

Information Paper

How an NDTA Chapter Applies for Federal Tax-Exempt Status

Tax-exempt status is not automatic; you must apply for it with the Internal Revenue Service. You should make this application within fifteen months of the date you officially established your chapter, otherwise your chapter may be liable for taxes on income it had prior to the date of application.

To apply for tax-exempt status, the chapter must either be incorporated in accordance with the laws of the state in which it is established or be an unincorporated association. Generally, if the chapter identifies itself as an unincorporated association, at least two people must have signed its constitution or articles of association.

Follow the procedures outlined in IRS Publication 557, Tax-Exempt Status for your Organization, which can be found on the IRS website (<http://www.irs.gov/>), as can a simple step-by-step guide for application and all the forms mentioned in this section. The following information is from IRS Publication 557 and is provided as an overview of application procedures, not as a substitute for complying with the Publication's requirements.

Your application should be made using the appropriate application form and be accompanied by a payment of a user fee and your chapter's Employer Identification Number (EIN).

- **Every exempt organization must have an EIN, whether or not it has employees. If you have not already requested an EIN, you can request one by calling the IRS at 1-800-829-4933 and providing the information requested on IRS Form SS-4. "Application for Employer Identification Number." The fastest way to obtain an EIN, however, is via the IRS website (<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html?portlet=4>). Note, that whether or not your chapter wishes to request tax-exempt status, it will probably need to request an EIN for banking purposes.**
- The amount of your user fee can be calculated using IRS Form 8718. "User Fee for Exempt Organization Determination Letter Request," and this form and the fee should accompany your application for exemption.
- Organizations with an annual income of not more than \$10,000 are charged a \$400 user fee; organizations with an annual income of more than \$10,000 are charged \$850.

To complete the tax-exempt application process, you must also provide:

- A completed IRS Form 1023 with a "conformed" copy of your articles of incorporation or other organizing document, such as a constitution or articles of association in the case of an unincorporated association. This "conformed" copy must be certified as a complete and accurate copy by an authorized officer of the chapter. "Conformed" means that the copy provided agrees with the original document and all amendments to it. Do not send original copies of documents. You may also certify that the chapter's articles of association were signed by at least two people, if your chapter identifies itself as an unincorporated association,
- A copy of the chapter by-laws (if completed by the time you make your application). **Note** - by-laws cannot be substituted for the organizing document discussed in the first bullet above,
- a description of your chapter's activities. **Note** - remember when you are describing your chapter's activities that it is an educational organization and does not engage in lobbying or

political activities, the first of which is strictly limited and the second of which are specifically prohibited for nonprofit organizations claiming exemption under Section 501 (c) (3).

- your proposed budget for two full accounting periods, plus a current statement of assets and liabilities, if the chapter has been in existence for less than a year. If your chapter has been in existence for longer than one year, you must submit actual receipts and expenditures for the current year and for three preceding years or for the lesser number of years it has been in existence,
- a balance sheet, reflecting the chapter's assets and liabilities, and
- a written explanation of each source of income and the purpose for each type of disbursement.

Finally, either a chapter officer or a person authorized by a power of attorney (IRS Form 2848 can be used for this purpose) must sign the IRS Form 1023.

The application with all supporting documentation and user fee should be sent to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If using express mail or a delivery service, the packet should be sent to:

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

These addresses are also to be found on IRS Form 1023, and if the addresses on the form differ from the ones given above, use the addresses on the form. Do not file the application with your local IRS Center.

A request for exemption checklist:

1. Your chapter must be incorporated according to the laws of your state, or be an unincorporated association.
2. Application is made using the appropriate IRS Form. Include on this form your Employer Identification Number (EIN) and a description of your chapter's activities.
3. Pay user fee accompanied by IRS Form 8718 (Note: Use this form to calculate how much the fee will be).
4. Include a "conformed" copy of organizing documents, plus by-laws, if you have them completed.
5. Enclose the required financial statements as described above.
6. A chapter officer or person designated by power of attorney signs the IRS Form 1023.
7. Send packet to address provided on IRS Form 8718.

Note - If the IRS Form 1023 application 501 (c) (3) exemption is filed within 15 months of the formation of the chapter, the nonprofit status is retroactive to the date of the formation of the chapter. If the application is filed more than 15 months after the formation of the chapter, the exemption from federal income tax is effective only from the filing of the application. Any existing chapter, which may be exposed to liability for past federal income taxes, may also apply for recognition as a civic organization under Section 501 (c) (4) of the IRS Code, in addition to its application for nonprofit status under Section 501 (c) (3). This can be done using IRS Form 1024. Recognition as a civic organization allows a chapter to obtain a retroactive exemption from federal income taxes from the date of the formation of the chapter to the effective date of its exemption as a nonprofit organization.

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