

# Applying for tax exemption

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2021 nonprofit organizations fundamentals

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## Presenters

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## Today's agenda

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- Who has to apply for tax-exempt status and who does not?
- Why would an organization want to apply?
- What is the application process?
- When and where does an organization apply?
- How do “group rulings” fit into this?

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## Applying for federal tax exemption

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- Organizations organized and operated exclusively for:
  - Religious;
  - Charitable;
  - Scientific;
  - Testing for public safety;
  - Literary or educational purposes;
  - To foster national or international amateur sports competition; and
  - For the prevention of cruelty to children or animals.
- Must file Form 1023 or Form 1023-EZ (if eligible) to obtain IRS recognition of exemption from federal income tax under section 501(c)(3).
- There are limited exceptions to this requirement

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## Applying for federal tax exemption

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- The following types of organizations are not required to file Form 1023 for recognition of exemption under section 501(c)(3):
  - Churches, including synagogues, temples, and mosques;
  - Integrated auxiliaries of churches and conventions or associations of churches; and
  - Any organization (other than a private foundation) that has gross receipts in each taxable year of normally \$5,000 or less.
- Donors may generally claim a charitable contribution deduction for donations made to one of the above organizations that meets the section 501(c)(3) requirements, even though the organization has neither sought nor received IRS recognition that it is tax exempt.

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