



Do You Qualify for Postal Discounts?

Here are guidelines for nonprofit mailers.



I am helping to start a nonprofit organization. One of the first things we want to do is mail out information about our new organization. Are there special postage discounts for nonprofits? If so, how do we apply for these discounts? Are there certain rules we must follow when mailing at reduced rates?

We are also thinking of producing a catalog of items for sale. Can we mail such a catalog at nonprofit postal rates? Also, how can we keep abreast of changes in postal rates?

A: Yes, there are reduced postal rates for nonprofits. They are known as *standard-class rates* or *preferred rates*. If your organization qualifies, you will pay anywhere from 20% to 50% less than rates charged to commercial mailers.

HOW DO YOU APPLY FOR REDUCED POSTAL RATES?

To apply for reduced rates, you must submit a Form 3624 (available at your local post office) and give postal authorities proof of your organization's qualifications. To qualify, your organization must be a nonprofit serving one of the following missions:

- | | |
|--------------|---------------|
| religious | educational |
| scientific | philanthropic |
| agricultural | labor |
| veterans | fraternal |

If you plan to mail a publication, you must first qualify at the periodicals rate, then submit additional information to qualify as a nonprofit periodical. You can pick up the required forms at your local post office, or contact USPS headquarters at 800-THE-USPS.

WHAT RULES MUST YOU FOLLOW?

The rules nonprofits must follow are detailed in the USPS *Domestic Mail Manual*. The best way to understand the rules is to pick up a copy of the USPS Publication *Nonprofit Standard Mail Eligibility* (USPS Publication #417). It is free and should be available at your local post office. As these publications explain, there are three main restrictions on nonprofit mail:

1 Cooperative Mailings

The cooperative-mailing rule applies whenever you share the cost, risk, or benefit of a mailing with some-

one else. You may not do such a joint mailing with any non-eligible party. You can't let anyone else "ride" in the standard-class envelope unless the other party is another qualified nonprofit mailer with authorization to mail at the same postal facility. Nor can you "rent," delegate, or lend your authorization to any other person or organization.

2 Announcements for Travel, Insurance, or Financial Arrangements (TIF)

The TIF rules were created in 1991 to reduce the "commercial" use of the preferred postal rate. While the rules went into effect in 1992, they continue to cause confusion even today. Here's a brief overview of the TIF rules:

Travel. You may not mail advertising or promotional material for travel programs unless you meet the following three conditions:

- Your organization must be authorized to mail at preferred rates.
- The travel program must be designed for and primarily promoted to members, donors, supporters, or beneficiaries of your organization.
- The travel must be substantially related to one or more of your organization's primary purposes.

Insurance. You may not mail advertising or promotional material for insurance policies unless you meet three conditions:



- Your organization must be authorized to mail at preferred rates.
- The insurance policy must be designed for and primarily promoted to your organization’s members, donors, supporters, or beneficiaries.
- The insurance policy must not be “generally otherwise commercially available.”

Financial Arrangements. You may not mail advertising or promotional material for credit cards, charge cards, debit cards, affinity cards, or similar financial instruments.

Exception to the TIF Rules: An exception to the TIF rules allows you to *announce* the availability of travel, insurance, or financial benefits. You may provide a phone number or response card for people to contact you for more information, as long as you don’t include advertising, promotional, or application material for the product or service. (For example, you would be allowed to say, “Members of XYZ Association are eligible for life, health, and auto insurance; call for more information.”)

3 Substantially-Related Ads for Products & Services

Your mailing is ineligible for nonprofit rates if it advertises any item that isn’t substantially related to your organization’s exempt purpose. Your exempt purpose is the purpose for which the IRS granted tax exemption to your organization.

Consider a museum mailing, for example. Can the museum use the nonprofit rate to mail brochures advertis-

ing objects for sale? Yes, *if* the object’s historical or cultural significance is substantially greater than its utilitarian purpose. Likewise, books, posters, and postcards of items in a museum’s collection are considered substantially related. On the other hand, general merchandise and souvenirs (even if they feature the museum’s logo) are not substantially related and would not be eligible for reduced postal rates.

An item’s relatedness is based on IRS precedent. If the IRS has ruled on an item, the USPS must accept that ruling. If the IRS hasn’t made a ruling, the USPS will make its own determination of the item’s relatedness.

Two Exceptions to the Substantially-Related Rule. The first exception to the substantially-related test concerns publications. You may mail a publication at reduced rates without meeting the substantially-related rule—*if* the publication meets the following qualifications:

- It must have a title on the front cover.
- It must consist of printed pages.
- It must have a statement giving the publication’s frequency, issue number, issue date, ISSN number, price, and address.
- It must have at least 25% *non*-advertising content.

A second exception to the substantially-related test concerns donations. You may advertise items that were donated to your organization, regardless of their relatedness to your organization’s purpose.

How Does the Substantially-Related Rule Affect Nonprofit

Catalogs? If you mail catalogs, you must comply with the substantially-related test. Advertising just one item that is not substantially related (or that has not been donated to your organization) makes the entire mailing ineligible. This leaves you with several options:

- Send the catalog at the regular bulk rates.
- Produce a catalog advertising only items that are substantially related to your organization’s purpose. Don’t include items such as coffee mugs or tote bags. Even if they’re imprinted with your organization’s name and logo, their utilitarian purpose is greater than their relation to your organization’s exempt purpose. Including them, therefore, will make your catalog ineligible for nonprofit postal rates.
- Offer your products to readers in a “publication” rather than a “catalog.” Don’t even use the word “catalog.” See the requirements for publications listed earlier.

Other Tips for Substantially-Related Mailings:

- Secure an IRS ruling on any products advertised in your mailings. If the IRS certifies that the items are related to the primary mission of your organization, then the USPS will accept that determination.
- If the piece causes you to raise questions about its eligibility, be assured it will eventually bring questions from the USPS. Run the mailing by an attorney with tax experience. Or show it to a USPS classification specialist at your post office.
- If advertising a product with “educational” value, be sure to emphasize why the product is linked to your organization’s primary purpose. An ad that describes a T-shirt’s workmanship rather than the educational message printed on the shirt is bound to be rejected.

Nonprofit mailers can’t allow non-eligible mailers to “ride” in their envelope.



If a mailpiece causes you to question its eligibility, it will eventually bring questions from the USPS.

- Premiums offered to contributors must also qualify as substantially related—or be articles donated to your organization. Otherwise, the USPS will consider the charitable solicitation to be an advertisement for the premium. (Although it seems silly that anyone would consider a solicitation for \$100 with a baseball cap as a premium to be an advertisement for baseball caps, that's the law.)

HOW CAN YOU KEEP UP?

There are a couple of ways to keep abreast of eligibility changes:

- Join the Alliance of Nonprofit Mailers (see address below). The Alliance sends a weekly newsletter to its members. Alliance staff members work with the USPS, giving the nonprofit perspective on rule interpretations.
- Become a postal expert. Read the *Domestic Mail Manual*. Subscribe to the USPS publications *Mailroom Companion* and *Postal Bulletin*. Join your local Postal Customer Council. Establish a good working relationship with your postal facility and with USPS headquarters.

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Editor's Note: Also see Nonprofit World articles "New Postal Rules Cause Upheaval" (January-February 1996) and "How Does Your Post Office Define Insurance?" (January-February 1997).

As a member of the Society for Nonprofit Organizations, you are invited to send in, every month, one question which you or your organization would like answered. You will receive a written response from one of our panel of experts—professionals located throughout the country. Selected questions and answers will be published in each issue of *Nonprofit World*. If you prefer that your question appear anonymously, please let us know. Send questions to: Ask the Experts, *Nonprofit World*, 6314 Odana Rd., Suite 1, Madison, WI 53719. Include your name, address, phone number, and Society membership number.

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- Rent or buy? How to choose a place of your own
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- Web site do's and don'ts
- Starting a business—too risky for your organization?
- How we don't communicate
- Is yours an organization of the past or future?
- Four steps to major gifts
- Board assessment: How does your board rate?
- And much, much more!