

Types of Nonprofits: Everything You Need to Know

There are many types of nonprofit organizations. These nonprofits are usually tax-exempt because they work toward the public interest. All assets and income from the nonprofit are reinvested into the organization or donated. Depending on the nonprofit's membership, mission, and structure, different classifications will apply.

Nonprofit Organization

In the United States, there are over 1.6 million nonprofit organizations. Nonprofits serve the public interest and are mostly categorized as tax-exempt by the IRS. There are 27 different types of nonprofit organizations. Each designation has its own set of rules for:

- Eligibility
- Lobbying
- Electioneering
- Tax-deductible contributions

IRS 557 provides details on the different categories of nonprofit organizations.

Public charities, foundations, social advocacy groups, and trade organizations are common types of nonprofit organization. Any profits generated by these organizations is not distributed to shareholders or owners. Additionally, nonprofits do not issue stock.

Social Advocacy Groups

Social advocacy groups are classified under 501(c)(4). Social advocacy groups lobby or promote some sort of social or political effort. Funds typically come from donations or membership dues. Examples of social advocacy groups include Greenpeace, NAACP, ACLU, and the National Organization for Women. They also engage in fundraising, lobbying, and efforts to educate the general public about their cause.

501(c)(1)

501(c)(1) are nonprofits organizations that are organized by an Act of Congress such as federal credit unions. Since these organizations are set up by Congress, there is no application, and they do not have to file a tax return. Contributions are permitted if they are made for public purposes.

501(c)(2)

501(c)(2) nonprofits organizations are created to hold titles for exempt organizations. Interested parties must apply for this status with IRS Form 1024. They are required to file taxes annually with forms 990 or 990EZ.

501(c)(3) - Charitable Organizations

Most nonprofit organizations fall under 501(c)(3). This includes religious, educational, charities, scientific, and literary organizations. Donations made to 501(c)(3) groups are tax deductible.

Public charities are the largest type of 501(c)(3) with nearly 1 million registered in the United States. Some examples include food banks, museums, art groups, amateur sports, colleges, low-income housing organizations, and animal welfare organizations. Charities are typically funded through donations, government grants, or membership dues. All income for 501(c)(3) groups are [tax exempt](#).

There are five types of 501(c)(3) organizations:

- Private Foundations
- 509(a)(1)
- 509(a)(2)
- 509(a)(3)
- 509(a)(4)

Foundations

There are an estimated 103,430 foundations in the United States. Typical missions include funding other nonprofits and sponsoring events and programs for awareness or education. Most foundations focus on finding worthy nonprofit organizations to support through donations and guidance. Foundations are usually established by wealthy individuals or businesses.

In order to remain classified as a foundation, it must donate a certain portion of its income on an annual basis. This is to prevent the misuse of a foundation for personal gain or tax avoidance. Foundations are also prohibited from any sort of political activity, although it may support organizations that engage in political lobbying. Two examples of well-known foundations are the Bill and Melinda Gates Foundation and the Ford Foundation.

501(c)(4) - Civic League, Social Welfare Organization or Local Employee Association

Civic leagues, social welfare organizations, and local employee associations fall under the 501(c)(4) classification. They have fewer restrictions when it comes to political activity such as lobbying. The purpose of these organizations is to support individuals within the group who may have fallen on hard times and the general welfare of the organization's members. Nonprofits can apply for this designation with Form 1024 and file annual returns with Form 990 or 990EZ.

501(c)(5)

Labor, agricultural, and horticultural organizations fall under this designation. Their missions are education, improvement of working conditions, and increases in efficiency and quality. These organizations are permitted to engage in lobbying. 501(c)(5) organizations are funded through donations and member dues.

501(c)(6) - Trade or Professional Association

Some examples of 501(c)(6) organizations are business leagues, chambers of commerce, and real estate boards. Their purpose is to improve business conditions for its members. Nonprofits seeking this designation must file [Form 1024](#) with the IRS.

501(c)(6) organizations are permitted to engage in political activities. Typically, they are funded by member dues and offer programs and services for member education. In the United States, there are around 63,000 501(c)(6) organizations. Some examples of well-known 501(c)(6) organizations are the American Farm Bureau, the National Writers Union, and the International Association of Meeting Planners.

501(c)(7) - Social or Recreational Club

501(c)(7) organizations are social or recreation clubs. The purpose of these [nonprofit organizations](#) is to organize activities that lead to pleasure, recreation, and socialization. Common examples include hobby groups, country clubs, and sports leagues. To qualify for this designation, IRS Form 1024 must be filed. Tax returns are filed with Form 990 or 990EZ.

501(c)(8) - Fraternal Societies

501(c)(8) nonprofit organizations are fraternal societies. They are created to provide for the payment of life, sickness, accident, or other benefits to members and to further the development of its members. They can include service clubs, lineage clubs, or secret societies.

In order to qualify for the 501(c)(8) designation, fraternal societies must have parent and subordinate organizations. Additionally, it must provide some sort of insurance to its members. Some well-known examples of 501(c)(8) nonprofit organizations are the Knights of Columbus and the Shriners.

501(c)(9) - Employee Beneficiary Association

501(c)(9) nonprofit organizations are voluntary employees' beneficiary associations. They provide payment to members and their dependents in the event of sickness, accident, or other unfortunate events. Membership is reserved for employees with a common employer or membership in the same union. Organizations can apply for this designation with Form 1024 and must annually file [Form 990](#) or 990EZ.

501(c)(10) - Domestic Fraternal Societies and Associations

501(c)(10) nonprofit organizations are fraternal societies that do not provide any sort of payment to members. Basically, 501(c)(8) are fraternal organizations which exists to support members, while 501(c)(10) are fraternal organizations which use member dues to support outside causes with no benefits for members.

501(c)(11) - Teacher's Retirement Fund Associations

501(c)(11) are nonprofit organization which manages teachers' retirement funds. Its sources of income are membership dues, tax proceeds, and investment income. These are local organizations. Form 1024 must be filed to qualify for 501(c)(11) designation.

501(c)(13) - Cemetery Companies

501(c)(13) are nonprofit organizations which are created to provide burial services for its members. These organizations exist solely for this reason. Common sources of income are membership dues and donations.

501(c)(14) - State Chartered Credit Union and Mutual Reserve Fund

501(c)(14) are state chartered credit unions and mutual reserve funds. These organizations offer financial services to their members and the community, typically at discounted rates. Sources of income are business activities and government grants. Each state's law differs when it comes to formation of these types of nonprofit organizations. There is no application form for this type of nonprofit but 501(c)(14) nonprofits must annually file Form 990 or 990EZ.

501(c)(15) - Mutual Insurance Companies of Association

501(c)(15) are mutual insurance companies. These nonprofits provide insurance to its members at cost. Usually, they are formed at the local level. Typically, these organizations provide insurance for property damage, burial, and funerals.

501(c)(16) - Cooperative Organizations to Finance Crop Operations

501(c)(16) nonprofit organizations are created to finance crop operations. Typically, these organizations are created by a group of farmers to work together to pool resources for

agricultural operations. Some examples of these operations are purchases of farm equipment, crop cultivation, livestock, shipping, and marketing.

501(c)(17) - Supplemental Unemployment Benefits Trust

The 501(c)(17) designation applies to supplemental unemployment benefit trusts. These organizations exist to provide support and payment to individuals who are permanently or temporarily unemployed. These nonprofits must be supported by the employer or employees. They must also pay beneficiaries in an objective manner.

501(c)(18) - Employee Funded Pension Trust

501(c)(18) applies to employee funded pension trusts created before June 25, 1959. These are funded exclusively by member contributions. Payments can only be used to pay benefits to members. Additionally, objective standards need to be created for any distributions.

501(c)(19) - Veterans Organizations

501(c)(19) is for veterans organizations. To be considered eligible, 75 percent or more of members must be active or past members of the armed forces. These organizations' purposes are to provide benefits for United States Armed Forces members. Most veterans' organizations are funded through donations.

501(c)(20)

501(c)(20) are nonprofit organizations which apply to qualified legal service plans. As of June 30, 1992, this status has been eliminated so only older organizations qualify with most choosing another designation. These organizations were created with the purpose to provide legal services to members.

501(c)(21) - Black Lung Benefits Trust

501(c)(21) nonprofit organizations are trusts created to pay claims that arise from the Federal Black Lung Benefit Act of 1969. Coal miners who become sick due to black lung disease are eligible for benefits. These trusts are funded by coal mine operators.

501(c)(22) - Withdrawal Liability Payment Fund

501(c)(22) nonprofit organizations are created to provide funds to meet liabilities of employers who are withdrawing from multiemployer pension funds. These organizations' purpose is to help employers fulfill their pension obligation. They are funded by employers.

501(c)(23) - Veterans Organization

501(c)(23) designation is for veterans organization which were established before 1880. They provide insurance and benefits to members. In order to be eligible, at least 75 percent of members have to be present or past members of the United States Armed Forces. Funding comes from donations and government grants.

501(c)(26) - State Sponsored Organizations Providing Health Coverage for High-Risk Individuals

501(c)(26) are nonprofit organizations created at the state level to provide insurance for high-risk individuals who may not be able to get insurance through other means. Members are typically patients with health risks or preexisting conditions. Funding comes from donations or government grants. Examples of states with these high-risk insurance pools are North Carolina, Louisiana, and Indiana.

501(c)(27) - State Sponsored Workers' Compensation Reinsurance Organization

501(c)(27) nonprofit organizations are created to provide insurance for workers' compensation programs. Organizations that provide workers compensations are required to be a member of these organizations and pay dues. Typically, these organizations are supported by government grants and member dues.

501(d) - Religious and Apostolic Associations

501(d) groups are religious based groups that share a common treasury. Their defining feature is the pooling of all members' income and then paying tax from this amount. There is no restriction on political activity. Donations are not tax exempt.

501(e) - Cooperative Hospital Service Organizations

501(e) nonprofit organizations provide cooperative services for two or more hospitals. These are typically service organizations which look to support sick patients and their families. Most funding comes from donations which are tax exempt. Form 1023 must be filed to qualify as a 501(e).

If you need help filing to be recognized as a nonprofit organization, you can post your legal needs on [UpCounsel's marketplace](#). UpCounsel accepts only the top 5 percent of lawyers to its site. Lawyers on UpCounsel come from law schools such as Harvard Law and Yale Law and average 14 years of legal experience, including work with or on behalf of companies like Google, Menlo Ventures, and Airbnb.