



This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Small Nonprofits Have a New Method for Filing for Tax-Exemption

Until July 1, 2014, the only form a nonprofit could use to get 501(c)(3) tax-exempt status was the Form 1023. This form is long and complicated and takes many hours to complete. On June 27th, the IRS released a new form, which will simplify and streamline the application process for small nonprofits without complex issues.

In order for a nonprofit to take advantage of the new form, it must meet both the revenue and assets tests. The nonprofit's annual revenue must be less than \$50,000 in the current year and the next 2 years to be eligible. Nonprofits with annual revenue of more than \$50,000 in any of the past 3 years are not eligible. In addition, the value of the nonprofit's assets must be less than \$250,000. Even if an organization meets the revenue and assets tests, some organizations are specifically prohibited from filing Form 1023-EZ, namely:

- foreign organizations;
- an organization that is a successor to or controlled by a terrorist organization;
- an LLC;
- a successor to a for-profit entity;
- a previously revoked organization or a successor to a previously revoked organization (other than automatic revocation for failure to file Form 990);
- a church or a convention or association of churches;

Updated 11/2/16
Dated: 7/30/2014

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- a school, college, or university;
- a hospital or medical research organization;
- a credit counseling organization; and
- Other uncommon types of 501(c)(3) organizations.

For nonprofits, the overall benefits of filing the Form 1023-EZ are obvious. Form 1023-EZ is three pages, compared to the 25-page Form 1023. The IRS estimates Form 1023-EZ will only take 14 hours to complete, a huge improvement over the estimated 101 hours to complete Form 1023. Using the Form 1023-EZ, a nonprofit will not have to attach its articles of incorporation or bylaws and it will not need to provide a narrative description of the organization. Additionally, Form 1023-EZ does not require detailed financial information, but it does ask if the organization pays compensation to any of the officers, directors, or trustees. The Form 1023-EZ must be filed online, which will allow nonprofits to avoid paperwork that could delay approval of their filing. Further, the user fee is reduced to \$275.

IRS Commissioner John Koskinen hopes the new Form will improve the long delays in the application process. Here are links to the [Sample Form 1023-EZ](#) and [Form 1023-EZ Instructions](#).

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