

Nonprofit Organization Recognition Eligibility & Benefits

Nonprofit (NP) organizations is a not-for-profit corporation. Non-Profit organizations are usually charitable entities and are exempt from paying Federal income taxes.

Nonprofit organizations recognized by the Office of Small Business and DVBE Services (OSDS) are eligible for benefits under the state's Prompt Payment Act. This includes processing invoice payments in a timely manner.

To qualify for Recognition, NPs must:

- Be a formed tax exempt corporation registered with the California Secretary of State.
- File Articles of Incorporation and/or Corporate Bylaws with the California Secretary of State.
- File a 'Return of Organization Exempt from Income Tax' (Form 990) with the Internal Revenue Service.

Additional considerations:

- Non-profit organization are **not** eligible for [small business certification](#) because the applicant business must be a *for-profit* business and owned by one or more individuals and/or businesses.
- Non-profit organizations are **not** eligible for [DVBE certification](#) because the applicant business must be at least 51% owned by one or more disabled veterans.

Benefits of Non-Profit Recognition:

- Higher Prompt Payment Penalties when the state exceeds 45-day time limit of required payment due date.
- NP's are entered into the Cal eProcure search database for bidding opportunities.

Note: Non-profit organization prompt payment benefits do **not** apply in the following cases:

- When a contract exceeds \$500,000.
- When no Budget Act is enacted.

Resources

- Prompt Payment Act

Authority

- [Internal Revenue Code 501\(c\)\(3\)](#)
- [Government Code 927](#)