Reinstatement of Non-profit Status

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Form 1023 (or 1023-EZ)

File this form to apply or reapply for non-profit status. Both are online forms. **Do not complete this form until you have filed missing returns, if applicable.**

I. Form 1023-EZ

- Doesn't require financial data or other documents
- Simplified form (for those applying under sections 4 or 7)
- Fee: $275

II. Form 1023

- Requires financial data, document proofs, and other statements
- Long form (for those applying under sections 5 or 6)
- Fee: $600

**Group Exemption*

- What most chapters used to gain nonprofit status
- Can't be used again to regain nonprofit status
- You must instead apply as an individual organization
- You may apply to go under group exemption again with the MTNA *after* you have been reinstated as a nonprofit. The MTNA itself does not recommend this. There is no additional benefit.

Types of Reinstatement

You will indicate the type of reinstatement you wish to apply for in either Schedule E of Form 1023 or in Part V of Form 1023-EZ.

I. Post-mark Date Reinstatement (Section 7)

- Start fresh with nonprofit status from date of filing.
- Still need to file your old taxes eventually as a business.
- Pay taxes and late fees.
- Pay any other penalties that apply.
- You can use 1023-EZ.

II. Retroactive Reinstatement (Sections 4, 5, 6)

- Considered non-profit again from the date your status was revoked
- More requirements in order to file
- Penalties waived
- No taxes

- Section 4 - Streamlined

- Eligible to use if:
  - You've never had status revoked before
  - No other special tax considerations (trust, private foundation, etc.)
  - File within 15 months after revocation date
- If you usually file form 990-N, no need to file missing returns
  - *If you usually file 990-EZ, you do need to file
- You can use 1023-EZ

- Section 5 – Within 15 months after revocation date

- Use if you're ineligible for Section 4, but are still filing within 15 months of the revocation date
- You must file all missing returns as 990-EZ, <u>not</u> 990-N
- Include:
  - Statement that you have filed missing returns
  - Reasonable cause statement for failure to file for <u>one</u> of the years missed
  - Your plan to make sure you never miss filing again
- You must use Form 1023

- Section 6 – After 15 months after revocation date

- Same requirements as Section 5, but if you're filing after 15 months of revocation
- One difference: Provide reasonable cause statement for <u>all</u> years that you missed filing
- You must use Form 1023

Sources.
About Form 1023: https://www.irs.gov/forms-pubs/about-form-1023
About Reinstatement: https://www.irs.gov/charities-non-profits/charitable-organizations/automatic-revocation-how-to-have-your-tax-exempt-status-reinstated

Overview of 990-EZ

Most chapters will be familiar only with 990-N e-Postcard. If you need to apply under Section 5 or 6, you will need to familiarize yourself with 990-EZ.

I. Before you file 990-EZ, have on hand:

- Complete, itemized financal records
  - Have a spreadsheet ready
  - Itemize your income and expenses into categories which match 990-EZ's specifications
- All current and prior bylaw revisions
  - You will not need to submit actual copies of these bylaws with 990-EZ unless your organization name has changed
  - You will need to report any major changes to your bylaws
- A list of all your current and prior activities
  - Have descriptions ready
  - Know expense and grant/payout figures
  - Know participation numbers
- **Correct prior year 990-EZ forms and instructions.** Be aware of differences!!

II. As you complete the return:

- <u>**READ THE INSTRUCTIONS CAREFULLY.**</u> There may be requirements that are not explicitly mentioned in Form 990-EZ itself. Examples:
  - Round to whole numbers
  - Provide a value for all spaces, even if zero, n/a, or none
- Provide current contact info even on prior year forms.
- Specific line item tips:
  - Payments toward a parent organization (MAP, MLP fees) are categorized under “grants and similar payments”
  - Single rentals (e.g. recital space) should go into “other expense”, not “rent”
  - <u>MOST</u> of your income should be under “program revenue”, then “dues”, then “other income”, such as ad income
  - <u>MOST</u> of your expenses should be under “other expenses”, then “grants” and “postage”.

    - **This is most normal for 509(a)(2) organizations, which likely applies to many chapters*
- Keep track of other necessary forms:
    - Schedule A
        - Determines specific categorization of organization (509(a)(2), etc.)
        - Have financial records for preceding five years ready
    - Schedule O
        - Provide supplemental information in order as it appears in 990-EZ
    - Form 990-T Unrelated Business Income
        - File only if you generated more than $1000 in unrelated income
        - Examples: Ad revenue, Investment Income
        - You must send taxes as a paper check if you owe less than $500. You should send this along with the rest of the package.
    - There may be other forms if applicable to your chapter, such as reporting grants, scholarships, endowments, etc.

III. Filing the return:

There are special instructions for the reinstatement process. Do not file online. Do not file according to normal instructions.

- Mail as **PAPER COPIES** to:
    - Department of the Treasury, Internal Revenue Service Center, Ogden, UT 84201-0027
    - It is a good idea to purchase "sign on delivery" or other failsafes
- Write, in **BIG LETTERS, HIGHLIGHTED,** “Retroactive Reinstatement” across the top of each return
    - This is to let the case officer know that this is time-sensitive, and that a pending 1023 application is dependent on these returns being processed.
    - Be incredibly eye-catching about this. This is an actual instruction given by the IRS helpline.
- Provide a **COVER LETTER** indicating reason for late filing
- File taxes **BEFORE** you begin Form 1023.

Sources.

About 990-EZ: https://www.irs.gov/forms-pubs/about-form-990-ez

Prior year forms lookup: https://www.irs.gov/prior-year-forms-and-instructions

Filing Form 1023 (Form 1023-EZ)

I. Before you file:

- Collect the <u>same</u> data needed to complete Form 990-EZ and other related schedules
- Collect and combine into one PDF:
    - Statement including Reasonable Cause, confirmation of filing missed returns, and plan for making sure to file in the future
    - Organizing Documents
        - These can include, but are not limited to: Certificate of Incorporation, Articles of Incorporation, Constitution, etc. Detailed explanations are found in the instructions for Part II
        - The document must conform to certain required provisions explained in the instructions for Part III
    - Current Bylaws
    - **Other files are necessary to include if you use a paid preparer/accountant*
- **Form 1023-EZ only requires collecting basic identifying data about your organization. Disregard finances and the PDF upload checklist.*

II. Filing the application:

- Make an account on Pay.gov and log in
- Search for "Form 1023" or "Form 1023-EZ"
- Complete the form.
    - You may save the form and continue later if necessary.
- **SAVE A COPY** of the form once complete.

Sources.
Form 1023: https://www.pay.gov/public/form/start/704509645
Form 1023-EZ: https://www.pay.gov/public/form/start/62759871
IRS Non-profit help line: https://www.irs.gov/charities-non-profits/contact-irs-exempt-organizations **This is extremely helpful. Be aware that hold times are very long. Call as soon as lines open in the morning outside of tax season for best chances.*

What to Expect After Filing

- Your application will be processed within a few months.
  - Complete the process *before* tax season for faster results
- It will take possibly months for all IRS systems and databases to be updated with your new status. Do not expect the online lookup to reflect up-to-date information immediately.
- You will receive **a letter** with this info:
  - Acknowledgement of nonprofit status
  - Reminder that you are no longer under the MTNA's group exemption
  - Contact info for your case officer
    - If there are any corrections that need to be made, contact this number. It may not go directly to the case officer and instead to the nonprofit helpline, but is still useful.
  - ****Keep copies of this letter. It is the most important evidence of your nonprofit status.***