

## 501(c)(3) vs 501(c)(4) Entities

Why would my branch consider using the AAUW CA Special Project Fund (SPF) for a project or local scholarship?

Donations to branches that successfully applied to the state to be 501(c)(3) entities may receive donations that are tax-deductible to the donor. Otherwise, they are by default 501(c)(4) entities, and any donations they receive are not tax-deductible to the donor.

A branch may apply to the SPF, a 501(c)(3) corporation, so donations made to the SPF for the branch are tax-deductible to the donor.

What is the difference between 501(c)(3) and 501(c)(4) non-profit organizations?

Under Internal Revenue Service guidelines, both 501(c)(3) and 501(c)(4) entities are tax-exempt non-profit organizations and do not have to pay taxes on the money donated to the organization, but **only the donations provided to a 501(c)(3) are tax write-off for the donors.**

A 501(c)(3) must also **provide the donor with a receipt** for the amount of the donation or a receipt for the value of the donation, while the 501(c)(4) does not have to do the same.

A 501(c)(3) **must be a corporation**, fund, foundation or community chest, and follow all the state regulations pertaining to these types of organizations. None of its earnings may inure to any private shareholder or individual (such as an officer, director or key employee).

A 501(c)(4) does not have to be any one of these types of organizations; the 501(c)(4) only has to be an organization that is not established for profits and only uses the funds for social welfare.

As tax-exempt entities, both 501(c)(3) and 501(c)(4) organizations are not allowed to participate or intervene in any political activity, such as promoting a candidate or opposing a candidate. The difference is that a 501(c)(3) organization **loses its rights to be a tax-exempt even if the organization indirectly participates in a political activity.** A 501(c)(3) organization **cannot participate in any campaigning or lobbying activities**; however a 501(c)(4) has a way to get an exception to the political activity regulation.