

Applying for 501(c)(3) Status

Charter Schools in Maryland are required to incorporate as not-for-profit agencies. This means that when the school files their articles of incorporation with the state the articles specifically state that you are a non-profit group. This does not mean that the IRS automatically acknowledges you as a charitable organization under their 501(c)(3) rules. In order to have that status, you must apply to the IRS using form 1023.

This process is lengthy, and we recommend that schools submit their applications as early as possible. By obtaining this status, it means that donations to your school are tax-deductible and that you do not need to pay any federal taxes.

To complete the process you must complete IRS Form 1023. In addition to the Form 1023, the IRS has specific information that they look at when they try to determine if a charter school is eligible to be a 501(c)(3). They look at the governance and management structure of the school to ensure that it is truly being run as an independent organization and that there are no profit motives. In order to evaluate this, they have created a guide with specific questions and what they are looking for in the answers to each question.

We recommend you take the IRS Guide Sheet and answer each specific question asked in a way that is transparent and paints a complete picture of the operation of your organization. Bear in mind that the shaded area on the guide sheet is areas that will raise red flags. If you need to answer with one of the shaded responses, be sure to review the determination factors and try to explain the situation.

Some schools hire attorneys to complete their application. This can be an expensive undertaking. We would recommend you spend time reviewing and completing as much of form 1023 and the guide sheet before seeking out an attorney to help to reduce your legal fees.

It is important to bear in mind that this process takes a long time. At the time of writing this information, the IRS is currently about a year behind in processing applications. [You can check their current status by clicking here.](#)

[IRS Charter School Determination Factors](#)

[IRS Charter School Guide Sheet](#)