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IRS Debuts Streamlined Form 1023-EZ Application for Recognition of Exemption Under Section 501(c)(3)

In hopes of reducing the long backlog of exemption applications and ostensibly freeing up resources for more robust enforcement, the Internal Revenue Service released on Tuesday a new [short-form tax exemption application](#), Form 1023-EZ, for certain small charities. The release also includes instructions for completing the form.

To be eligible to use the new form, an applicant must not have had annual gross receipts exceeding \$50,000 in any of the past 3 years; must project that its annual gross receipts will not exceed \$50,000 in any of the next 3 years; and must not have total assets in excess of \$250,000. Other restrictions apply: churches, schools, hospitals and medical research organizations, foreign entities, supporting organizations, and a host of other specialized entities are ineligible to use the abbreviated application. The instructions include a 7-page “Eligibility Worksheet” with 26 questions; if the answer to any is “Yes,” then the organization is **not eligible** to use Form 1023-EZ.

An applicant must submit Form 1023-EZ electronically. Submission requires payment of a user fee of \$400, reduced from \$850 for many applicants using the full Form 1023.

Unlike its much more detailed sibling, the Form 1023-EZ asks the applicant to attest to a series of conclusory statements about its governing documents, purposes, and activities, but does not require elaboration or attachments. Applicants using the new form do not have to provide any details about, for example, their relationships with insiders or their finances.

Certain organizations whose exempt status is automatically revoked for failure to file annual returns for three consecutive years can use the new form to apply for reinstatement. This option is available only for organizations that otherwise meet the Form 1023-EZ eligibility requirements and that seek either retroactive reinstatement within 15 months of revocation or reinstatement only from the postmark date of the reinstatement application. (These eligibility requirements correspond to the reinstatement procedures set forth in Sections 4 and 7, respectively, of [Rev. Proc. 2014-11](#).)

We may have more to say about the implications, for individual charities and for the nonprofit sector as a whole, of the approach the IRS has taken to “streamlining” the exemption application process. For now, though, small charities that are looking for a faster path to exemption, or that want to recover after automatic revocation, should be aware of this new option.

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