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How to Dissolve a 501C3 With the IRS

 By Andrea Helaine, *eHow Contributing Writer*

Although a non-profit can provide a valuable resource for a community, there are times when it may be necessary to dissolve the organization. If the organization is no longer relevant or cannot support itself financially, it might be time to dissolve the 501c3. If a non-profit board has decided to cease its function, it is important to complete a set of steps with the state government and the IRS to dissolve and distribute any applicable assets.

Instructions

Difficulty: Moderately Challenging

Dissolving a Non-profit Board of Directors

Things You'll Need:

1. Hold a vote with the board of directors to dissolve the organization. Prepare a certificate at the meeting. The bylaws or articles of incorporation should include what steps to take for voting on the dissolution of the organization, and these steps must be followed.
2. Prepare a final state tax return to verify your current financial holdings and obligations. Some states have different obligations and paperwork to fill out. The appropriate paperwork can be found on the secretary of state's website in the state where the 501c3 organization was incorporated.
3. Obtain a dissolution waiver from the attorney general and make a plan to distribute any of the remaining assets of the non-profit organization. If no assets remain, this should be clearly stated in the letter. Any organizations you intend to distribute funds to should be included, along with their legal names, addresses, phone numbers, and a copy of their articles of incorporation. The assets that will be distributed should be listed with the value and date of distribution and restrictions for the organization's use of the funds.
4. If your organization has any objections to how the money is distributed, you must request a waiver from the attorney general's office. The letter must be signed by the director or the organization's attorney and give a detailed description of all who will receive the assets. Include each recipient's full legal name, address and phone number.
5. Prepare a copy of the form 990, 990 EZ or 990 PPF for any accounting periods not included in the last tax filing, and develop financial statements. Copy the articles of incorporation and send two copies of all documentation to the secretary of state, including the waiver for distribution to either confirm that there are no assets or outline the distribution of assets and the executed certificate of dissolution.
6. Submit a copy of the final dissolution packet to the attorney general, marked to the attention of Registry of Charitable Trusts. Include a copy of the endorsed or stamped copy of the certificate of dissolution, final financial reports to show distribution of any assets and the resulting zero balance of the organization's assets.
7. Send a 990 EZ, 990 or 990N to the IRS. The form you are required to send will depend on the tax year returns from the previous fiscal year. These forms should be filed within 4 months and 15 days of the organization's termination. These documents should include a schedule N, which will outline the distribution of the organization's assets (including organizations who receive funds), financial statements and the state filings.

Tips & Warnings

- The president of the board of directors or the organization's lawyer should file the paperwork for the dissolution of a non-profit organization.

- According to IRS regulations, if you dissolve a 501c3 non-profit organization, you should donate all remaining assets to another non-profit organization.

- Before dissolving the 501c3 with the IRS, you should dissolve the organization with the secretary of state and the attorney general. The documents that will be processed with the state are required for filing the final dissolution paperwork with the IRS.

References

- IRS on Life Cycle of a 501c3
- BoardSource on Dissolving a Non-Profit
- Idealist on Donating Assets to Another Tax-Exempt Organization Upon Dissolution

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