

501(c)(3) Nonprofits vs For-Profit Businesses

501(c)(3) nonprofits and for-profit businesses are both private organizations but have fundamental differences that set them apart.

501(c)(3) Nonprofits

VS

For-Profit Businesses

Primary objective = public benefit

Must reinvest net earnings back into their missions but do need net earnings to continue their work and be sustainable

Exempt from federal and state income taxes, eligible to request refunds of sales taxes paid, and most nonprofits are exempt from property tax on land and buildings they own and operate

Donors may deduct some of their contributions from their federal and state income taxes

Financial data is public information, including Form 990 that is filed annually and includes information on programs, revenue and expenses, key employees' salaries, governance, and the identity of directors and officers

Allowed to advocate and lobby but prohibited from partisan politics. They can lose their tax exempt status if they make political contributions or coordinate activities with political parties or candidates for office



Primary objective = profit

Net earnings may be distributed to shareholders, employees, owners, and other private individuals

Pay taxes on income, purchases, and property owned

Financial data is private except for publicly traded corporations

May engage in partisan politics