

How to Get Tax Exempt Status

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Frequently Asked Questions

- **What is the difference between non-profit and tax-exempt status?**

Non-profit status is a state law concept. Non-profit status may make an organization eligible for certain benefits, such as state sales, property, and income tax exemptions. Although most federal tax-exempt organizations are non-profit organizations, organizing as a non-profit organization at the state level does not automatically grant the organization exemption from federal income tax. To qualify as exempt from federal income taxes, an organization must meet requirements set forth in the Internal Revenue Code. See [Types of Tax-Exempt Organizations](#) or [Publication 557](#) for more information.

- this information is from <http://www.irs.gov/charities/article/0,,id=136195,00.html>

FAQs

- **How does an organization become tax-exempt?**

To be recognized as exempt from federal income taxation, most organizations are required to apply for recognition of exemption. For section 501(c)(3) organizations, the law provides only [limited exceptions](#) to this requirement. Applying for recognition of exemption results in formal IRS recognition of an organization's status, and may be preferable for that reason.

- The IRS will recognize an organization as tax-exempt if it meets the requirements of the Internal Revenue Code. See [Types of Tax-Exempt Organizations](#) and [Publication 557](#), *Tax-Exempt Status for Your Organization*, for more information.
- Organizations applying for tax-exempt status must submit two applications: First, if they have not previously received an Employer Identification Number, they must apply for one, and second, an application for recognition of exemption.
- The IRS sometimes recognizes a group of organizations as tax-exempt if they are affiliated with a central organization. This avoids the need for each of the organizations to apply individually. See [Publication 4573](#), *Group Exemptions*, for more information.

The Steps TADE Took

- 1. Secure an EIN which can be done on-line.
- 2. Print a copy of IRS form 1023 (application for exempt status) and the guidelines from the IRS website. This is a lengthy document, but not all parts have to be completed. (a copy of TADE's completed form can be shared)

Steps Taken

- 3. I completed some of the narrative sections and Gladys who is a CPA, completed other sections and the financial pieces. We paid Gladys a small fee for submitting the 1023, and handling any follow-up with the IRS.

Steps Taken

- 4. We completed a "Power of Attorney" form which authorized Gladys to act on TADE's behalf.
- 5. The IRS is interested in 3-5 years of financial data. We submitted data back to 2006. I pulled together this information from CASP financial reports and bank data which I was able to find on-line. From these sources I developed income statements and balance sheet reports for each year and sent to Gladys.

Steps Taken

- 6. In the interim Gladys filed Form 990.
- 7. We also had to amend our Constitution:
 - a. added a "conflict of interest" article,
 - b. added a "purpose" statement, and
 - c. changed the "dissolution" article.
- It seems the IRS is insistent on including these in the Constitution.

Resources

- There is an Online Mini Course you can view at the following website:
- http://www.stayexempt.irs.gov/Mini-Courses/Applying_for_Tax_Exempt-An_Overview/applying-for-tax-exempt-organizations.aspx
- Other sites with information include:
- <http://www.irs.gov/charities/article/0,,id=136195,00.html>
- <http://www.irs.gov/pub/irs-pdf/f1023.pdf>
- <http://www.irs.gov/pub/irs-pdf/i1023.pdf>