# **PUBLIC BENEFIT STATUS**

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WHAT IS PUBLIC BENEFIT? • A special <u>status</u> given to a segment of the nonprofit organizations that allows them to use special benefits

- Who can be a PBO:
  - Types of entities and pre-conditions?
  - Who gives the status?
  - For how long?
- Goal of the status:
  - To differentiate who gets benefits
  - To encourage PB activities
  - To encourage flow of private resources to public benefit



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# REGULATION

- In the CSO laws (Bulgaria, Moldova)
- Separate laws (Poland, Lithuania)
- In several laws (Croatia, Slovakia)
- In tax laws (Estonia)



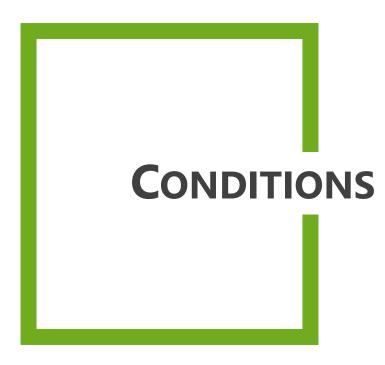


# PB AREAS

- List of areas
- Serving public duties (Hungary)
- Benefiting society at large "a significant benefit to society or a part thereof" (Latvia)
- Benefiting a specific vulnerable group (Estonia)
- Excluded activities/organizations:
  - Political activities (Hungary);
  - Benefitting just the founders (Latvia);
  - Professional sports (Bulgaria);
  - Religious activities;
  - Trade unions, parties, professional associations.







- Effect services should be provided free of charge or at less than fair market value to disadvantaged individuals or groups (Kosovo) or offering goods or services primarily free of charge or in another non-income seeking manner or generally available manner (Estonia)
- Sufficient resources (Hungary)
- Social support 1/3 of income should be from public sources (USA) or special conditions (Hungary)
- Predominantly PB activities (principally, primarily, certain percentage)





### Supervisory body • Audit (by an auditor and/or b\ responsible state body) • Reporting (financial and programmatic) REQUIREMENTS and transparency (publication reports) Distribution of assets, prevention of conflict of interest

Two-tiered structure







- Tax benefits for donors
- Tax benefits for the NGO
- Tax designations (Poland)
- Use of state property
- Grants
- Prestige...





## THE EXAMPLE OF ESTONIA

### Substantive requirements:

- Public interest the public at large or a group
- Prohibition to support founders, members, managers, donors
- Assets after dissolution to another organization
- Not excessive remuneration (compared to business)
- Charitable offering goods or services primarily free of charge or in generally available manner
- Economic activity results for charitable purpose

### • Formal requirements:

- Active for at least 6 months and submitted annual report
- Prohibition to advertise goods/services of a donor
- Reporting grants to natural persons





# THE EXAMPLE OF BULGARIA

- Voluntary decision by the organization;
- No requirement for prior activities;
- To work in one of several public benefit areas;
- Two-tiered structure with collective supreme body;
- Property after liquidation to another PBO;
- Limitations on transfer of property to related entities;
- Public information on funds used, received donations, etc.
- Public annual report.





# **THANK YOU!**

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