

# Counseling your clients about nonprofits: The good, the bad, and the big leaps



The [nonprofit sector](#) accounts for more than 12 million jobs in the United States, and job growth in the nonprofit sector in recent years has outpaced job growth in the private sector. As an advisor, you are more likely than ever to represent clients who hold executive positions at nonprofits, serve in key roles on nonprofit boards of directors, or do business with nonprofit organizations.

Please reach out to the community foundation as a resource when questions about nonprofit matters arise in your client discussions. Here are three examples of the types of issues that come up in the nonprofit arena:

–The good: The application process for exempt status has improved dramatically in recent years, thanks to IRS enhancements to its Form 1023. This is important for you to know when you are advising clients who are involved with a new charity. For those familiar with the application process, the new Form 1023 was a huge win and a [major IRS accomplishment](#).

–The bad: Watch out for exempt status issues. At the heart of a nonprofit’s favored tax treatment is the concept of “exempt purpose”--meaning, essentially, operating for the public good, not to further private interests. For charitable entities organized under Internal Revenue Code Section 501(c)(3), exempt status is crucial for an organization to remain exempt from paying income tax. Exempt status under Section 501(c)(3) also allows contributions to the organization to be eligible for income tax deductions (as well as estate and gift tax deductions). A bitter case in point is described in a [recent private letter ruling](#) outlining the reasons a healthy juice enterprise lost its exempt status.

–The big leaps: The nonprofit sector, powered by private philanthropy, can be, and has been, transformational for our society. If you’ve not spent some time reading up on the [major societal changes](#) that have their roots in the nonprofit sector, you might consider doing so. As always, the team at the

community foundation would welcome an opportunity to provide big picture background and inspiration to support the ongoing service you provide your clients who are involved in the nonprofit sector.