

Comparing 501c3 and 501c4 Designations

Organizational designations

Both 501c3 and 501c4 are non-profit organizations. Both types of organizations are exempt from paying taxes on the money that is kept in their organizational accounts.

How these organizations differ:

501c3 organizations

- Include churches, charities and public foundations.
- 501c3 organizations are both non-profit and tax-exempt for all accounts and donations.
- Monies of the organization are not generally subject to income tax if they are maintained in organizational accounts.
- Donors can get tax credit for their donations
- Events sponsored by these groups are often not subject to sales tax
- All services must serve the public interest via their good works and are prohibited from directing their contributions/services exclusively to individuals within their membership.
- These organizations must provide receipts to donors for cash donations or for the value of the gifts.

501c4 organizations:

- Include civic leagues, such as ESA, other groups like Lions Club, social welfare organizations, and veterans' clubs such as the VFW.
- Donations made directly to the chapter or club for the administration or support of their club/chapter are not tax-exempt and cannot be used as tax exemption donation by the donor. (See Donor Acknowledgment Letters below)
- 501c4 generally need to provide EIN numbers to banks to open and retain their account as a non-profit (and you must do BOTH, EVERY YEAR):
 - ▶ **To be eligible to qualify for an EIN number, ESA Chapters have to:**
 - 1) currently belong to the International Council of Epsilon Sigma Alpha AND**
 - 2) be current in their filing of Tax forms with ESA Headquarters. (TAX FACTS FORMS are available on the [in the member center](#) . (chapter & council management > treasurer/tax docs)**
- If chapters or clubs are working to create funds for 501c3 organizations, these organizations should be able to provide receipts for those charities. These donations-checks, etc. should be made out to the charity rather than to the ESA chapter.

In ESA:

- Chapters and councils are eligible for 501c4 status if they are and remain current in meeting the stipulations that are listed above.
- The ESA Foundation is the only entity in ESA that qualifies as a 501c3 organization. All donations that are made to the ESA foundation are deductible.

IMPORTANT INFORMATION ABOUT DONATION ACKNOWLEDGMENT LETTERS

ESA chapters/councils (entity) may not give “tax” receipts for donations of either goods or money given to them. You may provide your entity’s EIN but would only do so if asked.

You may give an “acknowledgment of donation” letter, but members should neither verbally nor in writing indicate that a tax deduction is available for the donation. Suggested verbiage for an acknowledgment of donation:

“Epsilon Sigma Alpha International Council chapter _____ (chapter name) # _____ (chapter number) is a 501 C 4 non-profit entity. Thank you for your donation of _____.”

**If a donor asks if their donation is tax deductible, please say, “You should take this to your tax advisor and ask them.”
It is very important that members do not engage in discussions of tax matters with donors.**