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Professional Fundraising Consultants and Grantwriters

Some nonprofits hire outside consultants to lead or support fundraising activities, while other nonprofits hire staff members for this role, or use a combination of employees plus consultants. There is no right or wrong approach, but how your nonprofit elects to handle staffing for its fundraising activities can have important ramifications.

Classify Workers Correctly

First, determine whether workers with responsibility for fundraising are independent contractors or employees. Just because your fundraising consultant wants to be an independent contractor doesn't mean they meet the legal definition of a consultant/independent contractor. The IRS and state or federal Departments of Labor might classify the worker as an employee instead. Do you know the difference? A good place to start is guidance provided by the IRS:

- [Independent contractor defined](#) (IRS)
- [Independent contractor or employee](#) (IRS)

Should your fundraising professional be registered?

Nonprofits hiring outside consultants to provide assistance with fundraising should be familiar with state laws that may require the nonprofit and/or the fundraising consultant to register with the state prior to any solicitation activity. State laws vary. Even the names used for fundraising consultants vary from state to state (i.e., some state laws use the language, “professional fundraiser”; others use “fundraising counsel”). Registration requirements only apply to consultants/independent contractors, not employees, so if the worker who handles fundraising for your nonprofit is an *employee of the nonprofit*, that worker may not have a requirement to register with the state, *but the nonprofit may still be required to do so*.

- Read about [charitable solicitation registration requirements](#).

Did you know?

It is not considered ethical to compensate fundraising professionals with a commission, or a percentage of contributions or funds raised.

- See Standard #24 of the Association of Fundraising Professionals’ [Code of Ethical Standards](#)
- [Statement on compensation for fundraising performance](#) (CASE)

Practice Pointers

- If your nonprofit operates in a state with a registration requirement and has hired or intends to hire a consultant who has NOT registered, you should insist that s/he register in accordance with state law requirements, because in some states, the charity can still be subject to fines/penalties if the consultant fails to register.
- We recommend that your nonprofit use a written letter agreement when hiring any independent contractors or consultant that outlines the scope of work as well as clearly identifies the worker as a consultant/independent contractor.

Related Insights & Analysis

- Read more about [classifying employees correctly](#)

Additional Resources

- [Exempt organizations: Who is an independent contractor?](#) (IRS)
- [Raising funds? What you should know about hiring a professional](#) (Federal Trade Commission)
- [Reporting payments](#) to grantwriters and consultants that are independent contractors (IRS)
- Sample [job descriptions](#), including some for fundraising positions (Bridgespan)

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