

501(c)(3) TRANSITION

Transition Guidelines For Local Leagues

This document summarizes the tasks involved for a league to transition to 501(c)(3). **Timeline is dependent on the League's annual meeting.** A league cannot apply to the IRS until its bylaws have been amended to incorporate two standard clauses required of 501(c)(3) organizations.

Leagues must work backwards from their annual meeting date and existing bylaw timelines for notifying members of proposed bylaw changes.

A general suggestion is to start the process 3-4 months in advance of the annual meeting, to give the local League time to build its task force, educate its members on the 501(c)(3) transition, and perform the necessary tasks prior to the annual meeting.

Steps to 501(c)(3)	Additional Notes	Assigned To	Timeline (Local League fill in target dates)
Preliminary 501(c)(3) Tasks			
Local League Board designates a team/task force to evaluate and lead 501(c)(3) process	Membership can be board and off-board members, generally does involve the treasurer or someone with some finance or accounting background	Local League Board	<i>Recommended to begin 3 - 4 months before the annual meeting, to ensure sufficient time to prepare</i>
Task force becomes familiar with the 501(c)(3) process - uses the materials available from LWWIL 501(c)(3) committee and exploratory meetings	Initial outreach with LWWIL begins	Local League task force LWWIL 501(c)(3) committee	
Task force presents findings to Board	Local League Board decides if it will move forward with 501(c)(3) proposal at annual meeting	Local League Board	
Tasks to prepare for annual meeting: - educate members on 501(c)(3) - prepare the budget - prepare the bylaw amendments* (see next line)	Suggested to hold a special education meeting on 501(c)(3) to clear questions in advance of vote at annual meeting	Local League task force	Following timelines of annual meeting requirements per bylaws.
*Note on bylaw amendments	There are 2 clauses the IRS expects to see in a 501(c)(3) organization bylaws. LWWIL will provide the text and location of the clauses. Text should not be modified. LWWIL can assist with review of bylaw amendment before submitted to membership, if desired	Local League task force LWWIL 501(c)(3) committee assistance, if required	

Local League Board Meeting			
Adopt LWWUS Diversity Equity Inclusion Policy	These are questions as part of the IRS application - DEI covers nondiscrimination	Local League Board	This can be done anytime and is recommended for all local Leagues!
Adopt Conflict of Interest Policy	Application expects you have a conflict of interest policy - LWWIL has an IRS compliant policy on the LWWIL website for local leagues (For Members > League Resources> Tools for Local League Boards > Conflict of interest Policy template)	Local League Board	This can be done anytime and is recommended for all local Leagues!
Local League Annual Meeting			
Membership authorizes 501(c)(3) process and budget	The membership approves the bylaw amendments and authorizes the necessary resources (person power/budget) to move forward	Local League	Annual Meeting date
Application for 501(c)(3) Tasks			
Prepare and submit 1023 application to IRS - submitted online - includes a fee of \$600 (can use Ed Fund) - includes the one-time filing of to make an election under Section 501(h) to track lobbying based on expenses (Form 5768)	Requires historical financial information to be compiled and submitted to the IRS. LWWIL 501(c)(3) committee has guidance documents, assistance from pro bono advisors. A League can start compiling information before annual meeting vote, but it can't be submitted until afterwards.	Local League task force LWWIL 501(c)(3) committee tax and legal experts assist	Can submit once bylaw amendments are approved at annual meeting
Request Removal from LWWIL Group Exemption	If you are under the LWWIL group exemption, submit a letter requesting removal-(LWWIL can provide a template)	Local League	Send at the time the 1023 application is submitted.
Register with Illinois Attorney General - paper/mailed in form - \$15-500 in costs (IL may assess additional fees above the registration cost of \$15. There are a variety of factors involved; each League's situation will be unique. The LWWIL 501(c)(3) committee will be able to provide assistance.)	501(c)(3) organizations must also register with the Illinois Attorney General. You can submit registration materials once your IRS 501(c)(3) application is submitted. Guidance materials and assistance from Katten legal team will be available	Local League	After 1023 is submitted
Receive Application Approval from IRS			
Process can take several months, IRS may submit questions back/ask for clarification.			
It is likely you will go several months without hearing from IRS. Due to the pandemic, we've not been able to judge 'typical response'. Contact the Exempt Organization Help Line at (877) 829-5500 to check on whether an agent has yet been assigned to your application (typically there is a long hold time before someone picks up the call.)			
Your 501(c)(3) status will backdate to the date of your application.			

Post 501(c)(3) Status			
Notify the IL Attorney General that you've received your letter	If you pre-registered with IL AG, will want to notify them when you have your letter	Local League	
Check IRS website to see if you are listed on the exempt organization list	Even if you get your letter from the IRS, they have been behind on updating their website to show exemption status. This information is used by some other organizations to evaluate if you are a 501(c)(3), and is beneficial for fundraising. IRS Website: https://apps.irs.gov/app/eos/	Local League	
Register with Guidestar (recommended)	This is another way organizations will validate if you are a 501(c)(3), including 3rd party apps that allow for peer to peer fundraising. They do obtain data from IRS but you can also provide your information. Guidestar Website: https://www.guidestar.org/	Local League	
Going Forward Annually			
Submit 990 N (just as always)		Local League	Within 5 months of fiscal year-end
NEW - submit annual filing to IL Attorney General	Simple form similar to the 990-N, filed at the same time of year	Local League	Within 5 months of fiscal year-end
Track lobbying expenses	Part of bookkeeping to be in compliance with 501(c)(3) regulations	Local League	Ongoing