



Advantages & Disadvantages of Forming a Nonprofits Organization

Nonprofit organizations support the role of government, helping resolve or prevent society's problems. Here are some considerations to help one decide whether to incorporate a nonprofit corporation.

ADVANTAGES

- ü The forming of a corporation, whether profit or nonprofit, protects the incorporators from personal liability for the debts of the corporation unless the incorporators cosign a contract or other promise to pay if the corporation does not. The corporation is a separate “person” under the law.
- ü Organizations that apply for and receive acceptance as 501(c)(3) organizations qualify as exempt from income taxation and often state sales taxes.
- ü Most nonprofit organizations qualify for private and public grants, including those from individuals, foundations, other nonprofits, and government sources.
- ü Some kinds of nonprofits sometimes receive special rates from vendors and others such as postal rates for mass mailings.
 - ü Contributors receive deductions for contributions to nonprofits.
- ü Some municipalities in some states give more zoning freedom to nonprofits, which gives them greater bargaining power for variances, etc.

DISADVANTAGES

- ü Forming a corporation, whether profit or nonprofit, means giving up some control from one person or a few individuals to a group, that is, a board of directors.
- ü There are many reporting requirements.
- ü Nonprofits are more limited in their activities and purposes than ordinary business corporations.
- ü Most records are open to public review.

DIFFERENCES BETWEEN PROFIT AND NONPROFIT ORGANIZATIONS

- ü Nonprofits seek to give service; ordinary businesses want to make a profit.
- ü Nonprofits use revenue left over after expenses are paid to advance the organization's exempt purpose.
- ü Nonprofits proactively seek to resolve community problems without regard to profit.
- ü Nonprofits should not compensate their employees higher than reasonable rates.
- ü Members of nonprofit boards of directors are motivated by a desire to serve the public, not monetary gain.
- ü Many nonprofits provide services through hundreds of hours of volunteer work and thousands of dollars in charitable contributions

STARTING A NONPROFIT OR NEED LEGAL ADVICE FOR AN EXISTING NONPROFIT?

Contact Side Project Inc. today. We have lawyers admitted to practice in Pennsylvania, Florida, and the United States Tax Court ready to help.

Pittsburgh Office: 814-520-7544 or email jeff@sideprojectinc.org
Florida Office: 561-755-7433 or email jeff@sideprojectinc.org

CONNECT WITH US TODAY!

Web: Sideprojectinc.org

Twitter: @sideprojectinc.org

Facebook: facebook.com/sideprojectinc

Tumblr: sideprojectinc.tumblr.com