



LAW OFFICES OF SPECTOR, MIDDLETON, YOUNG & MINNEY, LLP

IRS Changes Nonprofit Tax Exemption Forms

On October 25, 2004, the Internal Revenue Service (“IRS”) issued a revised application for federal tax exemption (Form 1023). The Form 1023 is used for securing federal tax exemption for charter schools operating as nonprofit public benefit corporations and for securing federal tax exempt status for nonprofit corporations established to support a charter school (i.e., a foundation). For a limited period of time the IRS is allowing organizations to file for federal tax exemption using the old form (September 1998 version). However, beginning **May 1, 2005**, the IRS will enforce the use of the new application (October 2004 version) and will not accept any application filed on the old form.

REVISIONS TO FORM 1023

The October 2004 version of the application requests more information than its predecessor in an attempt to reduce follow-up questions for organizations. Consequently, use of the revised application should reduce the processing time. Some of the changes to the Form 1023 include:

1. The automatic 27-month retroactive exemption rule is incorporated into the application;
2. When filing the 1023, the organization will no longer need to file Form 8718 to pay the user fee, instead the user fee information has been incorporated into the application; and
3. Questions about directors’ and officers’ compensation are incorporated into the form.

Our office assists charter schools and foundations in the incorporation and tax exemption application process as well as maintaining legal compliance in the operation of the nonprofit public benefit corporation. For more information about SMYM and its services to charter schools please visit www.smymcharterlaw.com

If you should have any questions regarding the changes to Form 1023 please contact Paul Minney pminney@smymlaw.com, Victoria Lin vlin@smymlaw.com, or Adam Susz asusz@smymlaw.com at 916-646-1400.

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