

Protecting Your 501(c)(3) Tax Exemption: A Practical Survival Guide

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Tax-exempt organizations are facing more scrutiny than ever. Federal and state regulators have signaled an intent to more aggressively investigate nonprofits, and compliance missteps that once drew a warning can now trigger audits, penalties—or even revocation of tax-exempt status.

To help your organization prepare, Miller Canfield’s tax attorneys have developed a **Practical Survival Guide for Protecting Your 501(c)(3) Status**. The guide explains how the IRS revocation process works, outlines your legal rights, and provides concrete steps to reduce risk and maintain compliance.

Here are a few key reminders:

- **Review your organizing documents.** Make sure your articles of incorporation and bylaws clearly limit your purpose to activities that qualify under Section 501(c)(3).
- **Avoid private benefits.** Transactions involving insiders must be fair, reasonable, and fully documented. Even the appearance of excess benefit can raise red flags.
- **Stay current with filings.** Missing three consecutive years of Form 990 filings results in automatic revocation of exemption.
- **Monitor unrelated business income.** Too much activity unrelated to your exempt purpose may jeopardize your status.
- **Keep your lobbying and political activity in check.** Nonprofits must ensure lobbying remains insubstantial and avoid any participation in campaigns for public office.

A one-page **Tax-Exemption Compliance Checklist** is also available for quick reference.

To access the full *Tax-Exemption Survival Guide* or to discuss how these issues may affect your organization, please contact your Miller Canfield attorney or a member of the Miller Canfield tax team.