



Supporting Organizations - Requirements and Types

All supporting organizations must pass an organizational test, an operational test, a control test and a relationship test. Supporting organizations are classified as Type I, Type II or Type III supporting organizations based on how they satisfy the relationship test.

Organizational Test

A supporting organization must be organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified [509\(a\)\(1\) or 509\(a\)\(2\) organizations](#).

The organization's [articles](#) must state the specified publicly supported organization(s) on whose behalf the supporting organization is to be operated. The articles of a Type I or II supporting organization may designate its supported organization(s) by class or purpose. The articles of a Type III supporting organization may not.

Subject to certain requirements, a Type I or II supporting organization may support an organization not organized in the United States. A Type III supporting organization may not.

The organization's articles must not expressly empower the organization to engage in activities not in furtherance of these purposes or to operate to support or benefit any organization other than its specified supported organization(s).

Operational Test

A supporting organization must engage solely in activities that support or benefit its supported organization(s). In addition to making direct grants to its supported organization(s), a supporting organization generally may make grants or provide services or facilities to:

- individual members of the charitable class benefited by its supported organization(s),
- another supporting organization that supports the same supported organization(s) or
- a state college or university described in Internal Revenue Code section 511(a)(2)(B) (colleges or universities which are government instrumentalities).

However, any such grants or provision of services or facilities must support or benefit the supported organization(s), not just the direct recipients.

Control Test

Disqualified persons may not control a supporting organization, whether directly or indirectly. For this purpose--

- **Foundation managers** who are disqualified persons **only as a result of being foundation managers**, and not for other reasons, are not treated as disqualified persons for purposes of this control test; and
- **Control** means the practical ability to require the organization to perform any act which significantly affects its operations, or to prevent any such act.

Relationship Test

A supporting organization is classified as a Type I, Type II or Type III supporting organization based on the type of relationship it has with its supported organization(s). Type III supporting organizations are further classified as functionally integrated ("FISO") and non-functionally integrated ("non-FISO"), as noted elsewhere.

Type I

A Type I supporting organization must be operated, supervised or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. The relationship between the supported organization(s) and the supporting organization is sometimes described as similar to a parent-subsidiary relationship.

Type II

A Type II supporting organization must be supervised or controlled in connection with its supported organization(s), typically by having a majority of the directors or trustees of the supported organization(s) serve as a majority of the trustees or directors of the supporting organization. The relationship between the supported organization(s) and the supporting organization is sometimes described as similar to a brother-sister relationship.

Type III

A Type III supporting organization must be operated in connection with one or more publicly supported organizations. All supporting organizations must be responsive to the needs and demands of, and must constitute an integral part of or maintain significant involvement in, their supported organizations. Type I and Type II supporting organizations are deemed to accomplish these responsiveness and integral part requirements by virtue of their control relationships. However, a Type III supporting organization is not subject to the same level of control by its supported organization(s). Therefore, in addition to a **notification requirement**, Type III supporting organizations must pass separate **responsiveness** and **integral part tests**.

Notification requirement

A Type III supporting organization must provide the following documents annually to each of its supported organizations:

1. A written notice describing the type and amount of support provided by the supporting organization to the supported organization during the taxable year preceding the year in which the notice is provided;
2. A copy of the supporting organization's Form 990 or 990-EZ that was most recently filed as of the date the notification is provided; and
3. A copy of the supporting organization's governing documents, as most recently amended, to the extent not previously provided.

This information must be postmarked or electronically transmitted by the last day of the fifth month following the close of the taxable year to which the information pertains.

Responsiveness test

A Type III supporting organization must be responsive to the needs or demands of a supported organization. An organization meets this test with regard to a particular supported organization if:

1. The supported organization is **adequately represented** in the governing body of the supporting organization because:
 - The supported organization may appoint at least one officer, director or trustee of the supporting organization
 - At least one member of the governing body of the supported organization also serves as an officer, director or trustee of a supporting organization, or
 - The officers, directors, or trustees of the supporting organization and of the supported organization maintain a close and continuous working relationship; **and**
2. Because of this relationship, the supported organization has a significant voice in how the supporting organization manages and uses its assets.

Integral part test

A Type III supporting organization may be **functionally integrated** (FISO) or **non-functionally integrated** (non-FISO) depending on the manner in which it meets the integral part test. Type III FISOs are subject to fewer restrictions and requirements than non-FISOs. In particular, distributions from private foundations to Type III non-FISOs are not qualifying distributions for purposes of satisfying a private foundation's required annual distributions under section 4942, and may be taxable expenditures under section 4945. In addition, Type III non-FISOs are subject to excess business holding rules under section 4943 and must meet annual payout requirements.

Functionally integrated

A Type III organization must satisfy one of three alternative integral part tests.

- **Alternative 1: Activities test**

Direct furtherance prong. Substantially all of the supporting organization's activities must be **direct furtherance** activities.

Direct furtherance activities are conducted by the supporting organization itself, rather than by a supported organization.

Fundraising, managing non-exempt-use assets, grant making to organizations, and grant making to individuals (unless it meets certain requirements) are not direct furtherance activities.

But for prong. In addition, substantially all of such activities must be activities in which, but for the supporting organization's involvement, the supported organization would normally be involved.

Examples include holding and managing facilities used by a church for its religious purposes, operating food pantries for a group of churches that normally would operate food pantries themselves, and maintaining local parks for a community foundation that otherwise would maintain those parks.

- **Alternative 2: Parent of supported organizations**

Governance. The supporting organization must have the power to appoint a majority of the officers, directors or trustees of each of its supported organizations.

Substantial degree of direction. In addition, the supporting organization must perform "parent-like" activities by exercising a substantial degree of direction over the policies, programs and activities of the supported organizations.

- **Alternative 3: Supporting a governmental entity**

[Notice 2014-4](#) [PDF](#) provides interim guidance for supporting organizations that want to qualify as functionally integrated because they are supporting a governmental entity.

Note: The transitional rule set out in the notice is not intended to signal what future proposed regulations will require with respect to qualifying as functionally integrated by supporting a governmental entity. No Type III supporting organization will qualify as functionally integrated by reason of satisfying this transitional rule once final regulations under §509 are published.

Non-functionally integrated

Distribution requirement. A Type III non-FISO must distribute its distributable amount each year to one or more of its supported organizations.

- Under final regulations, the distributable amount equals the greater of (1) 85 percent of the organization's adjusted net income for the prior taxable year and (2) 3.5 percent of the aggregate fair market value of the organization's non-exempt use assets, with certain adjustments.

- Certain excess amounts may reduce the distributable amount in subsequent years (for up to five years after the excess amount is generated).

Attentiveness Requirement. It is not enough for a Type III non-FISO to maintain a certain level of distributions to a supported organization. Those distributions must be sufficiently important to the supported organization to ensure that the supported organization has sufficient reason to pay attention to the supporting organization's role in its operations. Distributions to a particular supported organization are sufficient to ensure such attentiveness if the amount of support:

- Equaled at least 10 percent of the supported organization's total support for the supported organization's prior year;
- Was necessary to avoid interruption of the carrying on of a particular substantial function or activity of the supported organization; or
- Based on all facts and circumstances (including actual evidence of attentiveness) was sufficient to ensure attentiveness.

At least one-third of the supporting organization's distributable amount must be distributed to supported organizations (1) that meet this attentiveness requirement and (2) to which the supporting organization is responsive.

Additional requirements

- Type I and Type III supporting organizations may not receive gifts from persons who control the governing body of a supported organization, or from certain related individuals or entities.
- Supporting organizations remain subject to [general requirements](#) applicable to all public charities.

Additional information

- [Section 509\(a\)\(3\) Supporting Organizations](#)

Page Last Reviewed or Updated: 09-Jan-2023