



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

January 15, 2013

Number: **2013-0001**
Release Date: 3/29/2013

UIL: 501.03-00

Person to Contact and ID Number:

The Honorable Peter Welch
Member, U.S. House of Representatives
30 Main Street, Suite 350
Burlington, VT 05401

Contact Telephone Number:

Dear Congressman Welch:

This letter responds to your email dated November 28, 2012. You asked whether using
***** to raise funds for an organization establishing a *****
project would prevent potential future qualification by the organization as a charity described in
section 501(c)(3).

No prohibition exists against a 501(c)(3) organization using an internet fundraising platform to
raise funds. Web site or e-mail solicitations should comply with the same rules that apply to
other solicitations. An organization that intends to apply for recognition of 501(c)(3) status and
wants to raise funds, whether via the internet or otherwise, must ensure that it structures its
fundraising programs in a manner consistent with 501(c)(3) status.

The organization must consider any fees that a fundraiser or any other private party may charge
and determine whether payment of such fees, and any other aspect of the arrangement
between the organization and the private party, is reasonable and is consistent with 501(c)(3)
status.

A 501(c)(3) organization must not be organized or operated for the benefit of private interests,
such as the creator or the creator's family, shareholders of the organization, other designated
individuals, or persons controlled directly or indirectly by such private interests. No part of the
net earnings of a section 501(c)(3) organization may inure to the benefit of any private
shareholder or individual. A private shareholder or individual is a person having a personal and
private interest in the activities of the organization. The organization should consider whether
payments or benefits to fundraisers or other private parties may be excessive or may constitute
impermissible direct or indirect private benefit or private inurement. For more information on
private benefit and inurement, see Publication 4221-PC, *Compliance Guide for 501(c)(3) Public
Charities*, available at <http://www.irs.gov/pub/irs-pdf/p4221pc.pdf>.

An organization that provides something of value to donors in exchange for donations must consider carefully the possibility that doing so may violate the rules against private benefit or private inurement, and must comply with any substantiation and disclosure requirements for quid pro quo contributions. For more information, see Publication 4221-PC and Publication 1771, *Charitable Contributions, Substantiation and Disclosure Requirements*, at <http://www.irs.gov/pub/irs-pdf/p1771.pdf>.

An organization that is raising funds and has not yet received recognition as exempt from tax under section 501(c)(3) should make clear in its solicitation materials (whether a website or otherwise) that it has not received 501(c)(3) recognition and that, therefore, contributions may not be deductible. This statement should be conspicuous and easily recognizable in the solicitation. See <http://www.irs.gov/Charities-&-Non-Profits/Solicitation-Notice> for more information.

An organization applying for recognition of 501(c)(3) status must describe its actual and planned fundraising activities in its application (Form 1023, *Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code*), and must report any expenses incurred with regard to fundraising, both on Form 1023 and in its annual information returns (Form 990, Form 990-EZ or Form 990PF, whichever applies).

In addition, the organization should consider any state laws and regulations that may apply to internet fundraising by non-profit or tax-exempt organizations. For more information, see <http://www.irs.gov/Charities-&-Non-Profits/State-Links>.

This letter is for informational purposes only and is intended to provide general statements of well-defined law. It is not a ruling and may not be relied on as such. See Rev. Proc. 2013-4, 2013-1 I.R.B. 126 (or its successor). This letter will be made available for public inspection. The Internal Revenue Service will delete any name, address and other identifying information as appropriate under the Freedom of Information Act. See Announcement 2000-2, 2000-2 I.R.B. 295. If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations