description of the organization, such as "educational nonprofit".

3. Adopt a set of Bylaws

- a. Although bylaws do not need to be filed with the state, the organization still needs to have established procedures that comply with Colorado law. Bylaws are also required to apply for 501(c)(3) status.

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- b. Bylaws should establish procedures for how the board of directors and the organization functions.

4. Adopt a Conflict of Interest Policy

- a. This policy describes which members are covered by the policy, the duty to disclose possible conflicts, the process for determining if there is a conflict of interest, and steps to take in the event of a conflict of interest.
- b. The IRS has a sample Conflict of Interest Policy [here](#).

5. Apply for Federal Tax-Exempt Status

- a. If the organization has a religious, charitable, educational, scientific, or literary purpose that meets IRS code section 501(c)(3), then apply for tax exempt status with IRS Form 1023.
- b. If the organization does not fit the categories of 501(c)(3), but does fit another exempt category, then apply for tax exempt status with Form 1024
 - i. Examples include civic leagues, veteran's organizations, and social clubs
- c. To apply, go [here](#) for links to applicable forms. Most can be filed online.

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