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APPENDIX 125

ACKNOWLEDGMENTS

Work on the First Edition of *The Handbook for Idaho Nonprofit Corporations ("Handbook")* began in April 1988 at the organizational meeting of the Corporate and Business Law Section of the Idaho State Bar. Over a period of two years with the help of many individuals, the First Edition was published in June of 1990. That volume was the product of the talents and expertise of more than twenty-five attorneys and other professionals, each of whom freely contributed his or her time.

After the 1993 overhaul of Idaho's Nonprofit Corporation Act ("Act"), the Corporate and Business Law Section of the Idaho State Bar recognized that a thorough revision of the of the *Handbook* would be necessary in order to address the changes in the law. Within a few weeks after the passage of the Act, the original editorial committee reassembled to discuss a strategy for these revisions. Even though the original editorial committee understood the need for substantial changes to the *Handbook* because of the Act, they also understood that the original format had received a favorable reception from both attorneys and lay people alike. The first decision reached, then, was to retain the original format, that is, a practical and functional approach designed for use by a broad spectrum of individuals.

Because of the magnitude of the writing project for the First Edition, the original drafting committee for the *Handbook* was large. That committee consisted of thirteen writers who developed original material for the eight chapters in the First Edition. The scope of the project for the Second Edition was significantly different, however, and a drafting committee of five was chosen to write new chapters to replace the chapters or portions of chapters that had been superseded by the Act, add a new chapter on employment law, and augment the tax sections of the *Handbook* for which some augmentations seemed appropriate. We gratefully acknowledge those writers who made the Second edition of the *Handbook* possible, including Bobbi K. Dominick, Boise; John B. Hinton - Hinton Law Offices, Boise; Nicholas G. Miller - Davis, Wright, Tremaine, Boise; Andrea L. Murray - Morrison Knudsen Corporation, Boise; Phoebe Smith - Office of the Attorney General, Boise.

Although the statutory and regulatory foundations of the law and taxation of nonprofit organizations have been relatively stable since the publication of the Second Edition in 1994, there have been a number of changes in the tax area that suggest a need for a major revision, and, hence, the publication of this Third Edition of the *Handbook*. Those changes relate to rules that Congress has enacted to address issues of excess compensation and IRS concerns over director conflicts of interest. Also, the IRS has recently implemented significant changes to Form 1023 that have rendered the Second Edition of the *Handbook* out-of-date. Accordingly, the time is ripe to publish this Third Edition.

We owe many thanks to the Corporate and Business Law Section of the Idaho State Bar and its Governing Council. They have been enthusiastic supporters of this project from the inception of the First Edition and have continued that support throughout the production of the Second and Third Editions.

Linda Montgomery, Legal Secretary at Bosch, Daw & Ballard, Charted, brought this Third Edition into its final form. Her word processing skills, editing and patience are gratefully acknowledged.

The response and encouragement of the Idaho State Bar, the community of nonprofit organizations in Idaho and many attorneys across the state have made our work on this project particularly rewarding and worthwhile. Their continued enthusiastic support and frequent comments have also made our work on the *Handbook* a satisfying experience for all of us who have spent time writing, editing and shepherding this project from start to finish. We greatly appreciate their support and interest. They, more than anyone else, have helped us to recognize the fact that the *Handbook* has become a useful tool for charitable and other nonprofit ventures. We hope that the Third Edition will fulfill that goal.

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INTRODUCTION

Lawyers and accountants are called upon from time to time, often on a pro bono basis, to assist in the formation of tax-exempt organizations, or to sit on the boards of directors of these organizations. Nonprofit organizations are often confronted with legal issues as they seek to operate in a responsible manner and comply with ever-changing tax laws.

To meet the need for guidance in these matters, the Committee on Nonprofit Organizations of the Corporate and Securities Section of the Idaho State Bar first undertook the drafting of *The Handbook for Idaho Nonprofit Corporations* in 1988. The First Edition of the *Handbook* was published in June, 1990. Designed for use by attorneys, accountants, and lay people, the *Handbook* sought to address, with a practical and functional approach, tax and nontax considerations in the formation and operation of a nonprofit corporation with tax-exempt status under IRC 501(c)(3) of the Internal Revenue Code.

The former Idaho Nonprofit Corporation Act was replaced with a new statute during the 1993 legislative session, effective July 1, 1993. Because of the sweeping changes that were implemented with the enactment of Idaho's new Nonprofit Corporation Act, the Corporate and Business Law Section of the Idaho State Bar concluded that a major revision of the *Handbook* was in order. The Second Edition of the *Handbook* incorporated all changes to Idaho law that were enacted with the 1993 Nonprofit Corporation Act as well as all relevant tax law changes since the publication of the First Edition. This Third Edition has been published to address additional changes, primarily in the tax area, that have occurred since the publication of the Second Edition in 1994.

The *Handbook is* organized "chronologically," that is, beginning with pre-incorporation considerations and concluding with the dissolution of the corporation. To facilitate its use as a reference tool, the *Handbook* has a detailed Table of Contents and an Appendix containing forms and other supporting materials.

Tax and nontax matters are, in most cases, treated in separate chapters. The user, however, should not construe this division to mean that the tax considerations can be ignored in the organization's daily life and left for the tax specialist when it is time to file the organization's annual information return. Maintenance of tax-exempt status is often vital to the corporation's funding, and the tax consequences of each corporate action needs to be reviewed.

Although designed for use in part by the lay person, the *Handbook* is not a "do-it-yourself manual" that can be used without professional assistance to form or to operate a nonprofit tax-exempt corporation. Rather, it is intended to acquaint lay people with important issues affecting tax-exempt organizations so they can work effectively with their professional advisors.

The focus of the *Handbook* is on corporations with tax-exempt status under IRC 501(c)(3), though a brief discussion of other types of tax-exempt organizations, particularly IRC 501(c)(4) organizations, is included. Other nonprofit organizations, such as homeowners' associations, trade groups, and social clubs will find this work helpful because they are confronted with many of the same legal issues. Nevertheless, such users must use this handbook with caution inasmuch as this volume may not address the issues, especially the tax issues, that are unique to such organizations.

There is no plan to supplement this *Handbook* on a regular schedule. Every attempt has been made to ensure that the text is current as of March, 2005.

Comments and suggestions are welcome. They should be addressed to Les Bock, Bosch, Daw & Ballard, Chartered, 225 N. 9th Street, Suite 210, Boise, Idaho 83702.