

# Form 1023 Workshop



**2017 NONPROFIT ORGANIZATIONS  
COMPLIANCE AND INTERNAL REVIEW  
WORKSHOP**

**JANUARY 11, 2017 | AUSTIN, TEXAS**

**PRESENTED BY: MEGAN C. SANDERS |  
BOURLAND, WALL & WENZEL, P.C. | FORT  
WORTH, TEXAS**

## Basic Requirements – Eligibility of Exemption



- **Must be organized and operated exclusively for...**
  - religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals
- **Not necessary for churches, integrated auxiliaries of churches, and conventions or associations of churches, or an organization with gross receipts in each taxable year of no more than \$5,000**

<p><b>Tools for Vigilant Service to Nonprofit Organizations</b></p> <p style="text-align: center;"><b>Blazek &amp; Vetterling</b>          Certified Public accountants          2900 Wesleyan, Suite 200          Houston, TX 77027-5132          (713) 439-5739 tax (713) 439-5757 audit</p> <p style="text-align: center;"><b>SUITABILITY FOR TAX-EXEMPT STATUS</b></p> <p><i>A predominance of "yes" answers to the following questions indicate the proposed organization is NOT a suitable candidate for tax-exempt status or that special rules may apply. Proposed transactions with creators and board members will be thoroughly scrutinized by IRS and for private foundations may be prohibited. Chapter sections cited below from Tax Planning &amp; Compliance for Tax-Exempt Organizations can be studied for more discussion of each issue.</i></p> <p><b>1 Is a new organization necessary, or could the project be carried out as a branch of an existing organization?</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="width: 10%; text-align: center;"><u>Yes</u></td> <td style="width: 10%; text-align: center;"><u>No</u></td> </tr> <tr> <td>• Life of the project is short.</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>• It is a one-time project with no prospect for ongoing funding.</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>• Project could operate under auspices of another EO.</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>• Duplication of administrative effort is too costly.</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>• Cost of obtaining and maintaining independent exemption is excessive in relation to total budget. 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## Basic Requirements – Application for Recognition of Exemption

- Proper Notice is provided on Form 1023
- Must be filed with the Ohio District Office (Covington, Kentucky)
  - Within 27 months from the end of the month of its organization for retroactive application of exemption
- A substantially completed filing begins the running of the 270-day period in which the key District Director must rule on the application
  - Can seek declaratory judgment
- Must be timely in furnishing additional information requested by the IRS

## Form 1023 Packet



- User fee, enclosed but *not* attached;
- Form 1023 checklist;
- Form 2848, Power of Attorney and Declaration of Representative (if applicable, which usually it is);
- Application, including the Form 1023 and Schedules A through H as required;
- Organizing document;
- Amendments to organizing document, in chronological order;
- Bylaws (or other rules of operation) and any amendments;
- All other attachments, including explanations, financial data, etc. (“Exhibit C”)

## Basic Requirements – Local Application



- After receiving the federal exemption determination letter, application should be made to state and local taxing authorities for exemption from franchise taxes, real and personal property taxes, rent taxes, and sales taxes
- Confirm any out-of-state registration requirements, if applicable
- See The National Association of State Charity Officials for links to various states for state registration requirements ([www.nasconet.org](http://www.nasconet.org))

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Title search: Form 1023 Workshop

Also available as part of the eCourse

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First appeared as part of the conference materials for the  
2017 Nonprofit Organizations Compliance and Internal Review Workshop session  
"Form 1023 Workshop"