

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

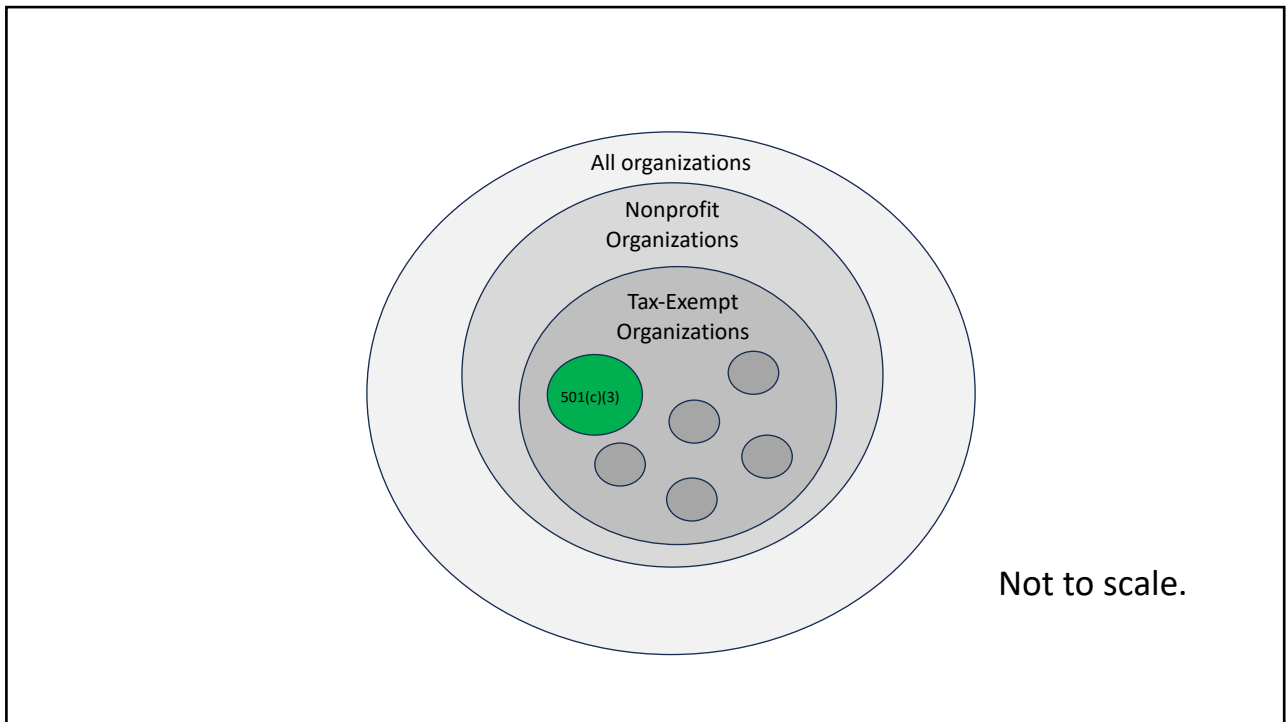
Step toe & Johnson PLLC
San Antonio, Texas
katy.david@step toe-johnson.com
210.254.6885

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

2



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 [UT Law CLE eLibrary \(utcle.org/elibrary\)](https://utcle.org/elibrary)

Title search: 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"