

How to Dissolve a Nonprofit Corporation in Illinois

Find out how to go about dissolving a nonprofit corporation in your state.

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Need to dissolve your Illinois [501\(c\)\(3\) nonprofit corporation](#)? Here is a quick overview of the main steps to dissolve and wind up your nonprofit corporation under Illinois law.

Authorizing Dissolution

Closing starts with dissolution, and to dissolve your nonprofit, you will need a resolution to dissolve. With the resolution in hand, Illinois law provides for voluntary dissolution as follows:

- by unanimous written consent of the members entitled to vote on dissolution
- by action of the directors followed by a vote or other consent of the members; or
- if your nonprofit doesn't have members entitled to vote on dissolution—and has no unpaid debts—by a vote or other consent of the directors.

Under the first method, the members alone are able to approve the dissolution if they all provide their written consent. In this case, no action by the board is necessary.

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First Name

Under the second method, the board must first adopt the resolution and then submit it to the members. The members then generally meet and vote to approve the dissolution. Alternatively, after the board's submission, members can provide written consent for the dissolution. (Unlike the first listed method, here members' written consent might not need to be unanimous).

Under the third method, which covers cases where there are no members entitled to vote on dissolution, it is up to the board alone to authorize the dissolution. However, to use this method, your nonprofit cannot have any unpaid debts. The default rule is that approval is by a majority vote of the directors. Alternatively, the board can approve dissolution if all directors give their written consent.

Make sure to properly record the resolution to dissolve, directors' votes or written consents, and members' votes or written consents. You'll need this information for filings with the state and the IRS.

Plan of Distribution

Apart from the resolution to dissolve, you'll also need to adopt a plan of distribution. The plan will indicate how the nonprofit's remaining assets will be distributed after all creditors have been paid. You can adopt the plan of distribution in one of the following ways:

- by action of the directors followed by a vote or other consent of the members; or
- if there are no members with voting rights, by a vote or other consent of the directors.

You should properly record your plan of distribution, including the votes or consents regarding its adoption, and have the plan available for filing with the state and the IRS.

Articles of Dissolution

After your board and, where applicable, voting members, have approved the dissolution, you'll need to submit articles of dissolution to the Secretary of State (SOS). The articles of dissolution must contain:

- the name of your nonprofit
- the date dissolution was authorized
- a post office address to which a copy of any process (legal notice) against your nonprofit that may be served on the Secretary of State may be mailed
- if dissolution was approved by the directors alone, either (a) a statement that the dissolution received the affirmative vote of a majority of the directors in office, at a meeting of the board of directors, and the date of the meeting, or (b) a statement that the dissolution was adopted by written consent, signed by all the directors in office, in compliance with Section 108.45 of Illinois's nonprofit statute; and
- if dissolution was based on member approval, either (a) a statement that the dissolution was adopted at a meeting of members by the affirmative vote of the members having not less than the minimum number of votes necessary to adopt the dissolution as provided by Illinois's nonprofit statute, your articles of incorporation, or your bylaws, and the date of the meeting, or (b) a statement that the dissolution was adopted by written consent, signed by members having not less than the minimum number of votes necessary to adopt the dissolution, as provided by Illinois nonprofit law, your articles of incorporation, or your bylaws, in compliance with Section 107.10 of Illinois's nonprofit statute.

A blank form for the articles of dissolution (Form NFP 112.20) is available for download from the SOS website. There is a minimum \$5 filing fee.

Winding Up

After your nonprofit has formally authorized dissolution, it continues to exist only for the purpose of taking care of certain final matters that, collectively, are known as “winding up” the company. Winding up is largely about paying off any debts and then distributing any remaining assets, but there may also be other tasks involved.

Generally speaking, you can only distribute money and property after you have paid off all of your nonprofit’s debts. Then, for asset distributions, there are specific rules you need to follow. For example, your nonprofit must return any items that were loaned to it on the condition that they would be returned upon dissolution. In addition, after paying off debts and returning loaned assets, a dissolving 501(c)(3) organization must distribute its remaining assets for tax-exempt purposes. In practice, this usually means distributing assets to one or more other 501(c)(3) organizations. Other requirements for distributions, including items in your articles of incorporation, bylaws, or plan of distribution, may also apply. If you have any questions, you should consult with a lawyer.

Notice to Creditors and Other Claimants

One other part of winding up your dissolved nonprofit involves giving notice to creditors and other claimants. Giving notice is optional. However, doing so will help limit your liability and also allow you to more safely make final distributions of remaining assets. You can mail notice directly to known claimants after dissolution.

Federal Tax Note

For federal tax purposes, you’ll need to file IRS Form 990 or IRS Form 990-EZ. You must include a completed Schedule N (*Liquidation, Termination, Dissolution, or Significant Disposition of Assets*), as well as copies of your articles of dissolution, resolution to dissolve, and plan of distribution. When completing Form 990 or Form 990-EZ, you’ll need to check the “Terminated” box in the header area on Page 1 of the return. For additional guidance, check out [Every Nonprofit’s Tax Guide](#), by Stephen Fishman (Nolo), go to the [IRS website](#), or consult with a tax professional.

Additional Information

You can find additional information, such as forms, mailing addresses, phone numbers, and filing fees, on the [SOS website](#).

Be aware that dissolution will not stop lawsuits started by or against your nonprofit before dissolution. Moreover, for claims or liability incurred prior to dissolution, it may be possible to start new legal actions up to two years after dissolution.

This article covers only the most basic steps of voluntary dissolution after your nonprofit has started doing business. There are many additional, more specific rules, covering things like:

- involuntary dissolution
- dissolution of non-typical nonprofits
- what specific items should be contained in a plan of distribution
- giving proper advance notice of member or director meetings
- the required number of director or member votes to approve the dissolution
- how specifically to approve dissolution in writing without a meeting
- what needs to be included in notices to creditors; and
- how to respond to legal claims after dissolution.

In addition, your articles of incorporation or bylaws may contain rules that apply instead of, or along with, state law (for example, as regards the number of member votes needed to approve dissolution). You are strongly encouraged to consult with a lawyer to obtain additional information on these and other points.

Dissolving and winding up your nonprofit corporation is only one piece of the process of closing your organization. For further, general guidance on many of the other steps involved, check Nolo's [20-point checklist](#) for closing a business and the Nolo article on [what you need to know](#) about closing a business.