Visual explanation of 501c3 application and IRS automatic revocation

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Date of formation (usually date of incorporation)

File 990 due 4.5 months after end of fiscal year

File 990

File 990

The first case a nonprofit file for tax exempt status within 27 months of formation and continues to file Form 990s annually. They will remain tax exempt as long as they continue to file 990s.

27 months to file Form 1023

Tax exempt as 501c3. Continue to file 990s annually

File Form 1023 within 27 months

Tax exemption retroactive to date of formation

Notice that this organization began filing 990s even before they filed or received their 501c3 determination letter from the IRS.

Tax exempt as 501(c)(4) Social Benefit Org

Tax exempt as 501c3. Continue to file 990s annually

The second case, the nonprofit filed for tax exempt status more than 27 months after its date of formation. It will be granted 501c3 tax exemption from the date of its application and 501c4 tax exempt status back to its date of formation. It should file 990sannually.

File Form 1023 after 27 months

Tax exemption as of date of Form 1023 application

Taxable

Tax exempt as 501c3

The third case is the worst. The nonprofit failed to file the 1023 within 27 months and/or failed to file the 990 for 3 consecutive years. Tax exempt status was revoked as of the due date of the third (unfiled) 990. It will be granted 501c3 tax exemption from the date of its application. It will be a taxable entity back to its date of revocation and will need to pay corporate income tax.

File Form 1023 after 27 months and no 990s

AUTOMATIC REVOCATION back to due date of unfiled 990

Tax exemption as of date of Form 1023 application

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Still confused? Contact Carol Topp, CPA at HomeschoolCPA.com