

Starting a Charitable Organization in Connecticut



Photo Credit: Andy Hart



CONNECTICUT DEPARTMENT OF
CONSUMER PROTECTION

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Introduction

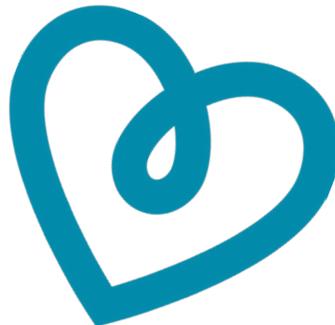
The Department of Consumer Protection (DCP) registers and regulates public charities in the State of Connecticut. All charitable organizations actively soliciting in Connecticut must be registered or claim an exemption from full registration with DCP.

Many people start charities in order to help others, and DCP wants to make sure that they have the information they need to comply with the state's requirements.

While DCP registers charities, the Secretary of the State's Office registers active legal entities in the state, including businesses and non-profits, and the Internal Revenue Service (IRS) grants tax exempt status. Organizations may need to file with those agencies separately from DCP, and need to contact those agencies directly.

Charities do not need to file with the Secretary of the State's Office or obtain tax exempt status in order to apply for a registration with DCP to solicit for charitable purposes.

Organizations that are soliciting funds or sponsoring fundraisers should seek advice from an attorney or an accountant regarding the most appropriate way to establish their organization.



Obtaining Tax Exempt Status and an FEIN

Information about how to obtain a 501(c) tax exempt status from the IRS can be found on the IRS website at www.IRS.gov/charities-non-profits.

Information about how to obtain a Federal Employer Identification Number (FEIN) can be found by visiting the IRS website at www.IRS.gov and clicking on “Apply for an Employee ID Number” (EIN).

If you have questions about your taxable income, tax status, or tax filing obligations, you should seek advice from an attorney or accountant familiar with the appropriate tax laws and regulations.



Doing Business in Connecticut

Information about how to register to do business or incorporate as a nonprofit in Connecticut is obtained from the Secretary of the State’s office at www.sots.ct.gov.

Charity Registration Process

Prior to any solicitations, charitable organizations must register with DCP's Public Charities Unit. There are two types of registrations: full and exempt.

Initial Registration Form

An organization must file a full registration unless they qualify for exempt status (*details found on next page*).

Organizations filing a full registration must:

- Complete the initial registration application form;
- Pay an annual non-refundable registration fee of \$50.00;
- Provide a copy of their most recently filed IRS 990 form;
- Provide a financial audit for the organization if revenue on the most recently filed IRS 990 exceeds \$500,000.00.



Please Note:
No financial documents are required with an application if the organization has not completed its first fiscal year or filed its first IRS 990.

Exempt Registration Form

Organizations may claim exemption from filing a full registration, and should complete an exempt form if they are:

- Organized religious corporations, religious institutions or religious societies;
 - Parent-teacher associations or educational institutions accredited and recognized by a government body;
 - Non-profit hospitals licensed under the laws of Connecticut or another state;
 - Governmental units in the United States; or
 - An organization that receives less than \$50,000.00 in contributions annually (*provided such organization does not compensate any person primarily to conduct solicitations*).
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Under the criteria there is no annual renewal, and no fee required. It is a one-time filing as long as the charity continues to qualify for their exempt status. If an organization's status changes, they should notify DCP's Public Charities Unit, and complete a full registration.

Exempt organizations will remain searchable at www.elicense.ct.gov, and those considering donating will be able to verify that the organization is legally able to solicit contributions.

Changes to Current Registrations

All changes to a registration must be reported within thirty (30) days. Changes may include the organization's name, address, officers who signed the registration, tax exempt status, form of legal entity, or fiscal year-end.

- To change the name of an organization, a copy of an official document such as an IRS 990, by-laws or a certificate of legal existence reflecting the official name of the organization must be submitted to DCP.
- Written notification is required to change an organization's address. Organizations may change their address online, via email, or by mail.
- A fiscal year end change can be done online at the time of renewal. If an organization has already renewed, they may contact DCP via email with updated information.

Renewals

If an organization is registered as exempt, it does not have to follow the renewal process.

- Renewal notices are sent via email approximately 60 days prior to an expiration date.
- Registration expiration dates can be viewed online by visiting www.elicense.ct.gov.
- Any updated information should be documented on the renewal notice by crossing out the incorrect information and writing the corrections on the provided renewal notice. If an organization is renewing online, the corrections may be made there.
- Organizations ready for renewal will receive an email with their user ID, and will use their existing password for online renewal. If a renewal notice is not received, a blank form is also available on our website.

Please Note: Emails are sent to the last reported email address on record. Only one email address can be supported for each charitable organization.

- When organizations renew online, they must attest to having filed their organization's 990 with the IRS. If applicable, a completed independent audit must be uploaded. *Please note that all 990's and applicable audits must be retained for three (3) years.*
- Organizations renewing online can make payments using a credit card, debit card, or e-check, and will receive confirmation once renewal is complete.
- Partial or incomplete submissions are not accepted.

Organizations with registrations that have been lapsed for more than 65 days after the expiration date are not able to renew online. In order to reinstate, the organization will need to submit:

- The reinstatement form;
- All of the required paperwork including their IRS 990 form;
- Their audit (*if needed*); and,
- The non-refundable registration fee of \$50.00.



A late fee of \$25.00 per month is also required for each month the organization is actively soliciting funds without a registration. The reinstatement form must be sent by mail.

Paid Solicitors

There are two classes of “professional fundraisers” in Connecticut. A bona fide, permanent, salaried officer or employee of a charitable organization does *not* fall within either class.

- **Fundraising Counsel:** A fundraising counsel is a person or firm that plans, manages, or otherwise advises an organization regarding fundraising efforts, but does not directly solicit contributions or hire others to solicit. The fundraising counsel *must* submit a copy of the contract between them and the charitable organization to DCP.

In the unusual circumstance where the fundraising counsel has custody or control of contributions, the fundraising counsel must register and post a surety bond with the DCP.

- **Paid Solicitor:** A paid solicitor is a person or firm that is hired by the charitable organization to *directly* solicit contributions. For example, a person or firm hired by the charitable organization that makes telephone solicitations would be a paid solicitor, whereas a firm hired by the charitable organization to prepare solicitations for use solely by mail is considered a fundraising counsel.

Paid solicitors must register annually with a non-refundable fee of \$500.00, and post a \$20,000.00 surety bond with DCP. Paid solicitors and the charitable organizations must jointly file a notice of intent-to-solicit prior to the start of each separate fundraising campaign. They must also file a financial report at the conclusion of each campaign.

Please Note: Any person, either directly employed by or who volunteers on behalf of a registered charitable organization and who solely solicits on behalf of that organization is exempt from this process.



Events and Fundraising

Organizations, Businesses, or Individuals Fundraising on an Organization's Behalf

- In order for an entity to fundraise on behalf of an organization, the volunteer fundraiser must have the organization's written permission to use their name, and should obtain verification of that organization's registration.
- Most often, charities have development staff to assist volunteer fundraisers. Volunteer fundraisers should not have to file anything on behalf of the organization.

Auctions

- The state does not have specific regulations regarding auctions. However, organizations may wish to contact their town for more information regarding local requirements or restrictions.

Raffles

- As of January 1, 2018, the charitable raffle process is managed by towns, and not by DCP. If organizations are considering holding a raffle, they should contact the municipal government where the raffle will be held.

Closing An Organization

To withdraw a charity registration from DCP, organizations are required to submit:

- Their last IRS 990 (*if solicitations have been conducted during the last fiscal year*);
- A letter indicating the date of withdrawal or, if the organization dissolved, a copy of the official dissolution document; and
- The registration number of the organization.

If the organization has not been actively soliciting since it submitted its last IRS 990 with DCP, a written notice indicating that the organization is no longer actively soliciting in Connecticut is all that is required.

The notice must include the effective date or a copy of the official dissolution document. This can be done at the time of renewal by submitting the paper renewal and checking off the section on the form under non-renewal.



Tips for Consumers: Avoiding Scams



Avoid any charity or fundraiser that:

- Refuses to provide detailed information about their identity, mission, or costs;
- Won't provide proof that a contribution is tax deductible;
- Uses a name that closely resembles that of a better-known, reputable organization;
- Starts a conversation by thanking you for a pledge you don't remember making;
- Tells you that you must donate immediately;
- Asks for donations in cash or via wire transfer;
- Offers to send a courier or overnight delivery service to collect the donation quickly;
- Guarantees sweepstakes winnings in exchange for a contribution (*By law, you never have to give a donation to be eligible to win a sweepstakes*);
- Won't give you a number to call them back ; or
- Is not registered with DCP.



Take precautions to make sure your donation directly supports your cause.

- Ask for detailed information about the charity, including name, address, and telephone number.
- Get the exact name of the organization and do some research. Search the name of the organization online in conjunction with the words “complaint(s)” or “scam”. You may also wish to contact organizations such as the Better Business Bureau, Wise Giving Alliance, Charity Navigator, Charity Watch, or GuideStar for more information.
- If you receive a solicitation, call the charity directly at a number you know or locate on your own. Then, you can determine if the organization is aware of the solicitation.
- Keep a detailed record of your donations.
- Make an annual donation plan. That way, you can decide which causes you’d like to support and stick to a budget.
- Never send cash donations. For security and tax purposes, it’s best to pay by check or credit card so you have a record of your transaction.
- Never wire money. Scammers often request that donations be wired because wiring money is like sending cash. Once you send money via wire transfer, you can’t get it back.
- Do not provide your bank account numbers or any personal information until you’ve thoroughly researched the charity. Paying by credit card or check is best.
- Be wary of charities that spring up too suddenly in response to current events and natural disasters. Even if they are legitimate, they may not have the infrastructure to get the donations to the affected area or people.

Report Charity Scams

Complaints may help detect patterns of wrongdoing and assist with investigations. Complaints can be sent to DCP by emailing dcp.charitiesenforcement@ct.gov.

Contact Information for DCP's Public Charities Unit

Questions related to public charities, registration information, and renewal information can be directed to the Public Charities Unit at DCP.

Department of Consumer Protection, Public Charities Unit
450 Columbus Boulevard, Suite 801
Hartford, CT 06103
dcp.publiccharities@ct.gov

Forms associated with registration and other reporting requirements can be found by visiting www.ct.gov/DCP/forms.



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