

501(c)(3) Definition:

Section 501(c)(3) is a tax law provision granting exemption from the federal income tax to non-profit organizations. This exemption does not cover other federal taxes such as employment taxes.

501(c)(3) exemptions apply to corporations, and any community chest, fund, or foundation, organized and operated exclusively for [religious](#), [charitable](#), [scientific](#), testing for public safety, [literary](#), or [educational](#) purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals.

Another provision, [26 U.S.C. § 170](#), provides a deduction, for federal income tax purposes, for some donors who make [charitable contributions](#) to most types of 501(c)(3) organizations, among others. Regulations specify which such deductions must be verifiable in order to be allowed (e.g., receipts for donations over \$250).

Testing for public safety is described under section 509(a)(4) of the code which makes the organization a public charity and not a private foundation, but contributions to 509(a)(4) organizations are not deductible by the donor for federal income, estate, or gift tax purposes.

The three principal classifications of 501(c)(3) organizations are as follows:

A [public charity](#), identified by the [Internal Revenue Service](#) (IRS) as "not a private foundation," normally receives a substantial part of its income, directly or indirectly, from the general public or from the government. The public support must be fairly broad, not limited to a few individuals or families. Public charities are defined in the Internal Revenue Code under sections 509(a)(1) through 509(a)(4).

A [private foundation](#), sometimes called a non-operating foundation, receives most of its income from investments and endowments. This income is used to make grants to other organizations, rather than being disbursed directly for charitable activities. Private foundations are defined in the Internal Revenue Code under section 509(a) as 501(c)(3) organizations which do not qualify as public charities.

A private operating foundation is a private foundation that devotes most of its earnings and assets directly to the conduct of its tax exempt purposes, rather than to making grants to other organizations for these purposes. Private operating foundations are defined in the Internal Revenue Code under section 4942(j)(3).