

PUBLICATION

Spotlight on Non-Profits: IRS Lowers Tax-Exemption Application User Fees for Certain 501(c)(3) Organizations

Authors: Allen Brooks Blow

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In the recently issued Revenue Procedure 2016-22, the IRS announced that it is lowering the user fee associated with the submission of Form 1023-EZ for organizations seeking recognition of their tax-exempt status under Section 501(c)(3) of the Code. The current user fee for Form 1023-EZ is \$400. The Revenue Procedure lowers the user fee to \$275. The new lower user fee is effective for any Form 1023-EZ filed on or after July 1, 2016.

Form 1023-EZ is a "streamlined" tax-exemption application which the IRS introduced in 2014. Generally, non-profit organizations seeking recognition of their 501(c)(3) status that in good faith, reasonably estimate that they will not have gross receipts exceeding \$50,000 in their first three years of operations (the "Gross Receipts Test"), are eligible to file Form 1023-EZ in lieu of the longer and more complex Form 1023. However, there are a number of restrictions on which organizations are eligible to Form 1023-EZ, so not all organizations which satisfy the Gross Receipts Test will be eligible to file Form 1023-EZ.

Many non-profit organizations that are eligible for 501(c)(3) status have historically been hesitant to file for recognition of their tax-exempt status due to the costs associated with the application. However, in light of the new lower user fee provided for in the Revenue Procedure, organizations should consider whether it is now appropriate to file Form 1023-EZ and have their tax-exempt status recognized by the IRS.

Please remember that advice and counsel regarding your particular tax-related issues, including the potential impact of the developments referenced above on you or your organization, are dependent upon your specific facts and circumstances. For more information about how these developments may affect your organization and related matters, contact the author of this alert, Allen Blow, or any members of the Firm's Tax Group.