



Incorporated Libraries

VT DEPT. OF LIBRARIES



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COMMON GOOD VERMONT

Common Good Vermont is a statewide program of United Way of Northwest Vermont



Common Good Vermont

Common Good Vermont is the only **statewide** program dedicated to **uniting, strengthening, and advocating** for Vermont's nonprofit sector. Common Good Vermont serves as the “**go-to**” resource for nonprofits to share **resources, gain skills, and build partnerships.**

Connect. Thrive. Learn.



Our Ladder of Services

Sector Advocacy & Issue Convening

Issue-driven Organizing & Education & Convening
Sector Reports

Certificate & Cohort Programs

Certificates in Nonprofit Management, Fundraising & Development, Nonprofit Training & Consulting

Training & Technical Assistance

Webinar Program & Customized Training
Learning Series
Technical Assistance

Website & Online Resources

Weekly VT Nonprofit News E-Newsletter
News Blog, Online Resources, Nonprofit Events Calendar
Statewide Jobs Posting Board & Board Governance Board



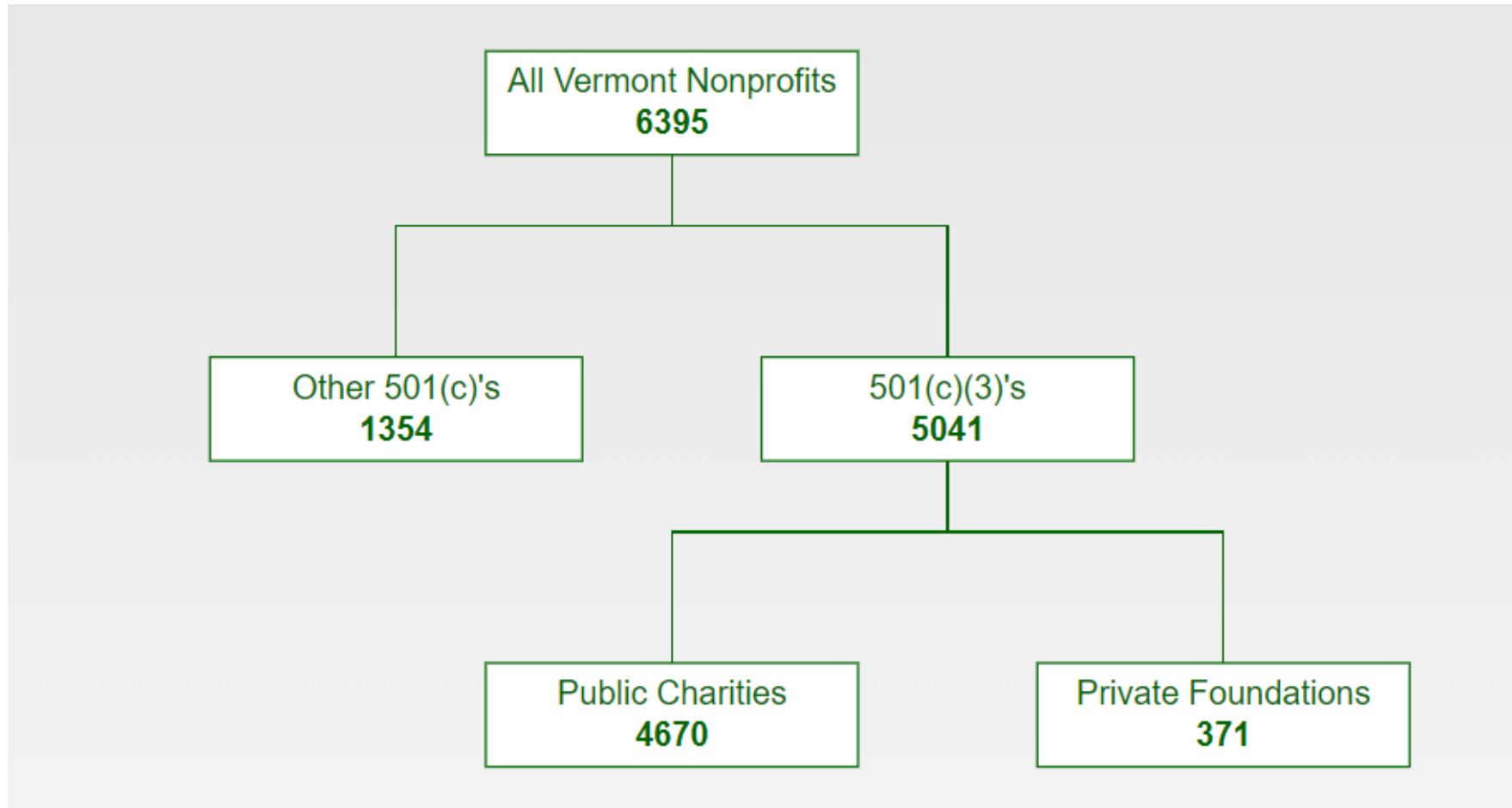
Vermont's Nonprofit Sector

- More than **6409 Vermont nonprofits** serve all corners of the state.
- Public charities generate more than **\$10 billion in revenue annually**.
- Nonprofits employ **1 in 5 Vermont workers**.
- Vermont nonprofits contribute **\$5.7 billion** per year to the economy through wages paid, retail and wholesale purchases, and professional service contracts.
- This contribution is equivalent to nearly **20% of the State's gross state product** (greater than the manufacturing and construction industries combined).

What's A Nonprofit

- Nonprofits are organizations that serve a public or mutual benefit, are exempt from income tax, and are not allowed to pay out surplus revenues to a private shareholder or individual, including at dissolution.
- When we talk about nonprofits, we are often referring to 501(c)(3) organizations which includes "public charities" and "private foundations."
- Public Charities (or charitable nonprofits) are one of many types of tax-exempt organizations under the U.S. tax code that each have to meet different federal criteria for tax exemption.

Overview of Vermont's Nonprofit Sector



Nonprofit Status

VT

- Unincorporated Nonprofit Association
 - Operate under assumed business name
 - Do NOT qualify as nonprofit organizations for federal tax purposes
- Nonprofit Corporation
 - File articles of incorporation with the Secretary of State
 - VT Statute [Title 11B: Nonprofit Corporations - Chapter 2](#) Incorporation Requirements

FEDERAL

- IRS: IRS requirements: Articles of organization must limit the organization's purposes to one or more of the exempt purposes set forth in section 501(c)(3):
 - charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals.
- File with IRS 1023/1023-EZ
- Tax-exempt status

Registration as a Vermont nonprofit does not confer tax-exempt status under IRS Code 501(c), (e) and (f), or any other federal exemption status with the Internal Revenue Service (IRS).

Types of Libraries

INCORPORATED

- Formed through incorporation – private nonprofit
- Governed by board of directors (or trustees)

MUNICIPAL

- Formed by town vote
- Governed by board of trustees

FRIENDS OF THE LIBRARY

- Incorporated nonprofit in support of a municipal (or incorporated) library with 501(c)(3) status
- Independent from library and board

In the chat, which of the following applies to you?

- Incorporated Nonprofit Library
- Municipal Library
- Have a “Friends of” 501(c)(3)
- Library District
- Unsure

State vs. Federal Laws

STATE

- [Vermont Nonprofit Statute: Title 11B](#) governs nonprofit status (incorporation and maintenance)
- Includes:
 - Filing requirements
 - Incorporation & bylaws
 - Membership; Members, Meeting & Voting
 - Directors and officers; Governance
 - Mergers; Dissolution
 - Records and reports

FEDERAL

- <https://www.irs.gov/charities-and-nonprofits>. Sec. 501(c)(3) of the Internal Revenue Code governs tax exempt status
- Includes:
 - Charitable donations
 - Annual tax filings
 - Unrelated business income
 - Restriction on political activities

Refer to Vermont Title 11B to...



Understand nonprofit structures, requirements, and governance



Ensure compliance



Establish processes and best practices



Understand powers, responsibilities and liabilities of corporation and individuals



Navigate legal questions / issues



Educate board members, staff

Protecting Your Tax-Exempt Status

- Cannot be organized or operate for private interests
- Cannot devote “substantial part” of activities to lobbying
- Remain nonpartisan
- No illegal activities
- Keep up with filing/reporting requirements (including for grants)
- Maintain records
- Create and adhere to strong governance policies
- Comply with disclosure requirements

(See [IRS Compliance Guide](#))

Nonprofit Filings/Reports

- State

- Biennial Report: Must renew your nonprofit registration every two years, beginning the first year following initial registration, by filing a [biennial report](#) between January 1 and April 1.
- Ensure registered agent, office & mailing address, and principal personnel are up to date.
- Corporate income tax (if applicable)
- Quarterly Unemployment Insurance Wage and Contribution Reports (if applicable)

- Federal

- Annual Returns (990/990-EZ)
- Unrelated Business Income Tax Return (if applicable)
- Employment Taxes and Unemployment Insurance Taxes (501(c)(3) corporations and government entities are exempt)

What is a Form 990?

- Annual tax return required for (most) registered tax-exempt organizations
- Types of 990s:
 - Form 990-N (e-postcard) – gross receipts under \$50,000, or have averaged <\$50K for the last 3 years
 - Form 990-EZ – Gross receipts < \$200,000, and total assets < \$500,000
 - Form 990 – Gross receipts ≥ \$200,000, or total assets ≥ \$500,000
 - Form 990-PF – Private foundation
- Forms, <https://www.irs.gov/charities-non-profits/exempt-organizations-forms-and-instructions>

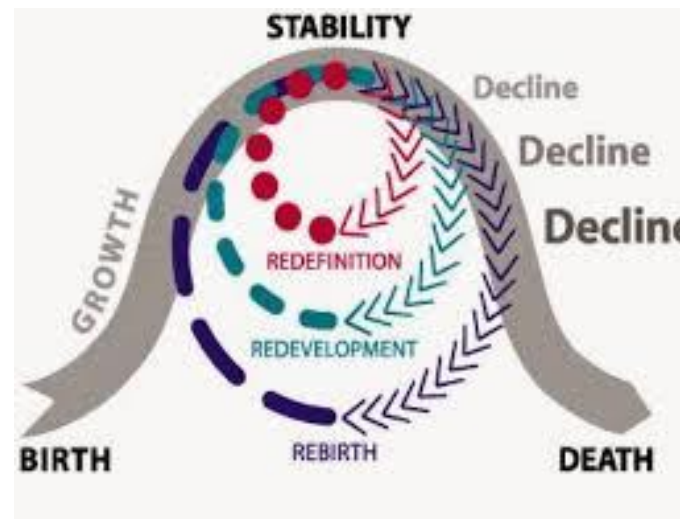
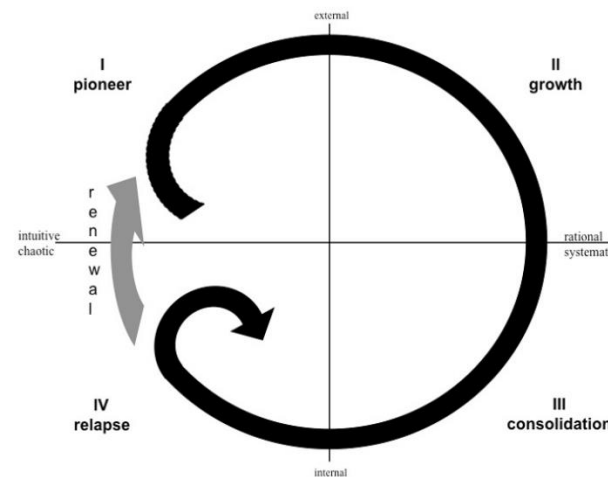
990		Return of Organization Exempt From Income Tax		OMB No. 1545-0047
Department of the Treasury Internal Revenue Service		Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations) Do not enter social security numbers on this form as it may be made public. Go to www.irs.gov/Form990 for instructions and the latest information.		2022 Open to Public Inspection
A For the 2022 calendar year, or tax year beginning		, 2022, and ending		, 20
B Check if applicable:	C Name of organization		D Employer identification number	
<input type="checkbox"/> Address change	Doing business as			
<input type="checkbox"/> Name change	Number and street (or P.O. box if mail is not delivered to street address)		Room/suite	E Telephone number
<input type="checkbox"/> Initial return	City or town, state or province, country, and ZIP or foreign postal code			
<input type="checkbox"/> Final return/terminated			G Gross receipts \$	
<input type="checkbox"/> Amended return	F Name and address of principal officer:		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> Application pending			H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No	
I Tax-exempt status: <input type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527				If "No," attach a list. See instructions.
J Website:				H(c) Group exemption number
K Form of organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other		L Year of formation:		M State of legal domicile:
Part I Summary				
Activities & Governance	1	Briefly describe the organization's mission or most significant activities: _____		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	
	5	Total number of individuals employed in calendar year 2022 (Part V, line 2a)	5	
	6	Total number of volunteers (estimate if necessary)	6	
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	
	b	Net unrelated business taxable income from Form 990-T, Part I, line 11	7b	
		Prior Year	Current Year	

Setting Up VT Tax and UI Accounts/IDs

- Will need EIN
- If you won't be hiring employees or making purchases or sales before you receive 501(c)(3) status, wait until after you have your IRS determination letter for this step.
- VT Department of Taxes:
 - Register for a Vermont Business Tax Account with the Vermont Department of Taxes before you make purchases or sales.
 - Register for a Sales and Use Tax or Meals and Rooms Tax license before you make any sales, rent rooms, or serve meals—taxable or tax-exempt.
 - You may register online through [myVTax](#) or the [Vermont Secretary of State](#).
- VT Department of Labor
 - Before hiring employees, set up a [new employer unemployment tax account](#).
 - All nonprofit employers, regardless of size, must register with VDOL.

Organizational Lifecycles

Non-Profit Life Cycle



Applying for State Tax Exemptions

- Must have 501(c)(3) status and have set up VT Business Tax Account (if your business account was not set up as a nonprofit entity, you will need to close and create a new account)
- 501(c)(3) Sales Tax Exemption:
 - For buying exemption complete [Form S-3, Vermont Sales Tax Exemption Certificate for Resale and Exempt Organizations](#) and present to seller at time of purchase
 - Learn more about selling exemptions [here](#)
- Nonprofits must pay/collect room & meals tax but there are some [selling exemptions](#)
- Property: May be exempt from property tax if it passes the [Public, Pious, And Charitable Use Test](#)
 - Must apply through town lister using [Form PVR-317](#)

Unemployment Insurance Overview



Effective July 1, 2024:

ALL nonprofits, no matter how many people they employ, must register with the Vermont Department of Labor to be part of the unemployment insurance program.

What this means is that nonprofit organizations, big or small, and municipal entities, must follow these rules:

1. Report employees' wages every quarter (the first report for new employers will be July THROUGH September and will be DUE October 31, 2024).
2. Report hiring new employees (10 days to report).
3. Pay unemployment claims if their employees lose their jobs and are eligible for unemployment benefits.

Quarterly Unemployment Insurance Wage and Contribution Report Schedule:

For Wages Paid During:	Report Due by:
January - March	April 30
April - June	July 31
July - September	October 31
October - December	January 31

If the report due date falls on a weekend, the due date will be the next business day. Please file the report on time to avoid penalties.

Nonprofit and municipal entities have the option of participating as either a *taxable* or a *reimbursable* employer with the state for unemployment insurance.

TAXABLE EMPLOYERS

- When newly register, will be assigned a "new employer" 1% tax rate.
- Will pay quarterly contributions to the state based on taxable payroll (capped annually by the state)
- Are also subject to federal unemployment taxes (unless a 501(c)(3) or gov. entity).
- Will have their unemployment claims paid directly out of the state's UI Trust Fund.

REIMBURSABLE EMPLOYERS

- Are not required to pay state or federal unemployment taxes.
- Are exempt from any quarterly contributions to the state.
- Must pay back the state in full for any unemployment claims that arise associated with individuals that separated from employment.

UI Resources

- Vermont Department of Labor: *Labor.UIInformation@vermont.gov*
- Common Good Vermont (nonprofits): *Emma Paradis - info@commongoodvt.org*
- Vermont League of Cities and Towns (municipal entities): *Kelley Avery - kavery@vlct.org*
- Financial Consultant: *Structural Integrity - info@structural-integrity.org*
- [Unemployment Insurance Guide for Nonprofit and Municipal Employers](#)
- [Employer Information Manual: A Guide to Vermont's Unemployment Insurance Program](#)

Insurance for Nonprofits

- Three main types:
 - Property
 - Building and Contents Coverage (if you own property)
 - Crime Coverage
 - Workers' Compensation (required for employers)
 - Benefits (optional)
 - Health
 - Dental
 - Life
 - Liability
- Some policies may be bundled
- Seek a broker that is helpful, responsive, and works with other nonprofit clients
- One resource, <https://nonprofitrisk.org/resources/contemplating-coverage-insurance-for-nonprofits/>

Liability Insurance

- Commercial General Liability (CGL) - Bodily injury, property damage, personal injury
 - May need additional coverage for off-site events or other situations exempt from policy
- Directors' & Officers' Liability (D&O) - protects directors and officers from personal losses if sued for actions/decisions made while serving in their role (best practice)
- Professional Liability (PL) - protects against errors and omissions in the delivery of professional services (especially important if you provide advice, services or consultation)
- Auto
- Cyber – increasingly important especially if handling significant/sensitive data
- Sexual Abuse and Molestation – especially important if working with vulnerable clients (ex: children)
- Employment Practices Liability (EPL or EPLI)

PAUSE FOR DISCUSSION



Libraries & Open Meeting Law

INCORPORATED

- Formed through incorporation – private nonprofit
- Governed by board of directors (trustees)
- Not subject to Open Meeting Law*

FRIENDS OF THE LIBRARY

- Incorporated nonprofit in support of a library
- Independent from library and board of trustees
- Not subject to open meeting law

MUNICIPAL

- Formed by town vote
- Public board of trustees
 - “non-advisory” local boards per Act 133
- Must follow Open Meeting Law

**Incorporated libraries often receive funding from state and local grants that may require them to adopt open meeting laws or other practices (which should also be adopted in their bylaws).*

Best Practice = Open Meeting Law

- [Per SOS](#) - In general, the open meeting law requires public bodies to:
 - Provide advance public notice of meetings, including meeting agendas.
 - Discuss all business and take all actions in open meeting, unless an exception in statute applies.
 - Allow members of the public to attend and participate in meetings.
 - Take meeting minutes and make them available to the public.
- [Minimum Standards for Vermont Public Libraries](#)
 - *"The board...meets at least every three months in meetings warned and open to the public, according to the Vermont Open Meeting Law (1 V.S.A. 312-317)."*
 - Voluntary, but encouraged as best practice

2024 Change to OML: Act 133

- Effective July 1, 2024
- Municipal library boards are "non-advisory" or "decision-making bodies"
- New changes include:
 - Meetings must be recorded and posted to designated electronic location for 30 days
 - Hybrid access to meetings must be available upon request
 - Starting January 1, 2025, State non-advisory bodies must hold all regular and special meetings as hybrid meetings, designating both a physical meeting location and an electronic meeting platform
 - Board chair must attend OML training annually - *The Secretary of State will have this training available in the Winter of 2025.*
 - [LEARN MORE](#)

Bylaws

- Rules used by the board to govern the organization
- Cannot be inconsistent with law or Articles of Incorporation
- Filed with IRS for tax exempt status (one time)
- Include ([see sample](#)):
 - Statement of purpose
 - Structure - Board size, membership, committees & meetings
 - Roles, duties, term limits, compensation of directors and officers
 - Rules/procedures for meetings, director elections/removal, appointing officers
 - Conflict of interest policies and procedures
 - Process to amend bylaws
 - Dissolution and indemnification clauses

Advocacy Vs. Lobbying

ADVOCACY

- Examples
 - Telling your story, impact
 - Site visit
 - Volunteer work
 - Fundraising assistance
 - Help with constituents
 - Appear at events
 - Issue a report
 - Speaking at lunch
- No limit for 501(c)(3)s

LOBBYING

- Talking to policymakers
- About legislation
- Asking for vote or reflects a view on legislation
- Non-partisan (cannot intervene in political campaigns or engage in partisan activities)
- Limited for 501(c)(3)s

How much can nonprofits lobby?

- Nonprofits CAN lobby, but there are limits
 - Too much lobbying can jeopardize tax-exempt status
- Two tests, your choice:
 - Measuring lobbying activity: substantial part test
 - Under the substantial part test, an organization that conducts excessive lobbying in any taxable year may lose its tax-exempt status, resulting in all of its income being subject to tax.
 - Can be applied arbitrarily (not recommended)
 - Measuring lobbying activity: expenditure test
 - Organizations other than churches and private foundations may elect the expenditure test under section 501(h) as an alternative method for measuring lobbying activity. Won't jeopardize status if under expenditures limit.
 - Based on size of organization
 - Recommended, must file Form 5768 to elect this option
 - \$1 million nontaxable lobbying expenditure cap
 - Grassroots lobbying can only account for 25% of total lobbying nontaxable limit

Additional Resources

- Vermont Nonprofit Statutes – [Title 11B Nonprofit Corporations](#)
- [National Council of Nonprofits](#)
- VT
 - [Secretary of State](#)
 - [Department of Taxes](#)
 - [Department of Labor](#)
- [Fundraising Compliance](#) (in different states)
- [VCF Introduction Form](#)

Additional Sector Information

Overview

- National Council of Nonprofits: [Nonprofit Impact Matters](#)
- Common Good Vermont: [Vermont Nonprofit Economic Impact Report](#)

Publications & Newsletters

- [Common Good VT Newsletter](#)
- [Vermont Community Foundation](#)
- [Nonprofit Champion](#)
- [NPQ](#)
- [Stanford Social Innovation Review](#)
- [Independent Sector](#)

Optional Further Reading

- Nonprofit Quarterly: [A New Social Contract for the 21st Century](#)
- [Let's mend Vermont's social safety net](#)



DISCUSSION & QUESTIONS & ANY NEXT STEPS
