



Neighborhood Networks

Consortia Development Services



Dissolving a 501(c)(3)

Dissolving a 501(c)(3) is the process of disbanding an organization and ending its non-profit status. Regardless of the reasons for dissolving its 501(c)(3) status, an organization must follow a series of steps with the state and the Internal Revenue Service (IRS) for the action to officially occur. A 501(c)(3) organization must file for dissolution first with its state and then send the approved dissolution documentation to the IRS. It is important for an organization to check with its state Attorney General's office first to ensure that the specific procedures and documentation are submitted.

States generally follow the same series of steps that apply to all 501(c)(3) organizations:

Initial Steps

- An organization's board of directors initiates the process of dissolving an organization's 501(c)(3). The board must vote on and adopt a plan to dissolve. The organization's bylaws and articles of incorporation govern the voting process and adoption of the plan.
- If the organization has members, the plan for dissolution must be presented to the membership for a vote. A vote of two-thirds in favor of dissolution is needed to continue the process.
- If the organization has no members, the plan for dissolution is continued after the board adopts the plan.
- If the organization was formed with the approval of a governmental body or officer, approval from that agency or officer must be obtained.

Assets include items such as property and investments. The status of an organization's assets determines which option for dissolution is chosen. Below are the two paths a 501(c)(3) organization takes depending upon its assets.

A 501(c)(3) with No Assets

- After a plan for dissolution is adopted by the organization, a written copy of the plan along with signed approvals by the board and/or government agency or official are filed with the state Attorney General's office. Organizations must check with their state to ensure the deadline is met. For example, in the State of New York, the plan for dissolution and signed approvals are due within 10 days of the organization's decision to dissolve.
- Within the organization's state, the plan for dissolution must be completed within the specified period of time. An extension may be granted by the Attorney General's office if the organization can show good cause why it cannot complete the plan.
- A state document certifying the dissolution is completed, along with required financial reports and a final financial report must be filed with the Attorney General.
- The Attorney General will approve these final documents and notify the organization. All approved final documents from the Attorney General must be sent to the state's Department of Taxation.
- Once the state's Department of Taxation approves of the dissolution documents, it will notify the Department of State who will, in turn, notify the organization of its dissolution. This notice is then returned to the Attorney General by the organization.
- Finally, the organization will file all final documentation with the IRS.

A 501(c)(3) with Assets

In the steps below, the organization dissolving with assets will be referred to as Organization A.

- If Organization A has property that is being transferred to Organization B, Organization A must obtain Organization B's governing structure, financial reports for at least three years, a copy of their IRS letter of determination, and an affidavit from a director or board member of Organization B stating that it is tax-exempt.

If any assets will be distributed to Organization B for specific purposes (such as programs), Organization A must submit a written agreement stating that the assets will be used for the noted purposes of Organization B.

- Once all assets are set to be properly distributed, Organization A's plan for dissolution and asset transfer documents are submitted to the State Supreme Court for verification. If the court approves, an order approving the plan for dissolution will be sent to Organization A.
- The court order, plan of dissolution, and documentation are submitted to the Attorney General for review and endorsement by Organization A. Once endorsed, these documents, along with the Attorney General's written endorsement, are re-submitted to the State Supreme Court by Organization A.
- Once the Supreme Court has signed off on the documents, Organization A will send the plan for dissolution to the Attorney General.
- Within Organization A's state, the plan for dissolution and distribution of assets must be carried out within a specified period of time. An extension may be granted by the Attorney General's office as long as Organization A can show good cause why it cannot carry out the plan within the time allotted.
- Organization A must file a copy of the state document certifying the dissolution is completed, along with required financial reports, and a final financial report to the Attorney General.
- The Attorney General will approve these final documents and notify Organization A. All approved final documents from the Attorney General must be sent to the state's Department of Taxation.
- Once the state's Department of Taxation approves of the dissolution documents, it will notify the Department of State who will notify Organization A of its dissolution. This notice is then returned to the Attorney General by Organization A.
- Finally, Organization A will file all final documentation with the IRS.