

Benefits of becoming a Not-for-Profit Corporation

1. You will have separate entity status. The corporation can enter into its own contracts, sue and be sued in its own name, and is responsible for its own contractual and other obligations. If you have not formed a not-for-profit corporation, the person entering into contracts in his or her own name can be liable if there is a breach of the contract.
2. If you form a not-for-profit corporation, you have a statutory right to exist in perpetuity.
3. Limited liability protection. Once you have formed a not-for-profit corporation, it protects directors, officers, and members against being held personally responsible for any debts or liabilities.
4. You can apply for both federal and state tax exempt status.
5. Access to grants. Some nonprofits are eligible to receive public and private grants, making it easier to get operating capital. Certain grants and public allocations are only available to 501(c)(3) organizations. In addition, donations made by individuals are tax deductible.
6. You may be eligible to receive US Postal Service discounts on bulk mail rates.
7. Credibility. You may gain more credibility as a result of being more formal potentially drawing more donations as a result.

Disadvantages:

1. Expenses. Filing fees to form a not for profit and, if you select a professional registered agent, there would be a fee for that as well. (\$75.00 to file the certificate of incorporation with the NY Department of State; \$10.00 if you get a certified copy of the certificate for your files)
2. You will need to file bi-annual reports, draft bylaws or an operating agreement (usually done at the time of formation), and retain certain books and records.
3. There may be certain requirements that regulate how you handle the organization.
4. There is often a restriction on a not for profit in terms of lobbying or political campaigning.