

How to Apply for Tax Exempt Status (Form 1023 vs. Form 1023-EZ)

When your organization is ready to apply for tax-exempt status, under Internal Revenue code section 501c3, there are two available applications for recognition of exemption: the Form 1023 or the Form 1023 EZ.

1. First, to determine if you are eligible, you must complete the Form 1023 EZ eligibility worksheet. The worksheet includes 30 "yes or no" questions and if your organization's answer is yes to any one of these questions, then your organization is required to file the standard Form 1023.
2. Your anticipated annual gross receipts will be less than \$50,000.
3. The fair market value of your total assets cannot exceed \$250,000.
4. Your organization must be registered as a corporation, be unincorporated, be an association, or a trust. Entities formed as limited liability companies are not eligible to file the Form 1023 EZ.
5. And finally, your organization cannot have donor-advised funds.

To avoid jeopardizing the status of the application, be sure that your organizing documents reflect the tax-exempt purpose of the organization. There are several organization types that are not eligible to use the Form 1023 EZ, including churches, schools, colleges, universities, hospitals, agricultural research organizations, health maintenance organizations, or accountable care organizations.

It is always best to work with an experienced adviser to complete either the Form 1023 or the Form 1023 EZ, as that individual can help you determine which form is best suited for your organization.

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