Applying for and Maintaining Tax-Exempt Status

Michaela J. Cromer

CliftonLarsonAllen LLP (retired)
Fort Worth, Texas
michaela_cromar@sbcglobal.net
817.874.5617

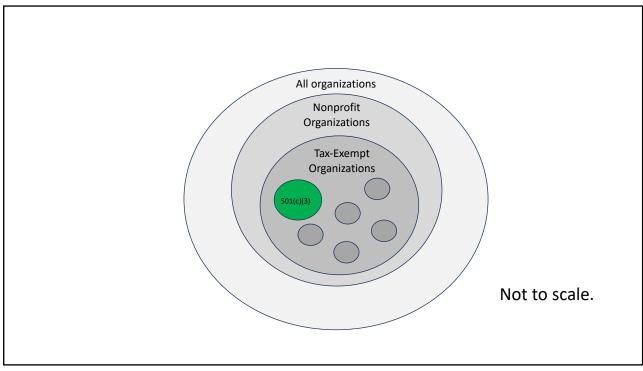
Katy David

Steptoe & Johnson PLLC
San Antonio, Texas
katy.david@steptoe-johnson.com
210.254.6885

1

Common Tax-Exempt Classifications

- I.R.C. §501(c)(3). Religious, charitable, scientific, literary, educational
- I.R.C. §501(c)(4). Civic leagues; social welfare organizations
- I.R.C. §501(c)(6). Business leagues; chambers of commerce
- I.R.C. §501(c)(7). Social or recreational clubs



3

Assumptions:

- Eligible state-law entity
- Purposes limited to those permitted for type of exemption sought
- Appropriate dissolution provision
- No anticipated private benefit or private inurement

4

Methods of Obtaining Recognition of Exempt Status

- Self-Declare (use is limited)
- Form 1023-EZ (use is limited)
- Form 1023

5

Pros and Cons of Self-Declaring

Considerations	PRO	CON
No Filing Fee	/	
Immediate	/	
"Non-intrusive"	/	
Potential Donors/Stakeholders Cannot Confirm Organization's Status		X
Organization Might be Uncertain about its Exempt Status		X
Missed Opportunity to Disclose Facts/Identify Barriers to Exemption		X
I.R.S. Use of Compliance Checks		X
No I.R.S. Determination Letter for State Tax Exemption		X

6





Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the <u>UT Law CLE eLibrary (utcle.org/elibrary)</u>

Title search: Applying for and Maintaining Tax-Exempt Status

Also available as part of the eCourse

Applying for and Maintaining Tax-Exempt Status

First appeared as part of the conference materials for the 2024 Nonprofit Organizations Fundamentals session "Applying for and Maintaining Tax-Exempt Status"