SOUTH CAROLINA
THE CENTER FOR COOPERATIVE AND ENTERPRISE DEVELOPMENT
SERVING RURAL SOUTH CAROLINA

TAKING YOUR COOPERATIVE TO THE NEXT LEVEL

September 16-17, 2025 Phillips Market Center

Purpose of Today's Conference

1. Board of Directors for Non Profits and Cooperatives
2. Making Sure Federal and State Filings are Made
3. Discussion Among Cooperatives and Non Profits in South Carolina
4. Determining Other Needs from Attendees
5. Scheduling Follow Up Meetings

Pre Conference Survey

Post Conference Survey

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COOPERATIVES AND NON-PROFIT ASSOCIATIONS
NON PROFIT PAPERWORK AND TAX FILINGS

September 17, 2025

Steve Richards, Clemson Agribusiness Team and Director of SCCCED
Kevin Burkett, Clemson Agribusiness Team and Asst Director of Clemson Tax School

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Disclaimer Statement

None of what is found within this presentation or discussed today should be considered formal legal or tax advice. This is for educational purposes only.

For legal & tax advice please visit with a professional attorney or tax professional that knows the subject matter and that you feel comfortable with.

Everything discussed today and in this presentation is “general”. Every tax and legal situation may vary and be very different based on facts and circumstances, as well as any further guidance provided by the IRS or law changes.

Choices, Choices Choices

- For Profit versus Nonprofit?
  - Profit: profits accrue to owners of the business
  - Nonprofit: profits provide a benefit to the public, its members, or its beneficiaries

- 32 Types of Non-Profits in 501 Chapter (FORBES article)

- 501 Code: 501(c)(3), 501(c)(6), and 501(c)(16) are potential choices

- Also, Cooperatives are non-profit entities under Internal Revenue Code (IRC) 521

Nonprofits under 501 Chapter

- 501(c)(1): Corporations Organized Under Act of Congress
- 501(c)(3): Charitable, Religious or Educational Organizations
- 501(c)(4): Community Social Welfare Organizations
- 501(c)(5), 501(c)(16): Labor, Agricultural and Horticultural Organizations and Cooperative Organizations To Finance Crop Organizations
- 501(c)(6): Business Leagues
- 501(c)(7), 501(c)(8), 501(c)(10): Lodges, Fraternities, Societies and Recreation Clubs
- 501(c)(9): Voluntary Employees' Beneficiary Associations
- 501(c)(11): Teachers' Retirement Fund Associations
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Nonprofits under 501 Chapter

- ~~501(c)(1): Corporations Organized Under Act of Congress~~
- 501(c)(3): Charitable, Religious or Educational Organizations
- 501(c)(4): Social Welfare Organizations (HOAs, Volunteer Fire Depts)
- 501(c)(5), 501(c)(16): Labor, Agricultural and Horticultural Organizations and Cooperative Organizations (Unions) and To Finance Crop Organizations (Banking)
- 501(c)(6): Business Leagues
- ~~501(c)(7), 501(c)(8), 501(c)(10): Lodges, Fraternities, Societies and Recreation Clubs~~
- ~~501(c)(9): Voluntary Employees' Beneficiary Associations~~
- ~~501(c)(11): Teachers' Retirement Fund Associations~~
-

Nonprofits under 501 Chapter

- 501(c)(12), 501(c)(15), 501(c)(26), 501(c)(29): Insurance and Services at Cost
- 501(c)(13): Cemetery Companies
- 501(c)(14): State-Chartered Credit Unions and Other Mutual Financial Organizations
- 501(c)(17), 501(c)(18), 501(c)(22): Pensions and Unemployment Trusts
- 501(c)(19), 501(c)(23): Veterans Organizations Before and After 1880
- 501(c)(21): Black Lung Benefit Trusts
- 501(c)(27): State-Sponsored Workers' Compensation Organizations
- 501(c)(28): National Railroad Retirement Investment Fund
- 501(d): Religious and Apostolic Associations

Nonprofits under 501 Chapter

- ~~501(c)(12), 501(c)(15), 501(c)(26), 501(c)(29): Insurance and Services at Cost~~
- ~~501(c)(13): Cemetery Companies~~
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- ~~501(c)(28): National Railroad Retirement Investment Fund~~
- ~~501(d): Religious and Apostolic Associations~~

Nonprofits under 501 Chapter

- 501(e): Cooperative Hospital Service Organizations
- 501(f): Cooperative Service Organizations of Operating Educational Organizations
- 501(k): Publicly Available Child Care Organizations
- 501(n): Charitable Risk Pools

Nonprofits under 501 Chapter

- ~~501(e): Cooperative Hospital Service Organizations~~
- ~~501(f): Cooperative Service Organizations of Operating Educational Organizations~~
- ~~501(k): Publicly Available Child Care Organizations~~
- ~~501(n): Charitable Risk Pools~~

- What about 501(f)? This is an investment pool for educational organizations

Nonprofit Organizations: The Short List

- 501(c)(3): Charitable, Religious or Educational Organizations
- 501(c)(6): Business Leagues
- IRC 521: Farmers Cooperatives

Narrowing it Down: 501(c)(3) versus 501(c)(6)

- 501(c)(3): Charitable, Religious or Educational Organizations
  - Donations to 501(c)(3) are charitable donations and deductible to the donor
  - 501 (c)(3) must have a charitable purpose for the public at-large
  - Can be religious, charitable, scientific, or educational
  - 501(c)(3) organizations cannot engage in political activity
  - Proceeds cannot accrue to employees or another private group

- 501(c)(6): Business Leagues
  - Covers business leagues, real estate boards, professional associations, chambers of commerce, boards of trade and even professional football leagues
  - The organization is funded and supported by membership dues
  - Dues paid to 501(c)(6) are deductible business expenses, not charitable donations
  - 501(c)(6) may also engage in political activity (lobbying)

IRC Section 521

- Exemption of Cooperatives from Tax

1. For the purposes of marketing products of members/non-members
2. For the purposes of purchasing supplies and equipment for the use of members and non-members
3. Capital stock does not have a dividend rate in excess of legal rate
4. Allowed to accumulate reserves (capital retains/retained earnings)
5. Allowed to do #1 and #2 for non-members as long as the % of member services are greater than the % of non-member services

Forms 1023 & 1024: IRS Determination Letter Nonprofit Status

Form 1023 is used for 501(c)3 Organizations

Form 1024 is used for the Other types: 501(c)6, and IRC 521

Certain organizations aren't required to apply for tax-exempt status; however, they may wish to file Form 1024 to receive a determination letter of IRS recognition of their section 501(c) status in order to obtain certain incidental benefits such as:

- Public recognition of tax-exempt status,
- Possible exemption from certain state taxes,
- Advance assurance to donors of deductibility of contributions (in certain cases)
- Nonprofit mailing privileges, etc.

Additional Thought: Continuity

- Continuity for 501(c)(3): soliciting donations and fundraising activities
- Continuity for a 501(c)(6): membership dues and limited fundraising activities

- Continuity for a Cooperative: membership and capital stock – the assets of the cooperative will be financed by the members and this stock is transferrable (can be sold) upon the retirement of a member or to the next generation.

- With all of these organizations, the engagement of its members is critical to long term success!

Additional Thoughts: Volunteer Labor

- The labor pool should come from the membership, as they are all “owners” of the cooperative, not employees.
- Volunteer labor is generally OK with 501(c)(3) organizations, as long as they volunteered and are not otherwise paid as an employee of the same 501(c)(3)
- Volunteers for a 501(c)(6) is somewhat unclear, but would be “safe” if the business-members were the volunteers in question.
- Contractors would have to be paid in any circumstance
- FLSA handout and other resources for additional questions

Filing/Getting Started Nuts and Bolts

- State Filing: For 501(c)(6) and 501(c)(3), there exists a fill-in-the blank articles of incorporation that can be filled out and filed +$25.00 you are in business!

- On the form: 501(c)(3) would check: ‘Public Benefit Corporation’
- a 501(c)(6) would be a “Mutual Benefit Corporation”.

- For a Cooperative, we are still working on the online forms. For now, I have a fill-in-the blank word document that I can share.

- Non-Profit: Incorporator, registered agent, office address, mailing address.
- Cooperative articles need to be notarized and at least 5 founding members.

Filing/Getting Started Nuts and Bolts

- Federal Filings: Get an EIN number (online)

- Federal Filings 501(c)(3): To get non-profit status with the IRS, you need to fill out Form 1023. Form 1023 EZ is most likely and easier! These are just deconstructed by-laws (handout available).

- Federal Filings Non-501(c)(3): To get non-profit status under 501(c)(6) or IRC 521 Farmers Cooperative, you need to fill out Form 1024. Cooperatives used to file Form 1028, but now can file with Form 1024. There is no 1024 EZ.

- Acceptance of the 1023/1023EZ or 1024 gets you "the letter" you need to show your non-profit status.

Filing/Getting Started Nuts and Bolts

- Upon receiving your IRS letter of tax exempt status, you would file with the SC Secretary of State Charities Division

- 501(c)(3) will file a report with the charities division: Registration Statement for Charitable Organizations.

- 501(c)(6) and IRC 521 (Cooperatives) would fill out an Application for Exemption since they are not charitable organizations.

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ANNUAL FILINGS AND TAX FILINGS: COOPERATIVES AND NONPROFITS

Annual Filings After Formation

Federal Filings: 990 or 990EZ for both 501(c)(3) and 501(c)(6)

Federal Filings for a Cooperative: Form 1120-C unless they are formed under 501(c)(5) or 501(c)(16) sections – these two would file 990 or 990EZ.

State Filings: 501(c)(3) Submit the 990 or 990EZ or fill out the State Annual Financial Report (either one).

State Filings: 501(c)(5), (c)(6), (c)(16) Submit the Application for Exemption <u>every year!</u>

Annual Cooperative Filings **SECTION 33-47-110.** Annual reports.

State Filings: An agricultural cooperative is "technically" supposed to file a report with the Director of Clemson Cooperative Extension every year.

(1) The name of the association.

(2) Its principal place of business; and

(3) A general statement of its business operations during the fiscal year, showing

(a) the amount of capital stock paid up and the number of stockholders, if a stock association, or the number of members and amount of membership fees received, if a nonstock association,

(b) the total expenses of operations,

(c) the amount of its indebtedness or liability and

(d) its balance sheet

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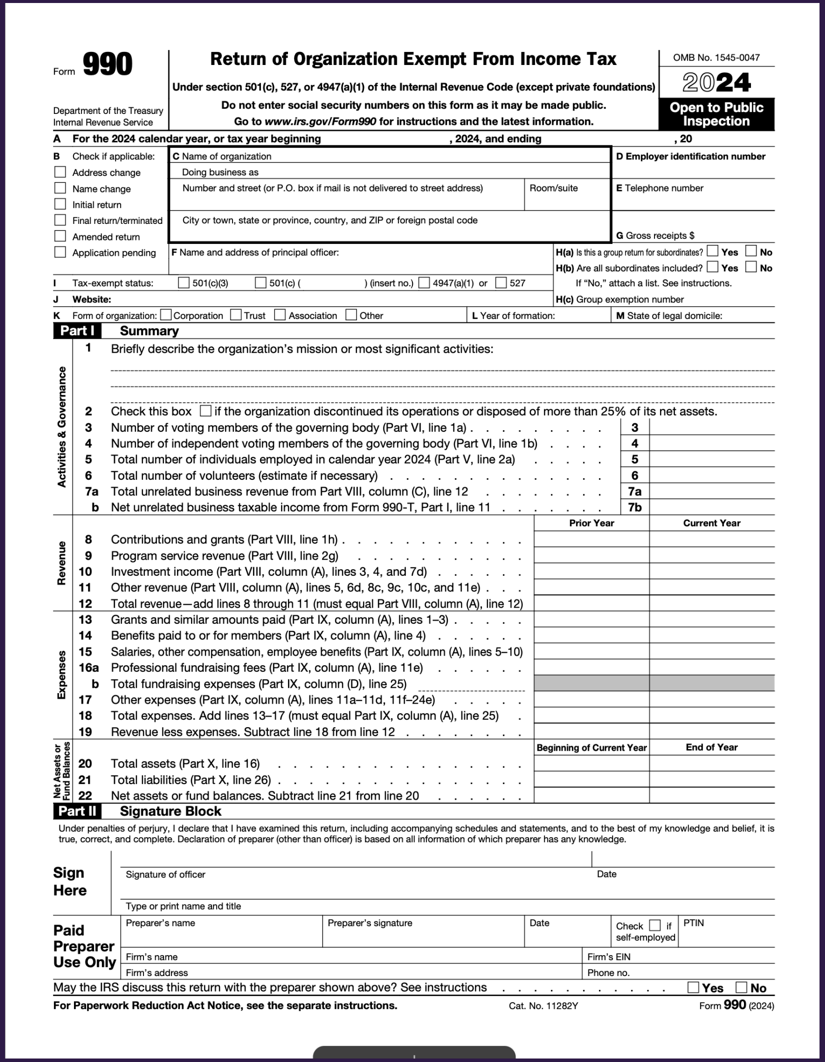
Nonprofit Tax Returns

Federal Form 990 Variations:

- Form 990 ($200,000 + revenue)
- Form 990-EZ ($50,000 - $200,000 revenue)
- Form 990-N (< $50,000 revenue)
- Form 990-T (unrelated business income)
- Form 990-PF (private foundations)

Federal Employment Taxes (if the organization has compensated workers)

- Federal Income
- Social Security & Medicare
- Unemployment



Form 990 — Return of Organization Exempt From Income Tax — OMB No. 1545-0047 — 2024

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.
Department of the Treasury, Internal Revenue Service — Open to Public Inspection

A For the 2024 calendar year, or tax year beginning , 2024, and ending , 20
B Check if applicable: Address change; Name change; Initial return; Final return/terminated; Amended return; Application pending
C Name of organization; Doing business as; Number and street (or P.O. box if mail is not delivered to street address); Room/suite; City or town, state or province, country, and ZIP or foreign postal code
D Employer identification number
E Telephone number
G Gross receipts $
F Name and address of principal officer:
H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No — If "No," attach a list. See instructions.
I Tax-exempt status: 501(c)(3) 501(c) ( ) (insert no.) 4947(a)(1) or 527
J Website:
H(c) Group exemption number
K Form of organization: Corporation Trust Association 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 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 2024 (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
Revenue	8 Contributions and grants (Part VIII, line 1h)		
	9 Program service revenue (Part VIII, line 2g)		
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)		
	14 Benefits paid to or for members (Part IX, column (A), line 4)		
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		
	16a Professional fundraising fees (Part IX, column (A), line 11e)		
	b Total fundraising expenses (Part IX, column (D), line 25)		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		
	18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)		
	19 Revenue less expenses. Subtract line 18 from line 12		

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)		
	21 Total liabilities (Part X, line 26)		
	22 Net assets or fund balances. Subtract line 21 from line 20		

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here — Signature of officer; Date; Type or print name and title

Paid Preparer Use Only — Preparer's name; Preparer's signature; Date; Check if self-employed; PTIN; Firm's name; Firm's EIN; Firm's address; Phone no.

May the IRS discuss this return with the preparer shown above? See instructions — Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form 990 (2024)

Nonprofit Filing Requirements

The 15th day of the 5th month after the end of the nonprofit's tax year

May 15th, for calendar year (same for SC)

It is filed even if there is no taxable income (informational return)

Form 8868 can grant a 6-month extension of time to file

Schedules and Attachments

Schedule A – Public Charity Status & Public Support (required for 501(c)(3)s)

Schedule B – Schedule of Contributors (required if significant contributions are received)

Schedule D – Supplemental Financial Statements (investments, endowments, escrow accounts, etc.)

Schedule G – Supplemental Information on Fundraising or Gaming Activities

Schedule J – Compensation Information for certain officers/employees

Cooperative Tax Returns

<u>ALL § 521 cooperatives</u> file IRS Form 1120-C

NOT TO BE CONFUSED WITH THE 1120 or 1120-S

Form **1120-C** — Department of the Treasury, Internal Revenue Service

U.S. Income Tax Return for Cooperative Associations

For calendar year 2024 or tax year beginning ______, 2024, ending ______, 20 ___

Go to *www.irs.gov/Form1120C* for instructions and the latest information.

OMB No. 1545-0123 — 2024

A Check if:
(1) Consolidated return (attach Form 851) ☐
(2) Schedule M-3 (Form 1120) attached ☐
(3) Form 1120 filed in previous tax year ☐

Please type or print: Name; Number, street, and room or suite no. If a P.O. box, see instructions.; City or town, state or province, country, and ZIP or foreign postal code

B Employer identification number

C Check if:
(1) Farmers' tax exempt cooperative ☐
(2) Nonexempt cooperative ☐

D Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

Income

1a	Gross receipts or sales ____ **b** Less returns and allowances ____ **c** Bal	1c	
2	Cost of goods sold (see instructions—attach Form 1125-A)	2	
3	Gross profit. Subtract line 2 from line 1c	3	
4	Dividends and inclusions (Schedule C, line 23)	4	
5	Interest	5	
6	Gross rents and royalties	6	
7	Capital gain net income (attach Schedule D (Form 1120))	7	
8	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	8	
9	Other income (see instructions—attach statement)	9	
10	**Total income.** Add lines 3 through 9	10	

Deductions (See instructions for limitations on deductions.)

11	Compensation of officers (attach Form 1125-E)	11	
12	Salaries and wages (less employment credits)	12	
13	Bad debts	13	
14	Rents	14	
15	Taxes and licenses	15	
16	Interest (see instructions)	16	
17	Charitable contributions	17	
18	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	18	
19	Advertising	19	
20	Pension, profit-sharing, etc., plans	20	
21	Employee benefit programs	21	
22	Section 199A(g) deduction (see instructions)	22	
23	Other deductions (attach statement)	23	
24	**Total deductions.** Add lines 11 through 23	24	
25a	Taxable income before adjustments and special deductions. Subtract line 24 from line 10 — 25a		
b	Deductions and adjustments from Schedule H, line 5 — 25b		
c	Taxable income before net operating loss and special deductions. Subtract line 25b from line 25a	25c	
26a	Net operating loss deduction (see instructions) — 26a		
b	Special deductions (Schedule C, line 24) — 26b		
c	Add lines 26a and 26b	26c	

Sign Here — Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer — Date — Title

May the IRS discuss this return with the preparer shown below? See instructions. ☐ **Yes** ☐ **No**

Paid Preparer Use Only — Print/Type preparer's name — Preparer's signature — Date — Check ☐ if self-employed — PTIN

Firm's name — Firm's EIN

Firm's address — Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 47554F Form **1120-C** (2024)

Filing Requirements

The 15th day of the 9th month after the end of the cooperative's tax year

September 15th, for calendar year

It is filed even if there is no taxable income

Form 7004 can grant a 6-month extension of time to file

Schedules and Attachments

Schedule C – Dividends received and special deductions

Schedule G – Detail on how income was allocated

Schedule H – Show patronage vs. taxable nonpatronage

Schedule J – Show deductions, compute tax

Schedule L – Balance sheet

Schedule M1/M2 – Book vs. tax income and retained earnings

IRS Rules

Many 501(c) or §521 organizations may have no taxable income

Non-profit income on related purpose is exempt

Unrelated business income (UBI/UBTI) tax rate is 21% or trust tax rates

§521 cooperative tax rate is 21%

Patronage

What is a patronage dividend?

Patrons of the cooperative receive a portion of profits back from the cooperative's earnings

- -Cash
- -Credit
- -Notices of allocation

Based on annual use of the cooperative, not based on ownership %

Patronage

Cooperatives are not supposed to 'make money' so leftover earnings are to be distributed as patronage dividends

There may be a certain amount held as 'reserves' so the cooperative can continue its operations – reserves are taxable to a §521

Other organizations cannot issue / deduct ***nonmember*** patronage, but §521 co-ops can

Patronage – Recipient Tax Treatment

Treated as income by the patronage recipient – typically line 3A/3B of Form 1040 Schedule F

If a qualified allocation, recipient may have to recognize a distribution, but has not received cash: Form 1099 - PATR

SCHEDULE F (Form 1040)
Department of the Treasury
Internal Revenue Service

Profit or Loss From Farming

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065.
Go to *www.irs.gov/ScheduleF* for instructions and the latest information.

OMB No. 1545-0074
2024
Attachment Sequence No. 14

Name of proprietor | **Social security number (SSN)**

A Principal crop or activity | **B** Enter code from Part IV | **C** Accounting method: ☐ Cash ☐ Accrual | **D Employer ID number (EIN)** (see instr.)

E Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on passive losses ☐ Yes ☐ No
F Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No
G If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I **Farm Income—Cash Method.** Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of purchased livestock and other resale items (see instructions)	1a	
b	Cost or other basis of purchased livestock or other items reported on line 1a	1b	
c	Subtract line 1b from line 1a		1c
2	Sales of livestock, produce, grains, and other products you raised		2
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	3b Taxable amount — 3b
4a	Agricultural program payments (see instructions)	4a	4b Taxable amount — 4b
5a	Commodity Credit Corporation (CCC) loans reported under election		5a
b	CCC loans forfeited	5b	5c Taxable amount — 5c
6	Crop insurance proceeds and federal crop disaster payments (see instructions):		
a	Amount received in 2024	6a	6b Taxable amount — 6b
c	If election to defer to 2025 is attached, check here ☐		6d Amount deferred from 2023 — 6d
7	Custom hire (machine work) income		7
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		8
9	**Gross income.** Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions		9

Part II **Farm Expenses—Cash and Accrual Method.** Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach Form 4562	10	23	Pension and profit-sharing plans	23
11	Chemicals	11	24	Rent or lease (see instructions):	
12	Conservation expenses (see instructions)	12	a	Vehicles, machinery, equipment	24a
13	Custom hire (machine work)	13	b	Other (land, animals, etc.)	24b
14	Depreciation and section 179 expense (see instructions)	14	25	Repairs and maintenance	25
15	Employee benefit programs other than on line 23	15	26	Seeds and plants	26
16	Feed	16	27	Storage and warehousing	27
17	Fertilizers and lime	17	28	Supplies	28
18	Freight and trucking	18	29	Taxes	29
19	Gasoline, fuel, and oil	19	30	Utilities	30
20	Insurance (other than health)	20	31	Veterinary, breeding, and medicine	31
21	Interest (see instructions):		32	Other expenses (specify):	
a	Mortgage (paid to banks, etc.)	21a	a		32a
b	Other	21b	b		32b
22	Labor hired (less employment credits)	22	c		32c
			d		32d
			e		32e
			f		32f

33	**Total expenses.** Add lines 10 through 32f. If line 32f is negative, see instructions	33
34	**Net farm profit or (loss).** Subtract line 33 from line 9	34
	If a profit, stop here and see instructions for where to report. If a loss, complete line 36.	
35	Reserved for future use.	
36	Check the box that describes your investment in this activity and see instructions for where to report your loss:	
a	☐ All investment is at risk. **b** ☐ Some investment is not at risk.	

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H **Schedule F (Form 1040) 2024**

Tax Implications

If a cooperative retains too much earnings or fails to allocate them properly, the cooperative can jeopardize its tax status

If a cooperative has unrelated income, like investment income, it is taxable to the cooperative

A *non-patronage distribution* is not deductible by cooperatives and is recognized by the recipient

Recordkeeping

**** What is important to any ag organization is clean financial records ****

Determine how the organization will maintain these

You do not want to jeopardize the members, the cooperative purpose, or the exempt status

Thank you

Questions and Contact Information

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