IRS

Frequently Asked Questions About Applying for Tax Exemption

Organizational leadership can learn more about these topics and the benefits, limitations and expectations of tax-exempt organizations by attending the 10 courses at the online Small to Mid-Size Tax Exempt Organization Workshop.

What is the difference between nonprofit and tax-exempt status?

Nonprofit status is a state law concept. Nonprofit 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 nonprofit organizations, organizing as a nonprofit organization at the state level does not automatically grant the organization exemption from federal income tax. To qualify as exempt from federal income tax, an organization must meet requirements set forth in the Internal Revenue Code. See Types of Tax-Exempt Organizations or Publication 557 [PDF] for more information.

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.

How do I obtain an application for tax-exempt status?

Most organizations applying for exemption must use specific application forms. Four forms currently used by the IRS are:

- Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code (see instructions [PDF] for eligibility criteria)
- Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code (for charitable organizations; see instructions [PDF])
- Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code (instructions [PDF])
- Form 1024, Application for Recognition of Exemption Under Section 501(a) or Section 521 of the Internal Revenue Code (instructions [PDF])

The application your organization is required to submit is specified in Publication 557. Note that for some types of organizations no application form is specified. You may also request these forms by calling 800-TAX-FORM (800-829-3676). You may preview a copy of Forms 1023 and 1023-EZ at www.pay.gov ⬀.

Is there a fee for applying for exemption?

Yes, user fees apply to all requests for determination letters, including exemption applications. See User Fees for complete information.

Where do I submit my exemption application?

You'll submit your completed Form 1023, 1023-EZ, 1024 or 1024-A exemption application electronically at www.pay.gov ⬀.

How long does it take to process an application for exemption?

Applications are processed as quickly as possible. The process can be delayed, however, for reasons ranging from simple errors on the application to issues concerning the qualification of the organization for exemption. See the Top Ten Reasons for Delay in Processing Applications. To find the status of a current application, see Where's My Application?

Is there anything I can do to help ensure that my application is processed as quickly as possible?

Answering all questions completely and submitting all required items will ensure agents reviewing your application are able to process it as quickly as possible. Also, review the Top Ten Tips to shorten the tax-exempt application process.

Can my application for tax-exempt status be expedited?

In general, applications are processed in the order received by the IRS. Sometimes, however, the IRS will work an application outside the regular order. For expedited processing to be granted, however, there must be a **compelling reason** to process the case ahead of others. **Compelling reasons** include the following:

- A pending grant, where failure to secure the grant will have an adverse impact on the organization's ability to continue operating.
- A newly created organization providing disaster relief to victims of emergencies.
- IRS errors have caused undue delays in issuing a determination letter.

For a pending grant, the following specific information would help support a request for expedited processing:

- The name of the person or organization committed to giving the grant or asset,
- The amount of the grant or the value of the asset,
- The date the grant will be forfeited or permanently redirected to another organization,
- The impact on the organization's operations if it does not receive the grant/asset, and
- The signature of a principal officer or authorized representative.

A request for expedited processing must be made in writing and must fully explain the **compelling reason**. Granting expedited processing is at the discretion of the IRS.

An organization may **not** request expedited handling of a Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

See Expedited Application Processing for more information.

What if purposes or programs change after an application is submitted?

If the organization's organizing documents, purposes, or programs change while the IRS is considering an application, you should report the change in writing to the office processing your application. If you do not know the office that is processing your exemption application, contact Exempt Organizations Customer Account Services.

Because material changes in a charity's structure or activities may affect its tax-exempt or public charity status, organizations should report such changes to the IRS Exempt Organizations Division. See procedures for reporting changes for a complete discussion.

Is an exemption application subject to public disclosure?

An exemption application is subject to public disclosure once it has been finally approved or denied.

Do I need a tax-exempt number for my organization?

No. Unlike some states that issue numbers to organizations to indicate that these organizations are exempt from state sales taxes, the IRS does not issue numbers specifically for exempt organizations. While the IRS does issue Employer Identification Numbers (EINs), these are merely a unique identifier, similar to a Social Security number for an individual. Applying for and receiving an EIN says nothing about the organization's tax status; however, your organization needs an EIN to apply for tax exemption.

How do I obtain an employer identification number for my organization?

You can apply online, or see obtaining an employer identification number.

Must an organization whose corporate charter is reinstated after being administratively revoked or suspended by the state submit a new exemption application?

No. If a corporation is reinstated by the state after an administrative suspension or dissolution of its corporate charter, its exempt status may be reinstated without the need for the corporation to reapply. The organization must submit evidence from the state that its charter has been reinstated, indicating the effective date of reinstatement. In addition, the organization should provide evidence that it has complied with any filing requirement for annual returns during the period during which its corporate status was administratively suspended or dissolved.

If, however, an organization's exempt status has been automatically revoked for failing to file annual returns, exempt status cannot be reinstated unless it submits a new exemption application, even if the state reinstates its corporate status.

Does a government entity need to apply for exemption?

Most state and local government entities are not required to pay federal income tax. For non-tax reasons, though, government entities are sometimes asked to provide a **tax-exempt number** or **determination letter** to prove their status as a tax-exempt organization. State and local governments are not required to apply for this exempt status, however. As discussed in Affirmation of Your Tax-Exempt Status, the IRS will issue a letter describing the tax status of government entities. Most organizations and individuals will accept this letter as the substantiation that they need. No application is required, and no fee is associated with this letter.

Additional information

- Online courses to help you apply for exemption
- Frequently asked questions about Form 1023
- Publication 4220, Applying for 501(c)(3) Tax-Exempt Status `PDF`
- Publication 557, Tax-Exempt Status for Your Organization `PDF`
- Publication 4573, Group Exemptions `PDF`
- Publication 1635, Understanding Your EIN `PDF`
- Application for Recognition of Exemption (501(c)(3))
- Application for Recognition of Exemption (non-501(c)(3))
- Application Process: A step-by-step review of what an organization needs to know and to do in order to apply for recognition by the IRS of tax-exempt status

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