

## **Dissolution of Tax Exempt (501c3) Parent Organizations: State and Federal Requirements**

Parent Organizations may choose to dissolve for a variety of reasons such as lack of volunteers, reduced funding, the closing of a school they assist, or many other situations. The dissolution process involves legal steps at both the state and federal levels. Some organizations wonder if merging with another organization would solve their problems, however the Secretary of State's Office has recommended that merging is a much more difficult process than dissolution. Following are dissolution steps to take with 1). the Minnesota Secretary of State; 2). the Minnesota Attorney General; and 3). the Internal Revenue Service.

### **6 Steps to dissolve a non-profit (501c3) organization with State of Minnesota agencies**

#### **1. Prepare to dissolve.**

- Notify board members and voting members to let them know of the interest in dissolving. Use the most frequently used form of communication to spread this news to your members. Discuss other ideas or concerns that could impact the future.
- Pay off creditors, if possible, to avoid a much lengthier dissolution process.

**2. Hold a meeting of board members and voting membership to decide on the dissolution.** Minnesota state law requires that dissolution be decided in a meeting of board members and voting members. (One or more person(s) cannot make the determination to dissolve without membership voting on the decision.) During the meeting:

- Date the written minutes of the meeting. Include the location of the meeting in the minutes. A copy of these minutes with a "Notice of Intent to Dissolve" will be submitted to the Attorney General.
- Pass a resolution proposing dissolution of the corporation by the majority of all "officers." The resolution must include a plan that states to whom the assets owned or held by the corporation will be distributed after the organization terminates.
  - Distributions of assets must follow written bylaws of the organization. **(If you will be forming a new organization, it may be advantageous to make a distribution of assets to the new organization before the dissolution process begins.)**

**(Hold a meeting....continued)**

- Distribution of assets may NOT occur until 45 days after documents described in #4 below have been filed with the Attorney General, unless the Attorney General waives the waiting period. The Attorney General can add waiting time to the initial 45 days, if deemed necessary.
- Pass a resolution that gives a designated individual authority to act as the signer/contact for dissolution paperwork.
- Keep contact information of board members and membership handy until the dissolution process is completed.

It is best to meet in person, however an email vote can be taken if a “healthy” thread of conversations amongst board members can be demonstrated. A copy of this will need to be sent in with the other paperwork.

**Once the dissolution meeting is concluded, no more business of the organization can take place, other than to “wind up” the dissolution process.**

**3. Write a letter to the Secretary of State including:**

- Name of the corporation
- Date that an organization voted to dissolve and the meeting’s location where the vote was made
- The directors and members who voted to approve the dissolution
- The status of debts and/or liabilities (try to have these paid off/resolved before your dissolution vote—the process will be much easier)
- Your approved plan for distribution of remaining assets
- Indicate that you are filing the intent to dissolve with the Minnesota Attorney General
- Authorized signers have included their signatures and dated the letter

See the suggested template for Dissolution Letter Sec of State\_1 on page 6 of this document for use if the organization’s debts and liabilities are paid off/resolved\*.

**Send the letter and a required \$35 fee to:**

Minnesota Secretary of State - Business Services Retirement Systems of Minnesota Building 60  
Empire Drive, Suite 100 St Paul, MN 55103

For more information, call:  
(651) 296-2803 or toll free 1-877- 551-6767  
9:00am to 4:00pm, Monday through Friday

**Note:** Only use the “Articles of Dissolution” form on the list of available forms related to

*dissolving organizations on the Secretary of State's website if your organization has NOT named its first Board of Directors, see Step #5. Otherwise, only send a letter and the fee.*

*\* If your corporation has pending debts or obligations, please follow guidance for the dissolution process found in Minnesota Statute 317A, available on the Secretary of State's website. Click on the title "Dissolution Statute for MN Nonprofit Corporations-Handout.pdf" at this link: <http://www.sos.state.mn.us/index.aspx?page=1086>*

#### **4. Download and submit "Notice of Intent to Dissolve" from the Attorney General's website no matter how much money your organization typically generates.**

*To find the "Notice of Intent to Dissolve" document on the Attorney General's website:*

- Go to: <http://www.ag.state.mn.us/>
- Locate the "Charities" tab near the top of the page. Scroll down the menu options under the tab and click on "Charities Forms".
- Scroll down the page and click on "Notice of Intent to Dissolve" to download the form.
- The form can be filled out electronically, but you will still need to send it in via US Mail.
- Fill out the form electronically or manually and submit it via U.S. Mail with a copy of the organization's bylaws and minutes from the meeting in which the vote to dissolve occurred.
- **Wait a minimum of 45 days** for a response before moving forward with other steps. If you have not heard from the Attorney General at this point, call them to see if you may proceed with the final dissolution steps.
- No fee is required for this step.

**If you ever filed with the Attorney General's office as a Charitable Organization, you will also have to file a "final return" which includes a copy of your last 990.** This may have happened if the group ever made more than \$25,000 in gross revenues (revenue before expenses deducted). A search of charities on the Attorney General is the first step to check this, if the organization's paperwork doesn't provide answers. If the nonprofit doesn't show up on the list, call the Attorney General's Charities division and ask them to check their complete records to be sure.

Attorney General, ask for Charities division: 651-296-3353

Attorney General web-form to download:

<http://www.ag.state.mn.us/Charities/CharitableForms.asp>

**5. Send a letter to the Secretary of State after receiving approval of your organization's dissolution from the Attorney General.** Include the following information, along with a \$35.00 fee:

- The Attorney General has approved or not objected to your organization's dissolution
- There are no liabilities or pending legal or court actions against the organization

- The organization is now dissolved

See the suggested template for Dissolution Letter Sec of State\_2 on page 7 of this document for use if the organization's debts and liabilities are paid off/resolved\*.

If a Board of Directors was **not** named in the organization's original Articles of Incorporation, you will **also** attach the Secretary of State's form "**MINNESOTA SECRETARY OF STATE NONPROFIT CORPORATION ARTICLES OF DISSOLUTION**" to your letter. This form can be downloaded from their website by clicking on this link:

<http://www.sos.state.mn.us/Modules/ShowDocument.aspx?documentid=4200>

**Send the letter and a required \$35 fee to:**

Minnesota Secretary of State - Business Services Retirement Systems of Minnesota Building 60 Empire Drive, Suite 100 St Paul, MN 55103

For more information, call:

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**6. Send the Attorney General a list of the persons (organizations) to whom the assets were transferred or conveyed after the waiting period has expired, if any.** Include the address of each person (organization) who received assets and the amounts they received.

### **3 Steps to dissolve a 501c3 tax-exempt organization with the IRS**

The information below is a summary of IRS Publication 4779, available for downloading at [www.irs.gov/charities](http://www.irs.gov/charities).

**1. File a final 990N, 990EZ or 990, depending on the organization's gross receipts. (A summary table of gross receipts levels is available at [IRS.gov/charities](http://IRS.gov/charities).) The form must be filed four months and 15 days after the date of the organization's termination.**

On the return, the organization will complete termination information in the following areas of the appropriate form:

990-check the Termination box in the header on page 1 of the form  
-answer "yes" to the question on Line 31 of Part IV

990EZ- check the Termination box in the header on page 1 of the form  
-answer "yes" to the question on Line 36 of Part V

**2. Complete Schedule N that will attached to the 990EZ or 990 forms.** This schedule will ask questions about whether an officer, director, trustee, or key employee of your organization is, or is expected to be, involved in the successor or transferrable organization by governing, controlling, or having a financial interest in that organization. If you answer “yes” to any of the questions, you will need to provide the name of the person involved and an explanation of the circumstances. (For instance, in the situation of a school closing, if a parent organization is formed to partner with the new school, a simple statement about this situation might say “Officers/members of the organization partnering with the former school will be creating a new organization to partner with the **new** school. These parent leaders will likely have governance interest in the new organization.”)

**3. Attach a certified copy of the organization’s articles of dissolution, resolutions and plan for distribution of assets to Form 990 or 990EZ.** You may be asked to provide other relevant information.

***Dissolution Letter Secretary of State\_1 Template***

The following letter may serve as a template for 501c3s that do not have remaining debt or obligations beyond the filing fees for the dissolution process to the Minnesota Secretary of State and the Minnesota Attorney General. If your corporation does have debts or obligations pending, please follow guidance for the dissolution process found in Minnesota Statute 317A, available on the Secretary of State's website. Click on the tilte "Dissolution Statute for MN Nonprofit Corporations-Handout.pdf" at this link: <http://www.sos.state.mn.us/index.aspx?page=1086>

<Insert Date>

Minnesota Secretary of State – Business Services  
Retirement Systems of Minnesota Building  
60 Empire Drive, Suite 100  
St. Paul, MN 55103

Re: Non-Profit Dissolution

This is a notice of intent to dissolve the **<insert name of corporation>** which was located at **<insert full address>**. On **<insert date of meeting where dissolution was approved by a vote according to the corporation's bylaws>**, the board and members of **<insert name of corporation>** voted to dissolve our organization effective **<insert agreed upon date>**. **<Insert name of person granted authority to close out the corporation and their position, if they are a board member>** was given authority to handle all dissolution activities and sign related documents on behalf of the corporation. All remaining assets will be **<insert plan for distribution of remaining assets-make sure the distribution follows your bylaws>**.

Debts, obligations, and liabilities of the corporation have been paid and payment of claims of known creditors and claimants have been made or provided for, therefore, notice was not given and articles of dissolution are not being filed. The remaining assets of the corporation will be distributed as listed above and are covered under section 317A.735. There is no pending legal, administrative, or arbitration proceedings by or against the corporation. The corporation is currently filing its intent to dissolve with the Minnesota Attorney General's office.

Sincerely,

<Insert handwritten signature>

<Insert name of authorized representative>

<Insert their title, if a board member>

***Dissolution Letter Secretary of State\_2 Template***

The following letter may serve as a template for 501c3s that do not have remaining debt or obligations beyond the filing fees for the dissolution process to the Minnesota Secretary of State and the Minnesota Attorney General. If your corporation does have debts or obligations pending, please follow guidance for the dissolution process found in Minnesota Statute 317A, available on the Secretary of State's website. Click on the title "Dissolution Statute for MN Nonprofit Corporations-Handout.pdf" at this link: <http://www.sos.state.mn.us/index.aspx?page=1086>

<Insert Date>

Minnesota Secretary of State – Business Services  
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Debts, obligations, and liabilities of the corporation have been paid and payment of claims of known creditors and claimants have been made or provided for, therefore, notice was not given and articles of dissolution are not being filed. The remaining assets of the corporation will be distributed as listed above and are covered under section 317A.735. There is no pending legal, administrative, or arbitration proceedings by or against the corporation. The notice to the attorney general has been given and the waiting period has expired or has been waived by the attorney general.

Sincerely,

<Insert handwritten signature>

<Insert name of authorized representative>

<Insert their title, if a board member>