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Important updates from the IRS for exempt organizations

March 16, 2018

A recent Internal Revenue Service (IRS) Exempt Organizations Update included important reminders concerning updated exemption application forms and the IRS' new user fee schedule. Using the new exemption forms is especially important for tax professionals, as the IRS indicated it will reject any new applications submitted on the unrevised forms.

The revisions impact Form 1024, Form 1023 and Form 1023-EZ. In fact, as a result of the revisions, the Form 1024 application was split into two separate versions. Taxpayers should use the newly created Form 1024-A when seeking exemption under Section 501(c)(4) of the Internal Revenue Code (Code). All other exemption applicants, other than those seeking classification under Section 501(c)(3) of the Code, should use a slightly updated Form 1024.

Taxpayers seeking exempt status under Section 501(c)(3) should use updated versions of Form 1023-EZ or Form 1023. Form 1023-EZ changes include the addition of a text box used to describe the applicant organization's activities. Revisions to Form 1023 include the following:

- Removal of the question related to advance rulings (since the advance ruling process no longer exists).

- Elimination of a question related to organizations filing exemption applications 27 months after formation.
- Increased financial data for organizations to determine the proper classification as a public charity or private foundation (especially for organizations that have already completed five tax years prior to submission of the application).

In addition to revising the exemption application forms, the IRS also modified its exemption application fee schedule. The new fees, established in Rev. Proc. 2018-5, are set forth below:

| Application Type | User Fee |
|------------------------|----------|
| Form 1023 | \$600 |
| Form 1024 | \$600 |
| Form 1024-A | \$600 |
| Form 1023-EZ | \$275 |
| Group Exemption Letter | \$2,000 |

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