

# When Things Don't Work Out: Combining, Winding Down and Dissolution Issues

University of Texas Law  
2024 Nonprofit Organizations Fundamentals Institute

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## Dissolution

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## All good things must come to an end...

- BUT WHY!?
- *Charitable Mission* - Resolved and/or changed.
- *Change in Economy/Lack of Resources*
- *Other Organizations*
- *Involuntary Termination* – Compliance/legal issues.



## Dissolution

- **State Law Requirements**
  - Chapters 22 and 11 of TX Business Organizations Code
  - “Fundamental Action” – Voting and Notice Requirements
  - Plan of Distribution/Dissolution
  - State Filings – TX Form 652, *Certificate of Termination of a Domestic Nonprofit Corporation or Cooperative Association*

## Dissolution

- **Other State Law Considerations**

- Additional Considerations (e.g., *Employees, etc.*)
- Attorney General Reqs (e.g., *Notice and/or Approval of Transaction*)
- Uniform Prudent Management of Institutional Funds Act (“UPMIFA”)
- Miscellaneous (e.g., *Charitable Registration, Permits, Licensing, etc.*)



## Dissolution

- **Federal Tax Requirements**

- **Public Charities**

- Final annual information return (Form 990 Series - Final)
- Form 990, Schedule N

- **Private Foundations**

- Final annual information returns (Form 990-PF - Final)
- Termination vs. Dissolution
- Termination Tax - *Section 507 of Internal Revenue Code*
  - Voluntary Termination
  - Involuntary Termination
  - Transfer of assets to Public Charity
  - Conversion to Public Charity



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