

September 23, 2021

**State and Local Tax Exemption  
for New York 501(c)(3) Nonprofit Corporations**

Establishing a nonprofit corporation and successfully obtaining federal 501(c)(3) tax-exempt status is a significant milestone for any nonprofit. However, the organization may still be liable for the NYS franchise tax, NYS sales tax, and NYC business corporation tax unless it applies for exemption from each tax. This document explains how to apply for those exemptions. This document does not provide legal advice. If you have questions about whether your organization is eligible for a particular exemption, or whether it may be eligible for exemptions from other state and local taxes as well (such as the real property tax), you should speak with an attorney.

**NYS Corporation Franchise Tax**

To apply for exemption from the NYS Corporation Franchise Tax:

- File NY State form [CT-247](#).

There is no charge for filing this form. Instructions, including where to send the completed form, are on p. 2 of the form. As noted in the instructions, the following documents must be submitted along with Form CT-247:

- IRS 501(c)(3) determination letter
- Certificate of Incorporation
- Bylaws

**NYS Sales Tax**

To apply for exemption from paying NYS sales tax:

- File NY State form [ST-119.2](#)

There is no charge for filing this form. Instructions, including where to send the completed form, start on p. 1 of the form. If the organization has an IRS 501(c)(3) determination letter, that will be the only document that needs to be sent along with the Form ST-119.2.

However, if the organization has not received an IRS determination letter, it must submit the following documents along with Form ST-119.2 – see p. 2 of the form for a description of each:

- Statement of Activities
- Statement of Receipts and Expenditures
- Statement of Assets and Liabilities

*Be careful to only use the sales tax exemption for items that are to be used by the nonprofit organization. Individual employees of the nonprofit may not use the sales tax exemption for personal purchases.*

## **NYC Business Corporation Tax**

NYC has not created a form to apply for exemption from the NYC business corporation tax. Instead, it describes the process, including the address to submit the required materials, on Line 5b of the [instructions for Form NYC-245](#). There is no fee for submitting an application.

To apply, the organization should submit:

- a cover letter explaining that the organization is applying for this exemption,
- an affidavit setting forth the following information about the corporation:
  - the purposes for which it is organized
  - its actual activities
  - the source and disposition of its income
  - whether any of its income is credited to surplus or may benefit any private stockholder or individual
  - other facts that may affect its right to exemption
- IRS 501(c)(3) determination letter
- Certificate of Incorporation
- Bylaws
- a statement of assets, liabilities, receipts and disbursements for the most recently completed year (if the organization has submitted an IRS 1023 within the past year, it may already have compiled the necessary financial information in section VI of that form).

*An affidavit is a written statement. It should be signed by an officer of the corporation in front of a notary public.*

## **Other filings that may be required**

Charitable organizations that own real property may be eligible to apply for exemption from the Real Property Tax.

Many organizations that solicit charitable contributions or administer charitable assets in NYS must register with the New York State Attorney General's Charities Bureau. Organizations that do not intend to solicit and do not actually receive more than \$25,000 in contributions during the year may not be required to register (as long as all fundraising is carried on by employees of the organization or unpaid volunteers).

- An online "user guide" for registering to solicit charitable contributions in New York State can be found here: <https://www.charitiesnys.com/pdfs/online-reg-useguide.pdf>

If the organization solicits charitable funds in other states, it may be required to register with the charities regulator there, too.

For information about annual filings that may be required, as well as ongoing governance and other compliance obligations, see our [Legal Alert](#).

***This alert is meant to provide general information only, not legal advice. Please contact Laura Abel at [label@lawyersalliance.org](mailto:label@lawyersalliance.org) or visit our website [www.lawyersalliance.org](http://www.lawyersalliance.org) for further information or with specific questions.***

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