

PUBLIC CHARITY

In Reference to the FRIENDS OF THE AYER LIBRARY

Charitable Organization, or Charity

This is the category people think of most often when they are referring to a non-profit. It refers generally to organizations that are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Although the word “charity” is often used as a “catch-all” for simplicity’s sake, Section 501(c)(3) describes groups organized and operated for one or more of the following purposes: charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, or the prevention of cruelty to children or animals. Day care centers, food banks, low-income housing organizations, mental health organization, United Ways, museums, theater groups, colleges, and environmental groups are just some examples of the many types of charities.

In general, 501(c)(3) organizations are divided into two categories, “public charities” or “private foundations.” **Public charities** are 501(c)(3) organizations that can demonstrate that a certain part of their support (usually 1/3 on average) comes from the general public or a unit of government; or organizations formed to raise money for a specific school, hospital, or government unit or publicly supported charity. However, charities **are permitted to charge fees for their services**; in fact, most charities rely on fees for a substantial part of their revenues. Contributions to public charities are usually tax-deductible, a significant privilege not granted to most other types of organizations. Public charities are prohibited from engaging in any activities to support or oppose political candidates, but are permitted to influence legislation within legal limits.