

Frequently Asked Questions About Applying for Exemption June 24, 2011

1. 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](#) for more information.

2. 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 (EIN), 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.

3. 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 Internal Revenue Service 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.

4. How do I get an Employer Identification Number (EIN) for my organization?

You can apply for an EIN on-line, over the telephone, via fax or through the mail. See the [instructions](#) for Form SS-4, *Application for Employer I.D. Number*, for further details.

- To apply on-line, use the [on-line EIN application](#) available on this website.
- To get an EIN over the IRS's toll-free telephone number, call (800) 829-4933. Hours of operation are 7:00 a.m. to 10:00 p.m. local time, Monday through Friday. See [EIN Toll-Free Telephone Service](#) for more information.
- To request an EIN via fax, 24 hours a day / 7 days a week, dial the fax number at the location accepting applications from your state. The instructions on the Form SS-4 indicate which location will accept your faxed request.
- To receive an EIN through the mail, complete [Form SS-4](#). The [instructions](#) for the form provide the correct address.

Third parties can receive an EIN on a client's behalf by completing the new "Third Party Designee" section and obtaining the client's signature on Form SS-4. This avoids having to file a [Form 2848](#) (*Power of Attorney*) or [Form 8821](#) (*Tax Information Authorization*) to get an EIN for their client.

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

Most organizations applying for exemption must use specific application forms. Two forms currently prescribed by the Service are [Form 1023](#), [Application for Recognition of Exemption](#) (and [instructions](#)) (for charitable organizations); and [Package 1024](#), [Application for Recognition of Exemption](#) (for other tax-exempt organizations). The application your organization is required to submit is specified in [Publication 557](#). See [Tax-Exempt Organizations Tax Kit](#) for a list of forms and publications of interest to tax-exempt organizations. You may also request these forms by calling 1-800-TAX-FORM (1-800-829-3676).

6. 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.

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

Applications are processed as soon 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 obtain information about where a particular application may be in the process, see [Where Is My Exemption Application?](#)

Answering all questions completely and submitting all required items will help agents reviewing your application do so as quickly as possible. Completing the procedural checklist on the last page(s) of [Form 1023](#) or [Form 1024](#) will help you submit a complete and error-free application.

Additional information

[Expediting application processing](#)

8. How 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 a case 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.

Additional information

- **Examples**
 - [Qualifying for expedite treatment](#)
 - [Not qualifying for expedite treatment](#)
- [Where to send request](#)

9. 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 help ensure that agents reviewing your application are able to process as quickly as possible. Completing the procedural checklist on the last two pages of [Form 1023](#) (last page of [Form 1024](#)) will help you submit a complete application.

10. Is an exemption application subject to public disclosure?

An exemption application is subject to public disclosure once it has been finally [approved](#) or [denied](#).

11. 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.

12. 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.

13. 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.

14. Where can I get more information about how an organization can apply for exemption from federal income tax?

The following IRS materials provide more information about the application process:

- [On-Line Minicourse](#), *Applying for Tax Exemption*
- [Frequently asked questions about Form 1023](#)
- [Publication 4220](#), *Applying for 501(c)(3) Tax-Exempt Status*
- [Publication 557](#), *Tax-Exempt Status for Your Organization*
- [Publication 4573](#), *Group Exemptions*
- [Publication 1635](#), *Understanding Your EIN*
- [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.

15. Where do I send my exemption application?

Send your completed exemption application to the address stated in the instructions to the application form:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

To send your application using express mail or a delivery service, use the following address:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011