

STARTING A “NONPROFIT” IN NEW JERSEY VERY BASIC OUTLINE

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Note: There are two very helpful New Jersey web pages describing the incorporation and application for tax-exemption processes:

<https://www.state.nj.us/treasury/taxation/rsb100.shtml> and
<https://www.state.nj.us/treasury/taxation/exemptintro.shtml>.

1. Incorporation (State Process) (\$75 filing fee; \$15 for expedited service)

- Form a Board of Trustees (minimum 3 trustees, all of whom must be age 18 or older).
- Draft Certificate of Incorporation. Do not use the form provided by the New Jersey Division of Revenue and Enterprise Services (Division) because it does not include the provisions required by the IRS to become a 501(c)(3) tax-exempt entity.

Submit Certificate to the Division for filing (with \$75 fee) and receive your nonprofit corporation number. This number is distinct from your federal EIN.

- Draft Bylaws, but you will not need to submit them to the Division. You might need to submit them to the IRS with the organization’s application for tax exemption (discussed below).
- Consider adopting a Conflicts of Interest Policy, since the IRS strongly encourages adoption of such a policy and IRS Form 1023 (discussed below) asks whether such policy has been adopted.
- Once the Certificate is filed, hold an organizational meeting of the board of trustees to adopt the Bylaws, elect officers, and take other action, such as the adoption of a Conflicts of Interest Policy.

Note: At this stage, the organization is incorporated and exempt from the New Jersey corporation business income tax (discussed below) but is NOT exempt from federal tax.

2. Apply for a Federal Employer Identification Number (EIN) from the IRS (Federal Process)

- Fill-in form: <https://www.irs.gov/pub/irs-pdf/fss4.pdf> (hardcopy filing) or <https://sa.www4.irs.gov/modiein/individual/index.jsp> (e-filing).

3. Apply for Tax Exempt Status from the IRS (Federal Process)

- Complete and submit to the IRS either:
 - Form 1023 (fee of \$600) with copies of the Certificate of Incorporation that was filed with the Division of Revenue, the Bylaws, and the other attachments required to be submitted Form 1023, or
 - Form 1023-EZ (fee of \$275) online if your organization qualifies to use the short form application.
- For information on applying for tax-exempt status, see:
 - IRS Publication 557, [Tax-Exempt Status for Your Organization](#).
 - [Form 1023](#).
 - [Instructions for Form 1023](#).
 - [Form 1023-EZ](#).
 - [Instructions for Form 1023-EZ](#).
 - IRS's [Life Cycle of a Public Charity](#) web pages, which provide a detailed overview of the tax-exempt application process.

Once the Determination of Tax Exempt Status has been obtained from IRS:

4. Charitable Registration (State Process)

- Register with the New Jersey Charities Registration Section (Section) of the New Jersey Division of Consumer Affairs in order to solicit funds. Registration usually is required when a nonprofit receives gross contributions in excess of \$10,000 during its fiscal year. The registration fee is based on the dollar amount expected to be raised. See the Section's [website](#) and Pro Bono Partnership's article, [Charitable Registration in New Jersey](#), for more details.
- A nonprofit can register with the Section before, at the same time, or after the nonprofit files its application for tax-exempt status with the IRS.
- The nonprofit will receive a charities registration number. This number is distinct from both the organization's EIN and New Jersey corporation number referenced above.

5. **Update Your Charitable Registration.** If you registered with the Charities Registration Section before receiving your IRS determination of tax-exempt status, update your status by forwarding a copy of the IRS Determination Letter to the Section.

6. **Apply for Sales and Use Tax Exemption from New Jersey (State Process).** Use [NJ Form REG-1E](#). Be sure to carefully read the form's instructions if the organization has employees. For more information on the New Jersey exemption from paying and collecting sales tax, see <https://www.state.nj.us/treasury/taxation/st5excert.shtml> and <https://www.state.nj.us/treasury/taxation/pdf/pubs/sales/st5.pdf>. See also Pro Bono Partnership's article, [Nonprofits and Sales Tax: A Guide to Exemptions in Connecticut, New Jersey and New York](#).

7. **Apply for Property Tax Exemption, if Applicable (Municipal Process).** See the following forms for some basic details of the process: https://www.state.nj.us/treasury/taxation/pdf/other_forms/lpt/initialstment.pdf (Form I.S.) and https://www.state.nj.us/treasury/taxation/pdf/other_forms/lpt/further.pdf (Form F.S.).

Each of these processes is an important step, and most carry future filing or renewal obligations for the nonprofit. For more details, see Pro Bono Partnership's article, [Tax and Filing Considerations for Small New Jersey Nonprofits](#).

For the §501(c)(3) application (Form 1023 or Form 1023-EZ), it is recommended that legal counsel knowledgeable in this area be involved. We recommend that individuals thinking about forming a §501(c)(3) nonprofit take Pro Bono Partnership's on-demand webinar, [Starting a Nonprofit: Upsides, Downsides and Alternatives](#).

For more information on starting up or maintaining a tax-exempt organization and required filings, or for a listing of helpful resources during the start-up phase, please call us at (973) 240-6955 or visit our [Learning Center](#).

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