



This article presents general guidelines for Georgia nonprofit organizations and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Taxes for Tax-Exempt Organizations

The Internal Revenue Service has designated your organization as 501(c)(3) tax-exempt so you don't have to pay taxes, right? Wrong. Tax-exempt status for a 501(c)(3) organizations means you don't have to pay federal taxes on your business income (there's an exception for "unrelated business income" – more on that later). But federal income taxes are just one type of tax that your organization may have to pay. See the list and chart below to find out what other taxes you need to consider.

501(c)(3) tax-exempt organizations generally do not have to pay the following taxes:

- Federal Income Tax: Except for UBIT (described below), 501(c)(3) tax-exempt organizations do not have to pay Federal income tax.
- Georgia Income Tax: Organizations with 501(c)(3) tax-exempt status from the IRS are also exempt from paying Georgia income tax (except for UBIT). The organization must notify the Georgia Department of Revenue of its 501(c)(3) status. For more information, see [Georgia State Income Tax Exemption for 501\(c\)\(3\) Organizations](#).
- Federal Unemployment Taxes: Organizations with 501(c)(3) status do not have to pay Federal Unemployment Taxes (FUTA).
- Local Business Occupational Tax: Organizations with 501(c)(3) status do not have to pay occupational tax (if 80% or more of the organization's applicable income is derived from charitable activities) but they may be required to register for a business occupational tax certificate (in some cases also known as a business license) with the local jurisdiction and may be required to pay an application fee. For more information, see [Does Your Nonprofit Need a Business License?](#)

501(c)(3) tax-exempt organizations generally have to pay the following taxes:

Dated: 10/18/2012

www.pbpatl.org

© 2012 Pro Bono Partnership of Atlanta, Inc.

- Unrelated Business Income Tax (UBIT): This exception from the exemption for federal income tax applies to revenue from activities that are not directly related to an organization's exempt purpose (the charitable mission for which you received tax-exempt status). For more information on UBIT, see [UBIT: Four Letters your Nonprofit Needs to Know](#).
- Federal Payroll Taxes: All institutions have to withhold Federal Income Tax (FITW) and pay the employer portion of Social Security and Medicare taxes (FICA). For more information, see [Employee Benefits: Frequently Asked Questions](#).
- Georgia Unemployment Taxes: Organizations with 501(c)(3) status do have to pay Georgia unemployment taxes if the organization employs four or more workers for some part of the day, in each of 20 different weeks during a calendar year. For more information, see [Does Your Nonprofit Employ Four or More? Know Your Unemployment Obligations](#).

501(c)(3) tax-exempt organizations generally may not have to pay the following taxes, but only if they apply for and receive the exemption:

- Property Tax: Institutions of purely public charity are exempt from local, real property taxes in Georgia, subject to certain exceptions and only after the local enforcing agency (for example, the County Board of Assessors) receives and grants the organization's application for real property tax exemption. Institutions of purely public charity are also generally exempt from local, personal property taxes in Georgia, but a tax exemption request must be filed with the local enforcing agency. For more information on Georgia property taxes, see [Georgia's Property Tax System and General Tax Law Information for Nonprofits](#).
- Georgia Sales and Use Tax: Certain 501(c)(3) tax-exempt organizations do not have to pay sales tax on goods that are purchased or sold by the organization, but only if (1) the organization or transaction fits one of the state sales tax exemption categories and (2) the organization obtains an exemption determination letter from the Georgia Department of Revenue. For more information, see [Paying Sales and Use Tax in Georgia](#) and [Georgia Sales and Use Tax Exemptions for Nonprofits](#).
- Local Sales Tax: Organizations that qualify for State sales and use tax exemptions are also exempt from local sales tax to the same extent.

Dated: 10/18/2012

www.pbpatl.org

© 2012 Pro Bono Partnership of Atlanta, Inc.



This chart presents general guidelines for Georgia nonprofit organizations and should not be construed as legal advice. Always consult an attorney to address your particular situation.

TAXES FOR TAX-EXEMPT ORGANIZATIONS CHART

Does my 501(c)(3) organization have to pay....	Real Property Taxes?	Income Taxes?	Sales Taxes?	Payroll, Unemployment & Occupational Taxes?
Federal	Not Applicable	<p>No. Charitable organizations which qualify for tax exempt status under 501(c)(3) do not pay Federal Income Tax,</p> <p>BUT</p> <p>Revenue from activities that are not related to an exempt purpose are subject to an unrelated business income tax (UBIT),</p> <p>IF</p> <p>The gross income from the unrelated business activities is greater than \$1,000.</p>	Not Applicable	<p>Yes. All institutions have to withhold Federal Income Tax (FITW) and pay Social Security and Medicare taxes (FICA),</p> <p>BUT</p> <p>Institutions which qualify for 501(c)(3) status are exempt from paying Federal Unemployment Taxes (FUTA).</p>
State of Georgia	Not Applicable	<p>No. All charitable organizations that receive Federal 501(c)(3) tax exempt status are exempt from State taxes to the same extent. <i>(With the same exceptions for UBIT.)</i></p> <p>Additionally, qualified nonprofits are exempt from the Corporate Net Worth Tax. (O.C.G.A. §48-13-71)</p> <p>Organization must notify Georgia Department of Revenue and must file Form 990 (or 990-EZ or 990-N) with the Georgia Department of Revenue on an annual basis. (O.C.G.A. §48-7-25)</p>	<p>Maybe. Goods that are purchased or sold by the charitable organization may be exempt from sales tax,</p> <p>IF</p> <p>1) the <i>organization</i> or <i>transaction</i> fits one of the state sales tax exception categories,</p> <p>AND</p> <p>2) the <i>organization</i> obtains an exemption determination letter from the Georgia Department of Revenue.</p> <p>[Contact the Sales & use Tax Unit of the Georgia Department of Revenue to see if you qualify for sales tax exemption (404) 417-6601]</p> <p>(O.C.G.A. §48-8-3)</p>	<p>Maybe. Nonprofit organizations that have received 501(c)(3) tax exemption are still required to pay Georgia's unemployment tax,</p> <p>IF</p> <p>The organization employs four or more workers for some part of the day, in each of 20 different weeks during a calendar year.</p> <p>(O.C.G.A. §34-8-33)</p>

<p>Local</p>	<p>Maybe. All institutions of “pure public charity” are except from local, <u>real</u> property taxes in the State of Georgia, subject to certain exceptions and only after an application for real property tax exemption is received and granted by local enforcing agency (i.e., Board of Assessors) (O.C.G.A. §48-5-41)</p>	<p>Not Applicable</p>	<p>Maybe. Nonprofits that qualify under State sales tax exemptions are also exempt from local sales and use taxes to the same extent.</p> <p>(O.C.G.A. §48-8-82) (O.C.G.A. §48-8-102) (O.C.G.A. §48-8-110.1) (O.C.G.A. §48-8-141)</p>	<p>No. Nonprofits that employ salaried practitioners, who would normally be subject to an occupational tax, are exempt,</p> <p>IF Eighty percent (80%) or more of the organizations applicable income is derived from charitable activities.</p> <p>(O.C.G.A. §48-13-13(5)) (O.C.G.A. §48-13-5(2))</p>
---------------------	--	-----------------------	---	--