# A Comprehensive Guide to Foundational Documents and Federal Filings for Washington State LLCs and Nonprofits

## Part I: Foundational Framework and Tax Strategy for Your Washington LLC

This section of the report focuses on the internal governance and strategic tax decisions that must be made immediately following the formation of a Washington Limited Liability Company (LLC). These steps, while not filed with the state, are legally critical for defining ownership, management, and liability protection, and for establishing the entity's federal tax structure.

### Section 1.1: The LLC Operating Agreement: Your Company's Constitution

#### The Critical Role of the Operating Agreement in Washington State

While Washington state law does not legally mandate that an LLC have a written Operating Agreement, proceeding without one is a significant strategic error.1 In the absence of this document, the LLC will be governed by the default rules outlined in the Washington LLC Act (WA Rev Code § 25.15), which may not align with the members' intentions or the specific needs of the business.1

The Operating Agreement is a purely internal document, meaning it is not filed with the Washington Secretary of State or any other government agency.2 It functions as a legally binding contract among the members (owners) of the LLC.2 Its primary purposes are to:

* **Solidify Limited Liability:** A well-drafted agreement helps reinforce the legal separation between the business and its owners, which is the cornerstone of the LLC structure.4
* **Override State Defaults:** It allows members to create customized rules for governance, profit distribution, and dissolution, overriding the one-size-fits-all provisions of state law.1
* **Prevent and Resolve Disputes:** By setting clear expectations and procedures, the agreement serves as a roadmap for handling internal disagreements, thereby minimizing potential conflicts.4
* **Establish Ownership:** Critically, the Operating Agreement is the only document that formally records the ownership structure of the company, a detail not included in the public-facing Certificate of Formation.5

Financial institutions, such as banks, will almost certainly require a signed copy of the Operating Agreement to open a business bank account, apply for a loan, or secure other forms of financing.2 It is the single most important document for the LLC's internal governance and external credibility.

#### Core Components of a Robust Operating Agreement

A comprehensive Operating Agreement should address several key areas to ensure clarity and legal soundness.

* **Organization and Purpose:** This section establishes the basic identity of the LLC. It should include the official legal name as filed with the Secretary of State, the principal business address, the registered agent's information, the effective date of the agreement, and the purpose of the business. Drafting a broad purpose clause, such as "to engage in any lawful act or activity for which a limited liability company may be organized under the laws of Washington," provides the greatest operational flexibility for the future.7
* **Defining Membership and Ownership (Proof of Ownership):** This is the most crucial section of the agreement as it codifies who owns the company.
  + **List of Members:** It must contain the full legal names and current addresses of all members. Vague references like "Joe from Seattle" are legally insufficient and can create significant problems if ownership is ever challenged.2
  + **Capital Contributions:** This clause details the initial contributions made by each member to the company. Contributions can be in the form of cash, property, or services rendered. The agreement must specify the agreed-upon value of any non-cash contributions, as this value forms the basis of each member's ownership stake.2
  + **Ownership Percentage/Interest:** The agreement must clearly state each member's ownership stake, often referred to as "Membership Interest." This can be expressed as a percentage (e.g., 50%) or in "units" (e.g., 50 of 100 total units).2 This section serves as the definitive proof of ownership for all legal and financial purposes.
* **Management Structure:** The agreement must explicitly state whether the LLC is **Member-Managed** or **Manager-Managed**, which should be consistent with the selection made on the Certificate of Formation filed with the state. This section should then detail the specific rights, duties, and limitations of the members or managers who are empowered to run the company.2 A more detailed analysis of this choice is provided in Section 1.3.
* **Allocating Profits, Losses, and Distributions:** This clause defines the financial relationship between the members. It outlines the method for distributing company profits and allocating any losses. Typically, this is done in proportion to each member's ownership percentage, but the agreement allows for custom arrangements if desired.2
* **Rights, Responsibilities, and Voting Powers:** The agreement should specify which business decisions require a formal vote of the members (e.g., taking on significant debt, selling major assets, admitting a new member). It must also define the voting threshold required for approval, such as a simple majority (>50%), a supermajority (>66.6%), or unanimous consent. This section should also clearly state who has the authority to bind the company in contracts, open bank accounts, and hire employees.2
* **Protocols for Member Admission and Dissociation (Buy-Sell Provisions):** A well-drafted agreement anticipates changes in membership. This section should outline the precise procedures for adding new members and for how an existing member can leave the company, whether through voluntary withdrawal, sale of interest, death, or disability. It is highly advisable to include a "right of first refusal" clause, which requires a departing member to offer their ownership interest to the remaining members before selling to an outside party. This prevents the unwelcome introduction of unknown partners.2
* **Dissolution and Winding Up:** This clause specifies the events that would trigger the dissolution of the LLC. This could be a unanimous vote of the members, the death of a member (if not otherwise addressed in the buy-sell provisions), or a predetermined date. The agreement should also describe the "winding up" process for liquidating assets, paying off creditors, and distributing any remaining funds to the members.1
* **Governing Law and Amendments:** The agreement should include a statement that it is governed by the laws of the State of Washington. It must also define the formal process for making amendments to the agreement itself. Typically, amendments require the written consent of a majority or all of the members.2

The true value of a detailed Operating Agreement extends beyond meeting a legal formality; it compels co-founders to engage in essential, and sometimes difficult, conversations before they escalate into disputes. The process of negotiating clauses on voting thresholds, buy-sell provisions, and dissolution triggers forces members to contemplate worst-case scenarios: What happens if there is a deadlock on a major decision? What is the process if one partner wants to exit the business? By proactively establishing these rules while the professional relationship is positive, the agreement becomes a pre-negotiated settlement for future conflicts. This transforms the document from a static legal requirement into a dynamic risk management tool, potentially saving the business from catastrophic legal fees and operational disruption down the line.

#### Annotated Operating Agreement Template

The following template provides a comprehensive structure for a Washington LLC Operating Agreement. It is designed to be adapted for either a single-member or multi-member LLC and can be modified for either a member-managed or manager-managed structure. Each section includes an annotation explaining its purpose and legal significance.

OPERATING AGREEMENT

OF

, LLC

This Operating Agreement (the "Agreement") is made and entered into effective as of, by and among the individuals listed on Schedule 1 attached hereto (collectively, the "Members").

*Annotation: This opening statement identifies the legal name of the LLC, the parties to the agreement (the Members), and the effective date. The effective date should ideally be the date the LLC was formed.*

**ARTICLE I: ORGANIZATION**

1.1 **Formation:** The Members have formed a limited liability company (the "Company") under the laws of the State of Washington pursuant to the Washington Limited Liability Company Act (the "Act"). The Certificate of Formation was filed with the Washington Secretary of State on. 7

1.2 **Name:** The name of the Company is, LLC. 6

1.3 **Purpose:** The purpose of the Company is to engage in any lawful act or activity for which a limited liability company may be organized under the Act. 7

*Annotation: A broad purpose clause provides maximum flexibility, allowing the business to evolve without needing to amend its governing documents.*

1.4 **Principal Place of Business:** The principal place of business of the Company shall be, or such other location as the Members may determine. 9

1.5 **Registered Agent:** The name and address of the Company's registered agent in Washington is,. 6

1.6 **Term:** The Company shall have a perpetual duration unless it is dissolved earlier in accordance with the provisions of this Agreement. 7

**ARTICLE II: MEMBERSHIP AND CAPITAL CONTRIBUTIONS**

2.1 **Members:** The names, addresses, and ownership interests of the Members are set forth in **Schedule 1** to this Agreement. Schedule 1 shall be amended from time to time to reflect any changes in the membership of the Company. 7

*Annotation: This is the definitive proof of ownership. Schedule 1 must be kept accurate and up-to-date. It should list each member's full legal name, address, capital contribution, and ownership percentage.*

2.2 **Initial Capital Contributions:** Upon execution of this Agreement, each Member has contributed to the Company the amount of cash, property, or services as described in Schedule 1. The agreed-upon value of any non-cash contributions is also listed therein. 6

2.3 **No Additional Contributions:** No Member shall be required to make any additional capital contributions to the Company unless unanimously agreed upon in writing by all Members.

2.4 **No Interest on Capital Contributions:** No Member shall be entitled to receive any interest on their capital contributions. 9

**ARTICLE III: ALLOCATIONS AND DISTRIBUTIONS**

3.1 **Allocations of Profits and Losses:** For financial accounting and tax purposes, the Company's net profits or net losses shall be allocated to the Members in proportion to their respective ownership interests as set forth in Schedule 1. 2

3.2 **Distributions:** The Members shall determine, by majority vote, when and in what amounts distributions of available cash shall be made to the Members. All such distributions shall be made to the Members in proportion to their respective ownership interests. 2

**ARTICLE IV: MANAGEMENT**

*Instructions: Select ONE of the following two options and delete the other.*

4.1 **Management by Members:** The business and affairs of the Company shall be managed by its Members. The Members shall have the full and complete authority, power, and discretion to manage and control the business, property, and affairs of the Company. 8

4.2 Voting: Except as otherwise provided in this Agreement, all decisions of the Members shall be made by the affirmative vote of Members holding a majority of the ownership interests in the Company. The following actions shall require the unanimous written consent of all Members:

(a) Amending this Agreement;

(b) Admitting a new Member;

(c) Selling all or substantially all of the Company's assets;

(d) Merging or consolidating the Company with another entity;

(e) Incurring debt outside the ordinary course of business.

*Annotation: This clause is highly customizable. The list of actions requiring unanimous consent can be expanded or contracted based on the members' desire for control over major decisions.*

4.1 **Management by Manager(s):** The business and affairs of the Company shall be managed by a Manager (or Managers). The initial Manager shall be [Name of Manager]. The Manager shall serve until their death, resignation, or removal. The Manager shall have the right and authority to manage the affairs of the Company and make decisions with respect thereto, except for those matters reserved for a vote of the Members. 8

4.2 Powers Reserved to Members: The Manager may not take any of the following actions without the prior written consent of Members holding a majority of the ownership interests:

(a) Selling all or substantially all of the Company's assets;

(b) Merging or consolidating the Company with another entity;

(c) Incurring debt in excess of $[Amount].

4.3 **Removal of Manager:** Any Manager may be removed, with or without cause, by the affirmative vote of Members holding a majority of the ownership interests.

**ARTICLE V: TRANSFER OF MEMBERSHIP INTERESTS**

5.1 **General Restriction:** No Member may sell, assign, transfer, pledge, or otherwise dispose of their membership interest, in whole or in part, without the prior written consent of all other Members.

5.2 **Right of First Refusal:** In the event a Member receives a bona fide offer from a third party to purchase their interest, the Member (the "Selling Member") must first offer to sell their interest to the other Members (the "Remaining Members") on the same terms and conditions as the third-party offer. The Remaining Members shall have [e.g., 30] days to accept this offer. If the Remaining Members decline, the Selling Member may sell their interest to the third party. 2

*Annotation: This clause is vital for controlling who becomes a partner in the business.*

**ARTICLE VI: DISSOLUTION**

6.1 Events of Dissolution: The Company shall be dissolved upon the occurrence of any of the following events:

(a) The written consent of all Members;

(b) The entry of a decree of judicial dissolution under the Act.

6.2 **Winding Up:** Upon dissolution, the Company's assets shall be liquidated. The proceeds shall be applied first to pay the Company's debts and liabilities to creditors, and any remaining proceeds shall be distributed to the Members in proportion to their ownership interests. 1

**ARTICLE VII: GENERAL PROVISIONS**

7.1 **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. 7

7.2 **Entire Agreement:** This Agreement constitutes the entire agreement among the Members with respect to the subject matter hereof and supersedes all prior agreements. 1

7.3 **Amendments:** This Agreement may be amended only by a written instrument signed by all Members. 2

**IN WITNESS WHEREOF,** the undersigned have executed this Operating Agreement as of the effective date first written above.

**MEMBERS:**

[Member 1 Name], Member

[Member 2 Name], Member

*(Add signature lines for all members)*

**Schedule 1 to the Operating Agreement of, LLC**

| Member Name | Member Address | Initial Capital Contribution (Description and Value) | Ownership Interest (%) |
| --- | --- | --- | --- |
| [Member 1 Full Legal Name] | [Member 1 Address] | Cash: $[Amount] | [Percentage]% |
| [Member 2 Full Legal Name] | [Member 2 Address] | Property:, Valued at $[Amount] | [Percentage]% |
| **TOTAL** |  |  | **100%** |

### Section 1.2: Establishing Definitive Proof of Ownership

#### The Operating Agreement as the Primary Record of Ownership

As established, the Operating Agreement is the single most important document for proving who owns an LLC.5 Unlike a corporation's articles of incorporation, the LLC's Certificate of Formation filed with the state does not list the members or their respective ownership percentages. Therefore, the section of the Operating Agreement—specifically Schedule 1 in the template above—that details member names, capital contributions, and ownership percentages serves as the primary, legally-binding evidence of ownership.1 This is the document that will be presented to banks, potential investors, title companies, or a court to definitively prove the ownership structure of the LLC.6

#### Supplemental Documentation: The Role of LLC Membership Certificates

While not legally required in Washington, an LLC can issue formal Membership Certificates to each member. These documents function similarly to stock certificates in a corporation and serve as a tangible, formal representation of the ownership interest that is detailed in the Operating Agreement.13

For a new entrepreneur, issuing certificates adds a layer of professionalism and clarity. It provides each member with a formal document they can physically hold, which can be particularly reassuring and useful for their personal records. Several online resources provide free, customizable templates for these certificates.13

The information on the certificate—including the LLC's legal name, the member's name, and the ownership percentage or number of units—must exactly match the information in the Operating Agreement to be valid. The certificates should be signed by an authorized member (such as the President or Managing Member, if applicable), dated, and a copy of each issued certificate should be kept with the LLC's official company records.

#### Template: Washington LLC Membership Certificate

The following template can be used to create formal Membership Certificates for your LLC. It is advisable to print these on high-quality paper for a professional appearance.

**MEMBERSHIP CERTIFICATE**

, LLC

(A Washington Limited Liability Company)

This certifies that **[Member's Full Legal Name]** is the owner of a **[Ownership Percentage]%** Membership Interest in, LLC (the "Company"), a limited liability company organized under the laws of the State of Washington.

This Membership Interest is transferable only in accordance with the terms and restrictions set forth in the Operating Agreement of the Company, as it may be amended from time toto time. A copy of the Operating Agreement is on file at the Company's principal office.

**IN WITNESS WHEREOF,** the Company has caused this Certificate to be executed by its duly authorized member on this day of [Month],.

**, LLC**

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name:

Title:

### Section 1.3: Management Structure Analysis: Member-Managed vs. Manager-Managed

When forming an LLC in Washington, a choice must be made on the Certificate of Formation regarding the management structure. This decision dictates who has the authority to run the company's day-to-day operations and should be reflected in detail within the Operating Agreement.

#### Detailed Breakdown of Each Management Structure

* **Member-Managed LLC:** This is the default structure in Washington and most other states.15 In this model, all members (the owners) have a direct say in the daily operations and major decisions of the company.12 Each member is considered an agent of the LLC and has the authority to bind the company in contracts, subject to any voting rules established in the Operating Agreement.15 This structure is the most common and is well-suited for small businesses where all owners are actively involved in running the company.16
* **Manager-Managed LLC:** In this structure, the members delegate the authority for day-to-day management to one or more appointed managers.12 A manager can be one of the members (referred to as a "managing member") or a non-member hired for their specific expertise (a "professional manager").15 The non-managing members typically retain control over fundamental decisions, such as amending the Operating Agreement, admitting new members, or dissolving the company, but they take on a more passive role similar to that of shareholders in a corporation.12 This structure is advantageous for LLCs with passive investors who do not wish to be involved in daily operations, or for larger LLCs where decision-making by the entire membership would be inefficient.16

#### Strategic Considerations: Control, Scalability, Administration, and Privacy

The choice between these two structures has significant implications for the business.

* **Control:** A member-managed structure provides all owners with direct control over the business. A manager-managed structure centralizes control, which can lead to faster, more agile decision-making but reduces the direct involvement of non-managing members.12
* **Cost and Administration:** The member-managed structure is generally simpler and less expensive to operate. A critical and often overlooked consideration is that managers in a manager-managed LLC are frequently considered employees of the business, even if they are also members.12 This can trigger the legal requirement to set up payroll, withhold taxes, and handle associated administrative tasks—a significant burden for a new enterprise. In a member-managed LLC, members are owners, not employees, and receive their income as distributions of profit, which avoids these payroll complexities.12
* **Scalability:** The manager-managed structure is inherently more scalable. As an LLC grows and potentially brings in more members or outside investors, it becomes impractical for every owner to vote on every operational decision. A centralized management team is better equipped to handle the complexities of a larger organization.16
* **Privacy:** In Washington, the names of the "governors" (the individuals with decision-making power) must be listed on public filings like the Annual Report. In a manager-managed LLC, only the manager(s)' names need to be listed, which can protect the privacy of passive, non-managing members who prefer to remain off the public record.12

The following table provides a direct comparison to aid in this decision.

| Feature | Member-Managed LLC | Manager-Managed LLC |
| --- | --- | --- |
| **Decision-Making** | All members (owners) participate in daily and major decisions. Can be slower but more inclusive. 12 | Authority is delegated to one or more appointed managers for daily operations. Members retain control over major decisions. Faster and more agile. 15 |
| **Best For** | Small LLCs where all owners are actively involved in the business. 16 | LLCs with passive investors, a large number of members, or those requiring specialized management expertise. 16 |
| **Cost & Admin Burden** | Lower. No payroll obligations for members, who receive profit distributions. Simpler administration. 12 | Higher. Managers (even member-managers) are often considered employees, requiring payroll setup and tax withholding, which adds significant administrative complexity. 12 |
| **Liability & Authority** | Each member is an agent of the LLC and can bind the company in contracts. 15 | Only the designated manager(s) can bind the LLC in contracts. Non-managing members have no authority to act on behalf of the company. 15 |
| **Scalability** | Less scalable. Becomes inefficient as the number of members grows. 16 | Highly scalable. Centralized management can adapt more easily to growth and complexity. 16 |
| **Privacy** | All members' names may be required on public filings as "governors." | Only the manager(s)' names are required on public filings, protecting the privacy of non-managing members. 12 |

#### Analysis and Definitive Recommendation for a Beginning Entrepreneur

For a beginning entrepreneur who is self-filing and establishing a new business, the **Member-Managed structure is strongly recommended.**

This recommendation is based not just on governance theory but on immediate operational and financial realities. The choice of management structure has direct consequences that a new founder must be prepared to handle. The most significant of these is the potential for a manager to be classified as an employee.12 Opting for a manager-managed structure can inadvertently trigger an immediate and complex legal and financial obligation to establish a payroll system, withhold and remit payroll taxes, and comply with all associated employment laws. For a founder focused on launching a product or service, this represents a substantial and unnecessary administrative distraction and cost.

The member-managed structure, being the state's default, is the path of least resistance and lowest initial cost.15 It perfectly aligns with the typical scenario of a new business where the founders are also the primary operators. It avoids the complexities of payroll for management and keeps the administrative framework as simple as possible during the critical startup phase. Should the business grow to a point where it brings in passive investors or the number of members makes collective management unwieldy, the structure can be changed. This is accomplished by formally amending the Operating Agreement and updating the information with the Secretary of State on the next Annual Report. Starting with the simpler, default option introduces less risk and allows the entrepreneur to focus on building the business.

### Section 1.4: Electing S Corporation Status: A Step-by-Step Guide to IRS Form 2553

#### Strategic Implications of an S-Corp Election for an LLC

By default, the Internal Revenue Service (IRS) does not recognize the LLC as a distinct tax entity. A single-member LLC is taxed as a sole proprietorship (a "disregarded entity"), and a multi-member LLC is taxed as a partnership.17 The S Corporation (S-Corp) election, made by filing Form 2553 with the IRS, is a request to change how the LLC is

*taxed* at the federal level. It does not change the underlying legal structure of the entity; it remains a Washington LLC for all state law, liability, and governance purposes.18

The primary strategic benefit of an S-Corp election is the potential for savings on self-employment taxes (Social Security and Medicare, collectively known as FICA taxes). In a default-taxed LLC, all net business profits that pass through to the owners are subject to self-employment tax. When an LLC is taxed as an S-Corp, the owner-employees must be paid a "reasonable salary" for the work they perform. This salary is subject to FICA taxes, with the business and the employee each paying half. However, any remaining profits can be distributed to the owners as dividends, which are *not* subject to FICA taxes. For a profitable business, this can result in significant tax savings.

#### Eligibility Requirements and Filing Deadlines

To be eligible for S-Corp status, the LLC must meet several strict IRS requirements 19:

* It must be a domestic (U.S.) entity.
* It can have no more than 100 shareholders (members).
* Shareholders must be "allowable," which means they must be individuals, certain trusts, or estates. They must be U.S. citizens or residents. Partnerships, corporations, or non-resident aliens cannot be shareholders.
* It must have only one class of stock (meaning all ownership units have identical rights to distributions and liquidation proceeds).

The filing deadlines for Form 2553 are absolute and frequently missed by new business owners.

* **For a New Business:** To be effective for the LLC's first tax year, the election must be filed no more than **two months and 15 days** after the date of formation. The "date of formation" is defined as the earliest of the date the LLC first had members, first had assets, or first began conducting business.19
* **For an Existing Business:** To make the election effective for the next calendar tax year (e.g., for 2026), the form can be filed at any time during the preceding year (2025) or by March 15th of the election year (March 15, 2026).22
* **Late Filing Relief:** The IRS has provisions for granting relief for a late filing if the entity can demonstrate a reasonable cause for the failure to file on time. This requires providing a detailed explanation on the form or in an attached statement.21

#### Line-by-Line Instructions for Completing Form 2553

The following is a guide to completing the most relevant sections of Form 2553 for a new LLC.

* **Part I: Election Information**
  + **Entity Name and Address:** Enter the LLC's full legal name and mailing address. If the business address is the same as a member's personal address, it is best practice to enter it as "[LLC Name] C/O [Member Name]".21
  + **A. Employer Identification Number (EIN):** Enter the 9-digit EIN assigned to the LLC. If an application for an EIN has been submitted but the number has not yet been received, write "Applied For" and the date of application.19
  + **B. Date Incorporated:** For an LLC, this is the date of formation as shown on the Certificate of Formation.21
  + **C. State of Incorporation:** Enter "Washington".21
  + **E. Effective Date of Election:** For a new LLC filing on time, this date should be the same as the date of formation entered in Box B.19
  + **F. Selected Tax Year:** Most new businesses will use the calendar year. Check the box for "Calendar year".21
  + **Signature:** An authorized officer (in an LLC, this would be a member or manager) must sign, date, and provide their title.22
  + **Columns J-N - Shareholder Consent Statement:** This section is critical and must be completed by all members.
    - **Column J:** Enter the name and address of each member.
    - **Column K:** Each member must physically sign and date the form.19
    - **Column L:** For an LLC, enter each member's **percentage of ownership** and the date that ownership was acquired (the date of formation for original members).22
    - **Column M:** Enter each member's Social Security Number (SSN).19
    - **Column N:** Enter the end of each member's tax year, which for most individuals is "December".24
* **Part II & Part III:** These sections are typically not applicable to a new LLC unless a non-calendar fiscal year is being requested or the LLC is owned by a specific type of trust. For a standard new business, these can be left blank.19

#### Special Consideration for Washington Filers: Community Property and Spousal Consent

Washington is a community property state, which has a unique and critical implication for filing Form 2553.18 Under community property laws, an ownership interest in an LLC acquired during a marriage may be considered jointly owned by both spouses, even if only one spouse is formally listed as a member.

Because of this, the IRS requires that the **spouse of any LLC member also provide written consent** to the S-Corp election by signing Form 2553.18 Failure to obtain a required spousal signature can invalidate the entire election. This is a common compliance trap for filers in community property states. A form that appears perfectly completed can be rejected or, worse, approved and then invalidated years later during an audit, leading to significant back taxes and penalties.

To comply correctly, the non-member spouse must be listed in the consent statement section. The proper procedure is as follows 19:

* **Column J:** Enter the spouse's name, followed by "(Consenting Spouse)," and their address.
* **Column K:** The spouse must physically sign and date the form.
* **Column L:** Enter "N/A" for the number of shares/ownership percentage.
* **Column M:** Enter the spouse's Social Security Number.

#### Submission Process and Post-Filing Expectations

* **Submission:** Form 2553 cannot be filed electronically. It must be printed and signed by all required parties (all members and all consenting spouses) with a **real pen**. Digital or electronic signatures are not permitted by the IRS.18 The completed form must then be mailed or faxed to the correct IRS service center for Washington. The most current mailing addresses and fax numbers are available on the IRS website.21 It is highly recommended to send the form via certified mail with a return receipt to have proof of timely filing.
* **Timeline:** The IRS generally takes approximately 60 days to process Form 2553 and respond.23
* **Confirmation:** If the election is approved, the IRS will mail a **CP261 Notice**. This is the official confirmation of the S-Corp status. This document is extremely important and should be kept with the LLC's permanent legal records.18 If the election is rejected, the IRS will mail a  
  **CP264 Notice** explaining the reason for the rejection, which allows the filer to correct the issue and resubmit if possible.19

## Part II: Establishing and Securing Tax-Exempt Status for Your Washington NPO

This section provides the governance framework and details the critical federal application process required for your newly formed nonprofit corporation to become a federally recognized 501(c)(3) tax-exempt organization.

### Section 2.1: Core Governance Documents for Nonprofits

Before applying for tax-exempt status, a nonprofit must adopt a set of internal governing documents. These documents are not only essential for proper governance but are also required attachments for the IRS application.

#### The Bylaws: Structuring Your NPO's Governance

Bylaws are the internal operating rules for a nonprofit corporation. They are a mandatory attachment for the IRS Form 1023 application for tax-exempt status.25 They define the structure of the organization and the rights and responsibilities of its directors and officers.

A set of bylaws compliant with both Washington state law and IRS requirements should include the following essential articles:

* **Article I: Name and Offices:** State the full legal name of the nonprofit corporation and the location of its principal office.26
* **Article II: Purpose:** This is one of the most critical articles from the IRS's perspective. It must contain specific language stating that the organization is formed exclusively for one or more exempt purposes (e.g., charitable, educational, scientific) within the meaning of Section 501(c)(3) of the Internal Revenue Code.26
* **Article III: Board of Directors:** This article details the governance structure. It should specify the number of directors (Washington law requires a minimum of three for a 501(c)(3)), their terms of office, powers, meeting requirements (including quorum and notice procedures), and the process for electing and removing directors.26
* **Article IV: Officers:** This defines the officer roles. Washington requires a President, Secretary, and Treasurer. The same person cannot hold the offices of President and Secretary simultaneously.26 The bylaws should outline the duties of each officer and the process for their election.
* **IRS-Mandated Provisions:** To secure 501(c)(3) status, the bylaws (or the Articles of Incorporation) must contain three specific clauses:
  1. **Private Inurement Clause:** A statement explicitly prohibiting any part of the organization's net earnings from inuring to the benefit of any private individual, such as a director, officer, or member.26
  2. **Legislative/Political Activity Clause:** A statement that prohibits the organization from engaging in substantial lobbying activities and from participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for public office.31
  3. **Dissolution Clause:** A clause specifying that upon the dissolution of the organization, any remaining assets must be distributed to another 501(c)(3) organization or for a public purpose. Assets cannot be distributed to directors, officers, or other private individuals.26

#### The Conflict of Interest Policy: Ensuring Ethical Operations

A formal Conflict of Interest Policy is another document that the IRS requires to be adopted and submitted with the Form 1023 application.25 This policy demonstrates that the organization has established procedures to manage situations where a director or officer might have a competing personal or financial interest that could improperly influence their decisions on behalf of the nonprofit.

The key components of a robust policy include 32:

* **Purpose:** A statement explaining the policy's intent to protect the organization's integrity and ensure that its decisions are made in its best interest.
* **Definition of "Interested Party" and "Conflict":** Clearly define who the policy applies to (e.g., directors, officers, key employees) and what constitutes a potential conflict of interest, including both direct and indirect financial or non-financial interests.
* **Disclosure Procedure:** Establish a clear and mandatory process for an interested party to disclose any potential conflict of interest to the board of directors as soon as it is known.
* **Review and Voting Procedure:** Detail the steps the board must take when a potential conflict is disclosed. This procedure must include the requirement that the interested party recuse themselves from both the discussion and the vote on the matter in question.
* **Documentation in Minutes:** Require that the disclosure of the potential conflict, the recusal of the interested party, and the board's final decision and vote be formally recorded in the meeting minutes.34

This policy should also be crafted to comply with Washington state law, specifically RCW 24.03A.615, which provides a "safe harbor" for transactions involving a conflict of interest if the material facts are disclosed and the transaction is approved in good faith by a majority of disinterested directors.33

#### Annotated Bylaws and Conflict of Interest Policy Templates

BYLAWS

OF

**ARTICLE I: NAME AND OFFICES**

1.1 **Name:** The name of the corporation shall be [Legal Name of Nonprofit Corporation] (the “Corporation”). 26

1.2 **Principal Office:** The principal office of the Corporation shall be located at, or such other place as the Board of Directors may designate. 27

*Annotation: This section establishes the legal identity and primary location of the organization. The legal name must match the name on the Articles of Incorporation filed with the Washington Secretary of State.*

**ARTICLE II: PURPOSE AND IRS-MANDATED PROVISIONS**

2.1 **Purpose:** The Corporation is organized and shall be operated exclusively for [charitable, educational, scientific, etc.] purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, or the corresponding section of any future federal tax code (the "Code"). 26

*Annotation: This is a critical clause for the IRS. The stated purpose must align with one of the exempt purposes recognized under 501(c)(3). It is a best practice to keep this language consistent with the purpose stated in the Articles of Incorporation.*

2.2 **Exempt Activities Limitation:** Notwithstanding any other provision of these Bylaws, the Corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(3) of the Code. 31

2.3 **Prohibition Against Private Inurement:** No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. 26

2.4 **Legislative/Political Activities:** No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. 31

*Annotation: Clauses 2.2, 2.3, and 2.4 are mandatory for obtaining 501(c)(3) status. They demonstrate to the IRS that the organization understands and agrees to abide by the core restrictions placed on tax-exempt charitable organizations.*

**ARTICLE III: BOARD OF DIRECTORS**

3.1 **General Powers:** The business, property, and affairs of the Corporation shall be managed and controlled by a Board of Directors (the “Board”). 29

3.2 **Number and Tenure:** The number of directors shall be no less than three (3) and no more than [e.g., fifteen (15)]. Each director shall hold office for a term of [e.g., three (3) years], with the terms of the directors staggered so that approximately one-third of the directors are elected each year. 29

Annotation: Washington state law requires a 501(c)(3) nonprofit to have at least three directors. 28 Staggering terms ensures continuity of leadership on the board.

3.3 **Meetings:** An annual meeting of the Board shall be held each year at a time and place designated by the Board. Regular meetings of the Board shall be held at least [e.g., quarterly]. Special meetings may be called by the President or by any [e.g., two] directors. 30

3.4 **Quorum and Voting:** A majority of the directors then in office shall constitute a quorum for the transaction of business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board, unless a greater number is required by law or by these Bylaws. Proxy voting shall not be permitted. 29

3.5 **Removal:** Any director may be removed, with or without cause, by a majority vote of the directors then in office. 30

**ARTICLE IV: OFFICERS**

4.1 **Officers:** The officers of the Corporation shall be a President, a Secretary, and a Treasurer, and may also include a Vice President and such other officers as the Board may deem necessary. All officers must be members of the Board of Directors. 26

Annotation: Washington law requires a President, Secretary, and Treasurer. The same individual may not hold the offices of President and Secretary simultaneously. 28

4.2 **Election and Term:** The officers shall be elected annually by the Board at the annual meeting. Each officer shall hold office until a successor is duly elected and qualified or until their death, resignation, or removal. 30

4.3 **Duties of the President:** The President shall be the principal executive officer of the Corporation, shall preside at all meetings of the Board, and shall, subject to the Board's control, supervise all of the business and affairs of the Corporation. 29

4.4 **Duties of the Secretary:** The Secretary shall be responsible for keeping the minutes of the meetings of the Board, seeing that all notices are duly given, and being the custodian of the corporate records. 30

4.5 **Duties of the Treasurer:** The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation, and shall oversee the preparation of financial reports. 27

**ARTICLE V: COMMITTEES**

5.1 **Committees:** The Board may, by resolution, designate one or more committees (e.g., Executive Committee, Finance Committee, Governance Committee). Each committee shall consist of two or more directors and shall have the authority delegated to it by the Board. 29

**ARTICLE VI: INDEMNIFICATION**

6.1 **Indemnification:** The Corporation shall, to the fullest extent permitted by the Washington Nonprofit Corporation Act, indemnify any director or officer against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending, or completed action, suit, or proceeding. 27

**ARTICLE VII: DISSOLUTION**

7.1 **Dissolution:** Upon the dissolution of the Corporation, the Board shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purposes of the Corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. 29

*Annotation: This dissolution clause is another mandatory provision for 501(c)(3) status. It ensures that the organization's charitable assets will continue to be used for a public benefit even after the organization ceases to exist.*

**ARTICLE VIII: AMENDMENTS**

8.1 **Amendments:** These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by a majority vote of the directors present at any regular or special meeting, provided that at least [e.g., ten (10) days'] written notice is given of the intention to alter, amend, or repeal or to adopt new Bylaws at such meeting.

**CERTIFICATE OF ADOPTION OF BYLAWS**

I do hereby certify that the foregoing Bylaws of [Legal Name of Nonprofit Corporation] were adopted by the Board of Directors on.

[Name], Secretary

CONFLICT OF INTEREST POLICY

OF

**ARTICLE I: PURPOSE**

The purpose of this conflict of interest policy is to protect the interests of [Legal Name of Nonprofit Corporation] (the “Corporation”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations. 32

*Annotation: The IRS requires nonprofits to have a conflict of interest policy in place to demonstrate that the organization has procedures to ensure its decisions are made in its own best interest, not for the private benefit of its insiders.*

**ARTICLE II: DEFINITIONS**

2.1 **Interested Person:** Any director, principal officer, or member of a committee with powers delegated by the Board of Directors, who has a direct or indirect financial interest, as defined below, is an interested person. 32

2.2 Financial Interest: A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

(a) An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;

(b) A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement; or

(c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement. 32

Annotation: A conflict of interest exists when the interests of an "Interested Person" may be seen as competing with the interests of the Corporation. This can be a financial interest or a non-financial one. 32

**ARTICLE III: PROCEDURES**

3.1 **Duty to Disclose:** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors considering the proposed transaction or arrangement. This disclosure must be made as soon as the potential conflict is known. 32

3.2 **Determining Whether a Conflict of Interest Exists:** After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall decide if a conflict of interest exists. 32

3.3 Procedures for Addressing the Conflict of Interest:

(a) An interested person may make a presentation at the Board meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest. 32

(b) The chairperson of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(c) After exercising due diligence, the Board shall determine whether the Corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

(d) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation’s best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement. 32

Annotation: This procedure aligns with Washington's "safe harbor" statute (RCW 24.03A.615), which protects a transaction from being voided if the material facts are disclosed and the transaction is approved in good faith by a majority of disinterested directors. 33 The interested director cannot be counted for purposes of determining a quorum or a majority vote. 32

**ARTICLE IV: RECORDS OF PROCEEDINGS**

The minutes of the Board meeting shall contain:

(a) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board’s decision as to whether a conflict of interest in fact existed.

(b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings. 32

**ARTICLE V: ANNUAL STATEMENTS**

Each director, principal officer, and member of a committee with Board-delegated powers shall annually sign a statement which affirms such person:

(a) Has received a copy of the conflict of interest policy;

(b) Has read and understands the policy;

(c) Has agreed to comply with the policy; and

(d) Understands the Corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes. 32

**CERTIFICATE OF ADOPTION OF CONFLICT OF INTEREST POLICY**

I do hereby certify that the foregoing Conflict of Interest Policy was adopted by the Board of Directors of [Legal Name of Nonprofit Corporation] on.

[Name], Secretary

### Section 2.2: The Definitive Guide to Filing for 501(c)(3) Status with Form 1023-EZ

This section provides a detailed, step-by-step guide for organizations that are eligible to use the streamlined IRS Form 1023-EZ to apply for 501(c)(3) tax-exempt status. The process is entirely electronic and requires careful attention to eligibility and attestations.

#### Step 1: The Critical Eligibility Analysis (Form 1023-EZ Eligibility Worksheet)

Before you can even consider filing Form 1023-EZ, you **must** complete the Form 1023-EZ Eligibility Worksheet, which is found in the official IRS instructions for the form.52 This is not an optional step. The worksheet consists of 34 questions, and if you answer "Yes" to

**any** of them, your organization is not eligible to use the streamlined form and must file the full Form 1023.52

The worksheet is designed to screen out organizations with more complex financial structures, specific organizational types, or certain activities that require the more detailed review associated with the long-form application. Key decision points and disqualifying factors include:

* **Financial Thresholds:** Your organization is ineligible if it meets either of these financial conditions:
  + Its projected annual gross receipts will exceed $50,000 in the current year or in either of the next two years.52
  + Its total assets have a fair market value in excess of $250,000.52
* **Organizational Structure:** You are ineligible if your organization is:
  + Organized as a Limited Liability Company (LLC).52
  + A successor to a for-profit entity.52
  + Formed under the laws of a foreign country.52
* **Specific Excluded Organization Types:** The EZ form cannot be used by certain types of organizations, including:
  + Churches or conventions of churches.57
  + Schools, colleges, or universities.57
  + Hospitals or medical research organizations.57
  + Supporting Organizations (as defined in section 509(a)(3)).52
* **Other Disqualifying Activities:** You are also ineligible if your organization intends to:
  + Maintain one or more donor-advised funds.52
  + Engage in activities as an Accountable Care Organization (ACO).52
  + Has had its tax-exempt status previously revoked (for reasons other than failure to file Form 990 for three consecutive years).52

#### Step 2: Pre-Filing Preparation

Once you have completed the eligibility worksheet and confirmed you can file Form 1023-EZ, you must gather several key pieces of information before starting the online application.

1. **Obtain an Employer Identification Number (EIN):** Your nonprofit must have its own EIN before you can submit the application. This is a mandatory requirement, even if you do not plan to have employees. You can apply for an EIN online at the IRS website.52
2. **Create a Pay.gov Account:** All 1023-series forms must be filed electronically through the federal Pay.gov portal. You will need to register for an account before you can begin the application.61
3. **Gather Key Information:** Have the following information ready:
   * Your organization's full legal name, mailing address, and website (if any).52
   * Your organizing documents (e.g., Articles of Incorporation) to confirm the exact date of formation and the state of formation.52
   * The month your fiscal tax year ends.52
   * The full names, titles, and mailing addresses for all officers, directors, and trustees.52
   * The National Taxonomy of Exempt Entities (NTEE) Code that best describes your organization's activities. A list of these codes is available in the IRS instructions for Form 1023-EZ.59

#### Step 3: Completing Form 1023-EZ on Pay.gov: A Part-by-Part Guide

After logging into Pay.gov, search for "Form 1023-EZ" to begin.52 The form is structured as a series of questions and attestations.

* **Initial Attestation:** The very first step on the form is to check a box attesting that you have completed the Eligibility Worksheet and are eligible to file Form 1023-EZ.52
* **Part I – Identification of Applicant:** This section collects basic information about your organization. You will enter the name, address, EIN, contact person, and the list of your officers, directors, and trustees that you gathered during preparation.52
* **Part II – Organizational Structure:** This section requires you to attest that your organizing document (e.g., Articles of Incorporation) contains the specific clauses required by the IRS for 501(c)(3) status. You are not required to upload the document, but you are legally attesting that it includes:
  + **Purpose Clause:** Language limiting your organization's purposes to one or more exempt purposes (charitable, educational, etc.).52
  + **Dissolution Clause:** Language ensuring that upon dissolution, any remaining assets will be distributed to another 501(c)(3) organization or for a public purpose.52
  + **Prohibition on Private Inurement:** Language preventing the organization's earnings from benefiting private individuals or insiders.52
* **Part III – Your Specific Activities:** Here you will describe your nonprofit's work.
  + You must provide a brief description (250 characters maximum) of your mission or most significant activities.52
  + You will enter the three-character NTEE code that best describes your activities.52
  + You will answer a series of "Yes/No" questions about specific activities, such as attempting to influence legislation, paying compensation to officers, or conducting activities outside the U.S.52
* **Part IV – Foundation Classification:** This is a critical decision point. You must select whether your organization is a **public charity** or a **private foundation**. Most new, small nonprofits will seek to be classified as a public charity. To do so, you must attest that you reasonably expect to meet the public support test under either section 509(a)(1) or 509(a)(2).52 The IRS instructions provide worksheets to help you determine if you meet these financial tests, which generally require that a significant portion of your revenue comes from the general public, government grants, or other public charities, rather than from a small number of private sources.52
* **Part V – Reinstatement:** This section is only completed by organizations whose tax-exempt status was automatically revoked for failing to file annual returns and who are now seeking reinstatement.52
* **Part VI – Signature:** An authorized officer, director, or trustee listed in Part I must electronically sign the application by typing their name and title and checking a box attesting, under penalties of perjury, that the information is true, correct, and complete.52

#### Step 4: Submission, Fees, and Post-Filing Expectations

* **Submission and Fee:** Once the form is complete, you will submit it electronically through Pay.gov. You must pay the non-refundable user fee, which is currently $275, by credit/debit card or direct bank account debit to complete the filing.55
* **Processing Time:** The processing time for Form 1023-EZ is significantly faster than for the long form, typically ranging from a few weeks to three months.25
* **IRS Determination Letter:** If your application is approved, the IRS will mail you a formal determination letter officially recognizing your 501(c)(3) status. This is a permanent and essential record for your organization.
* **The 27-Month Rule:** To ensure your tax-exempt status is effective retroactive to your date of formation, you must file Form 1023-EZ within 27 months of that date.52 If you file after this deadline, your exempt status will only be effective from the date you submitted the application. Critically, if you miss the 27-month deadline and wish to argue for an earlier effective date, you cannot use Form 1023-EZ; you must file the full Form 1023 and provide a reasonable cause for the late filing.52

## Part III: Ongoing Compliance and Reporting Obligations

Formation is only the first step. Both the LLC and the NPO must meet recurring state and federal filing requirements to remain in good standing and maintain their legal status.

### Section 3.1: Washington State Annual Reporting Requirements

Both for-profit and nonprofit corporations in Washington must file an annual report with the Secretary of State to keep their information current and remain in active status.

#### Filing Timelines and Fees

* **For the LLC:**
  + **Initial Report:** A one-time Initial Report must be filed within 120 days of the LLC's formation date. The filing fee is $10.35
  + **Annual Report:** Subsequently, an Annual Report is due every year by the last day of the LLC's formation anniversary month. The filing fee is $60.35 A $25 late fee is assessed for delinquent filings.35
* **For the NPO:**
  + **Annual Report:** An Annual Report is due every year by the last day of the nonprofit's formation anniversary month.37
  + **Tiered Fee:** The fee is based on the organization's gross revenue from the most recent fiscal year: $20 for gross revenue under $500,000, and $60 for gross revenue of $500,000 or more.39 A $25 late fee is assessed for delinquent filings.40

#### Online Filing Process via the Corporations & Charities Filing System (CCFS)

The Washington Secretary of State strongly prefers that annual reports be filed online through its Corporations & Charities Filing System (CCFS). Online filings are processed instantly, whereas mail filings can take several weeks.35

The process involves creating a user account on the CCFS portal, searching for the business entity, and completing the online form. The filer will be required to confirm or update key information, including the principal office address, the registered agent, and the names of the governors (the members of an LLC or the directors and officers of a nonprofit).35 For nonprofits, the report also requires the organization's EIN and a declaration of whether any major changes have been made to its purpose or programs since the last filing.38

#### Consequences of Delinquency and Administrative Dissolution

Failure to file the Annual Report on time will result in the entity being marked as "delinquent." If the report is not filed within a specified period after the due date (typically 90-120 days), the Secretary of State will proceed with **administrative dissolution**. This means the entity loses its legal status as a corporation or LLC in Washington and is no longer authorized to conduct business.35 Reinstatement is possible but requires additional fees and paperwork.

The following table provides a consolidated checklist of annual compliance tasks.

| Task | Entity | Due Date | Filing Fee | Filing Method |
| --- | --- | --- | --- | --- |
| **WA Initial Report** | LLC | Within 120 days of formation | $10 | Online (CCFS) |
| **WA Annual Report** | LLC | By last day of formation anniversary month, annually | $60 | Online (CCFS) |
| **WA Annual Report** | NPO | By last day of formation anniversary month, annually | $20 (<$500k revenue) or $60 (≥$500k revenue) | Online (CCFS) |
| **IRS Form 990-series** | NPO | By the 15th day of the 5th month after fiscal year-end (e.g., May 15 for a Dec. 31 year-end) | $0 | Electronic Filing |

### Section 3.2: Federal Beneficial Ownership Information (BOI) Reporting

#### Understanding the Corporate Transparency Act (CTA)

The Corporate Transparency Act (CTA) is a federal law enacted in 2021 to combat money laundering, tax fraud, and other illicit financial activities. It created a new requirement for many U.S. companies, referred to as "reporting companies," to report information about their beneficial owners to the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury.43 A beneficial owner is an individual who, directly or indirectly, exercises substantial control over the company or owns/controls at least 25% of its ownership interests.44

#### The Critical Exemption for 501(c)(3) Organizations

The CTA provides 23 specific exemptions from the reporting requirement, and one of these is for tax-exempt entities.43 Specifically, an organization that is described in Section 501(c) of the Internal Revenue Code (which includes 501(c)(3) charities) and is exempt from tax under Section 501(a) is not considered a reporting company and does not need to file a BOI report.44

Under the initial interpretation of the law, this created a potential compliance trap. A newly formed nonprofit is a legal corporation at the state level but is not yet a federally recognized 501(c)(3) entity until it receives its official determination letter from the IRS. This meant that a new nonprofit would have been required to file an initial BOI report upon formation and then file an updated report claiming the tax-exempt exemption once its 501(c)(3) status was approved.47 This created confusion and a temporary compliance burden for new organizations.

#### Definitive Report on the March 2025 FinCEN Ruling and Its Implications

The landscape of BOI reporting was fundamentally altered by an interim final rule issued by FinCEN on March 21, 2025.48 This new rule has dramatically simplified the requirements for U.S. businesses.

The key change is that this new rule **exempts ALL entities created in the United States** (what were previously called "domestic reporting companies") from the requirement to report beneficial ownership information to FinCEN.46 The BOI reporting requirement now applies only to foreign companies that have registered to do business in the United States.50

This new rule completely resolves the previous compliance trap for new nonprofits and renders the older, more complex guidance obsolete. The user may still encounter outdated information on various websites suggesting that new domestic companies must file. It is important to recognize that this information has been superseded.

Based on the most current federal regulations as of March 2025, the definitive conclusion is:

* **Neither the newly formed Washington LLC nor the newly formed Washington nonprofit organization is required to file a Beneficial Ownership Information (BOI) report with FinCEN.**

Both entities are domestic companies created in the United States and are therefore covered by the blanket exemption provided in the March 2025 interim final rule. This is a significant regulatory simplification for new entrepreneurs. It is advisable to monitor the official FinCEN website (fincen.gov/boi) for any future changes, but under the current framework, no action is required regarding this federal report.

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