



Bulk Or First-Class Mail – Which Is Best?

How reliable is nonprofit bulk postage compared to first-class?

Q: I'm looking for guidelines on the reliability of a nonprofit organization using a bulk rate (vs. paying for first-class postage). Which rate of postage is most worthwhile for a nonprofit's mailings? Thanks!

*Anita Caufield
Forecast Technology Group, Inc.*

A: There are two aspects to this very good question.

First, "reliability." This is generally taken to mean the rate of "deliverability" — that is, the proportion of bulk-rate mail that's actually delivered to the individual addressee. The Direct Marketing Association (www.the-dma.org) conducts periodic studies on this question and may have data available to the public.

Second, there's the question of whether it's "worthwhile" for a nonprofit to use first-class postage instead

Response may be greater, but the increase will probably fall short of covering the added expense.

of bulk. In prospect mailings — mailings inviting nondonors to give — it's rarely advisable to use first-class postage. Response may be greater, but the increase will probably fall short of covering the added expense. There are exceptions to this rule, but they're rare.

However, with in-house mailings — those sent to people who have already joined or donated — it can be very worthwhile indeed to use first-class

postage. As a rule, I opt for first class when mailing to donors whose highest previous gift was at least \$50. For some clients, I recommend \$25 or even \$20 as a lower limit. ■

*Mal Warwick, Chairman
Mal Warwick & Associates
2550 Ninth Street, Suite 103
Berkeley, California 94710-2516
www.malwarwick.com*

Closing Down a Charity

If you have to shut down your operations for awhile, will you lose your exempt status?

Q: I am the treasurer of a 501(c)(3) community center. We're thinking of closing the center. What happens to the exempt status? Does it also cease? Can it be held in the hope of reopening the center, or can it be transferred to another entity?

A: It's not unusual for a small nonprofit to shut down operations for a period of time to reorganize and gain enough funding to reopen. The exempt status will not be lost immediately. Although the IRS could revoke your exemption for failure to conduct a charitable program, it almost never happens. You could lose your public charity status if you don't meet the public support test because

You can lose your public charity status if you don't meet the public support test.

you have had no income for five years. (See "Ready Reference Page: Calculating Public Support Percentage" at www.nonprofitissues.com.)

The one thing you can't do is transfer the exempt status to another entity. Even if you were to legally merge with another entity, you would have to submit a new application for exemption. ■

*Don Kramer
Nonprofit Issues
P.O. Box 482
Dresher, Pennsylvania 19025
www.nonprofitissues.com*