How Does Nonprofit Designation Affect Utility Bills?

**Nonprofit Designation Requirements**
To be designated as a tax-exempt entity, an agency must be organized and operated exclusively for exempt purposes as defined by section 501(c)(3) of the Internal Revenue Code. A complete description of the exemption requirements may be found at: [IRS - Exemption Requirements - Section 501(c)(3) Organizations](https://www.irs.gov/organizations).

In addition, *if the organization wishes to incorporate*, the Articles of Incorporation must be filed with the Michigan Department of Licensing and Regulatory Affairs (LARA). Information regarding this process may be found on the LARA website at: [LARA Corporations Information](https://lara.michigan.gov/BusinessesCorporations).

**State Sales Tax Exemption on Utility Bills**
Churches, schools, charities, eligible hospitals, and other nonprofit organizations are exempt from state sales tax on regulated electric, natural gas, and telecommunication bills. This results in significant savings on monthly utility bills. It is important to contact each utility in order to comply with their filing process and keep the filing current. Information from the Michigan Department of Treasury regarding this exemption may be found at: [Revenue Administrative Bulletin 1995-3](https://www.michigan.gov/documents/Revenue/Revenue_Bulletin_1995_3_283795.pdf).

**What if our organization has already paid the taxes?**
Contact the appropriate utility company, ask about filing the required form and provide documentation, if necessary, to request a refund.