

Governor Signs Amendment to Non-Profit Revitalization Act

July 1 Effective Date is Not Changed

On May 30th, 2014, Governor Cuomo signed an amendment to the 2013 Non-Profit Revitalization Act (the "Act"), the first substantial change to New York's non-profit law in 40 years.

The amendment is most notable for what it does not do: It does not postpone the July 1 effective date of the Act or alter the Act's strict new compliance requirements.

A bill has been introduced that would extend the effective date of certain sections of the Act, but no legislative action has been taken. We will continue to monitor the progress of this bill.

The amendment makes important changes affecting the formation of non-profit organizations. The requirement that non-profits explain their purposes in their formation documents is abolished, and the state is required to accept a prescribed form of a new organization's statement that its formation does not require regulatory consent (unless it is a kind of organization, e.g., a health provider, that requires pre-formation approval under the non-profit law or related statutes). Notwithstanding this simplification, organizations may still need to add some specificity to their purposes to obtain tax-exempt, i.e., 501(c)(3), status under the Internal Revenue Code. Overall, these amendments will prove beneficial both for new entities and for existing organizations that wish to form affiliates for related functions.

In addition, the amendment makes technical updates, and helps clarify the application of the non-profit law to special types of entities, such as education organizations.

Concepts for other changes to the Act are being discussed in the legal and non-profit communities. We will monitor the continuing developments.

If you have any questions regarding this LEGALcurrents®, please do not hesitate to contact any member of our firm's Not-for-Profit Organizations Practice Area at (585) 232-6500. ■

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