

# 501c3 Tax Exempt Application for Homeschool Organizations

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Carol Topp, CPA

HomeschoolCPA.com

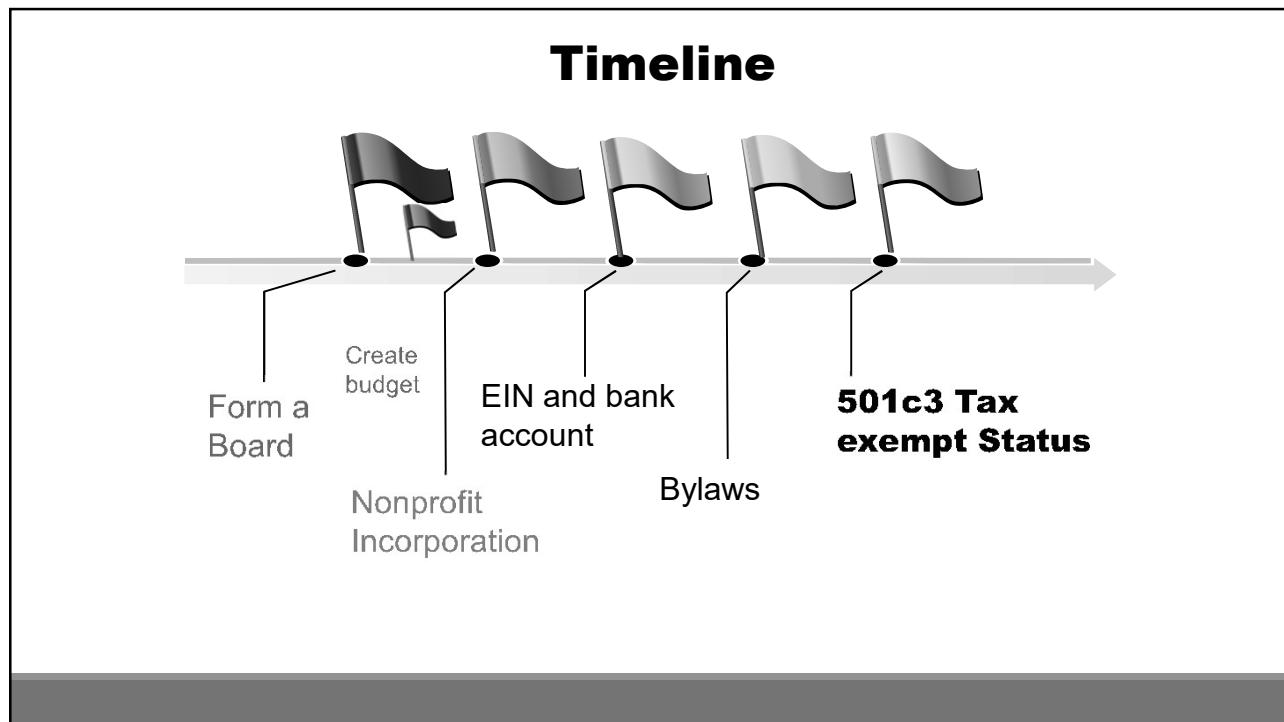


Homeschool CPA presents

**CREATE A  
NON-PROFIT  
FOR YOUR  
HOMESCHOOL  
COMMUNITY**

A recorded webinar that explains  
how to set up a nonprofit  
homeschool group!

**HomeschoolCPA.com/  
CreateNP**



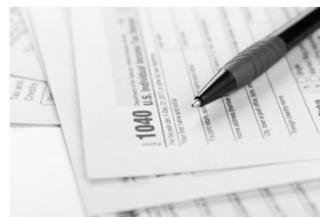
## What's Tax Exempt Status?

**Nonprofit Incorporation** is not the same as **Tax Exempt**

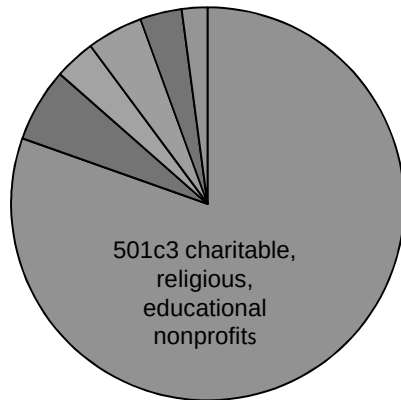


Granted by State  
Legal status  
Limited liability protection

Granted by IRS  
Tax Status



## Types of 501c organizations



**501c3: Charity, religious, educational... 1.1 M**

501c4: Social welfare 83K

501c5: Labor & Agricultural organizations 46K

501c6: Business league 63K

**501c7: Social club 47K**

501c19 Veterans organizations 29K

## 501c3 or 501c7?

**501c3 charitable, religious, educational**

- Co-ops, tutorials, etc.
- Educational purpose



**501c7 social or recreational**

- Support groups
- Clubs
- Face to face
- 65% revenues from membership activities



## Does my nonprofit have to be tax exempt?

No, but...

### **Pay corporate income tax on surplus**

- 21% of profit on IRS Form 1120

### **No tax deductible donations**

- or Box Tops, etc. that require 501c3 status

Perhaps **no sales tax or property tax exemptions** (varies by state)



What's needed  
before  
applying for  
tax exempt  
status?

- *Board approval*
- *Organizing documents*
- *Nonprofit Incorporation (optional, but typical)*
- *EIN from IRS*
- *Money*
- *Patience!*



*Covered in the Create a Nonprofit webinar*

## Automatic tax exempt status

No application form!

501c3 with less than \$5,000 annual gross revenues



501c7 Social Club  
(Support groups)



Ministry of a church



## Self Declare 501c Tax Exempt Status

### Pros:

- No need to apply with IRS

### Cons:

- Must still file annual information return:  
Form 990-N/990-EZ/990 (except churches)
  - Covered in the next webinar!
- No IRS determination letter
  - No proof for discounts, exemptions, etc.

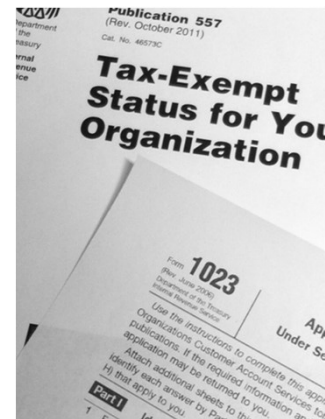


## Not eligible to self declare?

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### Apply for 501c3 status

- It's not automatic!
- It doesn't happen because you are a nonprofit
- It doesn't happen because you file state reports



## Application for 501c3 status

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## Pros to 501(c)(3) Status

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- Income tax exemption
- Exemptions on sales tax, property tax
- Tax deductible donations and grants
- Some programs and discounts
- Prestige: accountable, organized, serious
- Fund raising and grant opportunities



## Cons to 501(c)(3) Status

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**Cost :** \$275 or \$600 to IRS

Professional fees

State incorporation fees

**Paperwork:** Form 1023

Bylaws and Articles of Incorporation

Conflict of Interest policy

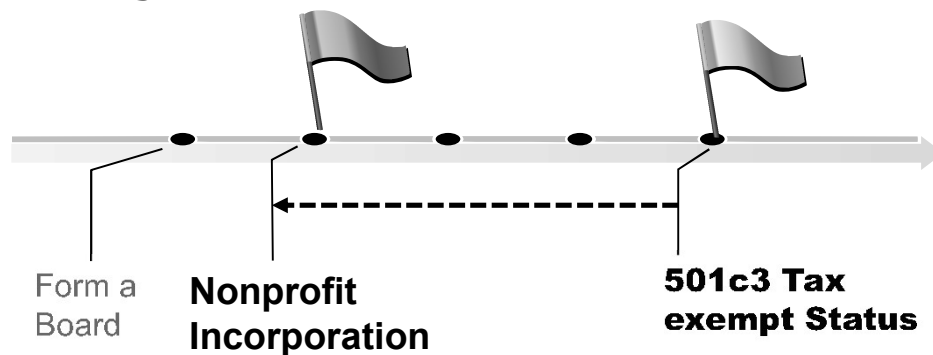
2 or 5 years financial statements



## Cost

	IRS 1023-EZ	IRS Form 1023
Nonprofit incorporation	\$20-100	\$20-100
EIN	free	free
501c3 IRS fee	\$275	\$600
501c3 Professional help	\$300-\$400	\$1,275-\$3,000
Carol Topp CPA	\$85/hour	\$85/hour
<b>Total for tax exempt status</b>	<b>\$680-\$760</b>	<b>\$1,980-\$3,785</b>
Attorney to review legal agreements (licenses, employee contracts, leases, etc.)	\$500-\$2,000	\$500-\$2,000

## Apply within 27 months of formation



IRS will **back-date** tax exempt status to date of formation



## Filing with IRS for 501(c)(3) status

### Form 1023-EZ

Revenues < \$50,000/year  
IRS fee \$275  
1-4 weeks



### Form 1023 (26 pages)

Revenues > \$50,000/year  
IRS fee \$600 +  
3-6 months



### Form 1023

- 26 pages. Paper only.
- 3-5 years financial information
- Narrative and extensive questions
- Articles of Inc, bylaws
- Conflict of interest policy, brochures
- IRS fee \$600 plus professional help



## The Beast! Get a pro

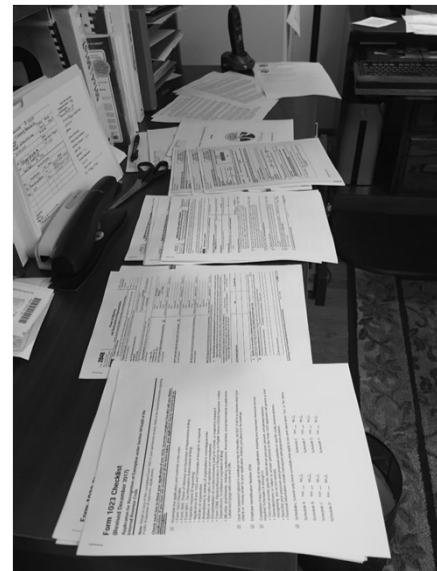
**501c3book.com** Buy the ebook written by former IRS Exempt Org employee

Belinda Whitfield, CPA **ChurchCPA.com**

The Foundation Group **FoundationGroup.com**

David McRee, CPA **Form990help.com**

David Marmon, attorney **501c3Go.com**



## Form 1023-EZ

- 3 pages. Online only.
- No financial information
- Eligibility checklist
- IRS required language in organizing documents.
- \$275 one time

**Questions?**



**1023-EZ Eligibility**

## Form 1023-EZ Eligibility

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*Eligibility Worksheet found in Instructions to Form 1023-EZ*

1. Gross annual revenues **not exceed \$50,000** in any of next 3 years
2. And not exceed \$50,000 in any of past 3 years
3. Assets not exceed \$250,000
4. Not formed under laws of a foreign country
5. Mailing address not in a foreign country
6. Not a terrorist organization(!)

## Form 1023-EZ Eligibility

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7. Not an LLC
8. **Not successor to a for-profit business**
9. Tax exempt status not revoked (except for automatic for failure to file 990)
10. Not a church or association of churches
11. **Not a school**, college or university

## Organizing documents

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Usually Articles of Incorporation filed with your State

Specific IRS required language on

- Purpose statement
- Dissolution and distribution of assets
- No prohibited activities (i.e., no inurement, private benefit, propaganda, political endorsement, etc.)

Required IRS language in **1023-EZ Instructions** and [HomeschoolCPA.com/Samples](http://HomeschoolCPA.com/Samples)



## Form 1023-EZ

### Line by line

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<b>Form 1023-EZ</b> (Rev. October 2018) Department of the Treasury Internal Revenue Service	<b>Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code</b> Do not enter Social Security numbers on this form as it will be made public. Information about Form 1023-EZ and its separate instructions is at <a href="http://www.irs.gov/form1023">www.irs.gov/form1023</a>	OMB No. 1545-0056 <small>Note: If exempt status is approved, this application will be open for public inspection.</small>
<input checked="" type="checkbox"/> <b>Check this box to attest that you have completed the Form 1023-EZ Eligibility Worksheet in the current instructions, are eligible to apply for exemption using Form 1023-EZ, and have read and understand the requirements to be exempt under section 501(c)(3).</b>		
Have your annual gross receipts exceeded \$50,000 in any of the past 3 years and/or do you project that your annual gross receipts will exceed \$50,000 in any of the next 3 years? If yes, stop. Do not file Form 1023-EZ. See Instructions. <div style="text-align: right;"> <input type="radio"/> Yes    <input checked="" type="radio"/> No         </div>		
Do you have total assets the fair market value of which is in excess of \$250,000? If yes, stop. Do not file Form 1023-EZ. See Instructions. <div style="text-align: right;"> <input type="radio"/> Yes    <input checked="" type="radio"/> No         </div>		
<b>Part I Identification of Applicant</b>		
<b>1a</b> Full Name of Organization PEMBERLY HOMESCHOOL ACADEMY		<b>b</b> Care Of Name (if applicable)
<b>c</b> Mailing Address (number, street, and room/suite), if a P.O. box, see instructions. 200 LONGBOURN LANE		<b>d</b> City ASHEVILLE
<b>e</b> State NC		<b>f</b> Zip code + 4 37000-0000
<b>2</b> Employer Identification Number 83-444555	<b>3</b> Month Tax Year Ends (MM) 06	<b>4</b> Person to Contact if More Information is Needed ELIZABETH DARCY
<b>5</b> Contact Telephone Number 503-333-6500	<b>6</b> Fax Number (optional)	<b>7</b> User Fee Submitted \$275.00
<b>8</b> List the names, titles, and mailing addresses of your officers, directors, and/or trustees. (If you have more than five, see instructions.)		
First Name: ELIZABETH	Last Name: DARCY	Title: CHAIRMAN
Street Address: 200 LONGBOURN LANE	City: ASHEVILLE	State: NC Zip code + 4: 37000-0000
First Name: EMMA	Last Name: WOODHOUSE	Title: SECRETARY
Street Address: 1900 HARTFIELD CT	City: ASHEVILLE	State: NC Zip code + 4: 37000-0000
First Name: ELEANOR	Last Name: DASHWOOD	Title: TREASURER
Street Address: 100 BARTON COTTAGE	City: ASHEVILLE	State: NC Zip code + 4: 37000-0000
First Name: EDWARD	Last Name: FERRIS	Title: BOARD MEMBER
Street Address: NORLAND PARK	City: OXFORD	State: NC Zip code + 4: 37000-0000
First Name:	Last Name:	Title:
Street Address:	City:	State: Zip code + 4:
<b>9a</b> Organization's Website (if available):		
<b>b</b> Organization's Email (optional):		

<b>Part II Organizational Structure</b>	
<b>1</b> To file this form, you must be a corporation, an unincorporated association, or a trust. <b>Select the box</b> for the type of organization. <input checked="" type="radio"/> Corporation <input type="radio"/> Unincorporated association <input type="radio"/> Trust	
<b>2</b> <input checked="" type="checkbox"/> <b>Check this box</b> to attest that you have the organizing document necessary for the organizational structure indicated above. (See the instructions for an explanation of <b>necessary organizing documents</b> .)	
<b>3</b> Date incorporated if a corporation, or formed if other than a corporation (MMDDYYYY):	03262019
<b>4</b> State of Incorporation or other formation:	NORTH CAROLINA
<b>5</b> Section 501(c)(3) requires that your organizing document must limit your purposes to one or more exempt purposes within section 501(c)(3). <input checked="" type="checkbox"/> <b>Check this box</b> to attest that your organizing document contains this limitation.	
<b>6</b> Section 501(c)(3) requires that your organizing document must not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes. <input checked="" type="checkbox"/> <b>Check this box</b> to attest that your organizing document does not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.	
<b>7</b> Section 501(c)(3) requires that your organizing document must provide that upon dissolution, your remaining assets be used exclusively for section 501(c)(3) exempt purposes. Depending on your entity type and the state in which you are formed, this requirement may be satisfied by operation of state law. <input checked="" type="checkbox"/> <b>Check this box</b> to attest that your organizing document contains the dissolution provision required under section 501(c)(3) or that you do not need an express dissolution provision in your organizing document because you rely on the operation of state law in the state in which you are formed for your dissolution provision.	
<b>For Paperwork Reduction Act Notice, see the Instructions</b>	
Catalog No. 66267N	Form <b>1023-EZ</b> (Rev.10-2018)

Form 1023-EZ (Rev. 10-2018) Page **2**

**Part III Your Specific Activities**

**1** Briefly describe the organization's mission or most significant activities (limit 250 characters)

Academic classes, extra curricular activities, clubs, sports, and field trips for homeschooled students. We uphold a Christian worldview in all our programs.

**2** Enter the appropriate 3-character NTEE Code that best describes your activities (See the instructions): <https://nccs.urban.org/> **B99** Education-Not Elsewhere Classified

**3** To qualify for exemption as a section 501(c)(3) organization, you must be organized and operated exclusively to further one or more of the following purposes. By checking the box or boxes below, you attest that you are organized and operated exclusively to further the purposes indicated. **Check all that apply.**

<input checked="" type="checkbox"/> Charitable	<input checked="" type="checkbox"/> Religious	<input checked="" type="checkbox"/> Educational
<input type="checkbox"/> Scientific	<input type="checkbox"/> Literary	<input type="checkbox"/> Testing for public safety
<input type="checkbox"/> To foster national or international amateur sports competition	<input type="checkbox"/> Prevention of cruelty to children or animals	

**Need to match Articles of Incorporation**

**ARTICLE III PURPOSE**

Said corporation is organized exclusively for educational, religious and charitable purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. The corporation does not contemplate pecuniary gain or profit, incidental or otherwise.

## 501c3s cannot:

Support/oppose a political candidate,  
Practice inurement (benefits to insiders),  
Conduct a business unrelated to your purpose,  
Substantially influence legislation (more than 2-5% of expenses)

**4** To qualify for exemption as a section 501(c)(3) organization, you must:

- Refrain from supporting or opposing candidates in political campaigns in any way.
  - Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals (that is, board members, officers, key management employees, or other insiders).
  - Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
  - Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s).
  - Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in section 501(h).
  - Not provide commercial-type insurance as a substantial part of your activities.
- ☒ **Check this box** to attest that you have not conducted and will not conduct activities that violate these prohibitions and restrictions.

Answering YES does not make you ineligible for 501c3 status, but there may be issues to understand.

- |    |   |                           |                                     |
|----|---|---------------------------|-------------------------------------|
| 5  | Do you or will you attempt to influence legislation? (If yes, consider filing Form 5768. See the instructions for more details.)  | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 6  | Do you or will you pay compensation to any of your officers, directors, or trustees? (Refer to the instructions for a definition of <b>compensation</b> .)                              | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 7  | Do you or will you donate funds to or pay expenses for individual(s)?   | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 8  | Do you or will you conduct activities or provide grants or other assistance to individual(s) or organization(s) outside the United States?  | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 9  | Do you or will you engage in financial transactions (for example, loans, payments, rents, etc.) with any of your officers, directors, or trustees, or any entities they own or control? | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 10 | Do you or will you have unrelated business gross income of \$1,000 or more during a tax year?   | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 11 | Do you or will you operate bingo or other gaming activities?  | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 12 | Do you or will you provide disaster relief?   | <input type="radio"/> Yes | <input checked="" type="radio"/> No |

Unrelated business income includes fundraisers!

If conducted by volunteers, the fundraiser is **not** an unrelated business. ☺

#### Part IV Foundation Classification

Part IV is designed to classify you as an organization that is either a private foundation or a public charity. Public charity status is a more favorable tax status than private foundation status.

- 1 Are you applying for recognition as a church, school, or hospital (described in section 170(b)(1)(A)(i), (ii), or (iii) of the Internal Revenue Code)? If yes, stop. Do not file Form 1023-EZ. See Instructions. ☐ Yes ☒ No
- 2 If you qualify for public charity status, check the appropriate box (2a - 2c below) and skip to Part V below.
  - a ☐ Select this box to attest that you normally receive at least one-third of your support from public sources or you normally receive at least 10 percent of your support from public sources and you have other characteristics of a publicly supported organization. **Sections 509(a)(1) and 170(b)(1)(A)(vi).**
  - b ☒ Select this box to attest that you normally receive more than one-third of your support from a combination of gifts, grants, contributions, membership fees, and gross receipts (from permitted sources) from activities related to your exempt functions and normally receive not more than one-third of your support from investment income and unrelated business taxable income. **Section 509(a)(2).**
  - c ☐ Select this box to attest that you are operated for the benefit of a college or university that is owned or operated by a governmental unit. **Sections 509(a)(1) and 170(b)(1)(A)(iv).**
- 3 If you are not described in items 2a - 2c above, you are a private foundation. As a private foundation, you are required by section 508(e) to have specific provisions in your organizing document, unless you rely on the operation of state law in the state in which you were formed to meet these requirements. These specific provisions require that you operate to avoid liability for private foundation excise taxes under sections 4941-4945.
 

☐ Select this box to attest that your organizing document contains the provisions required by section 508(e) or that your organizing document does not need to include the provisions required by section 508(e) because you rely on the operation of state law in your particular state to meet the requirements of section 508(e). (See the instructions for explanation of the section 508(e) requirements.)

Leave unchecked!

Form 1023-EZ (Rev. 10-2018)



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**Part V Reinstatement After Automatic Revocation**

Complete this section only if you are applying for reinstatement of exemption after being automatically revoked for failure to file required annual returns or notices for three consecutive years, and you are applying for reinstatement under section 4 or 7 of Revenue Procedure 2014-11. (Check only one box.)

**Call HomeschoolCPA.com first!**

1 ☐ **Check this box** if you are seeking retroactive reinstatement under section 4 of Revenue Procedure 2014-11. By checking this box, you attest that you meet the specified requirements of section 4, that your failure to file was not intentional, and that you have put in place procedures to file required returns or notices in the future. (See the instructions for requirements.)

2 ☐ **Check this box** if you are seeking reinstatement under section 7 of Revenue Procedure 2014-11, effective the date you are filling this application.

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**Part VI Signature**

☒ I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, and to the best of my knowledge it is true, correct, and complete.

ELIZABETH DARCY  
(Type name of signer)

CHAIRMAN  
(Type title or authority of signer)

**Must be an officer**

04112019  
(Date)

Form **1023-EZ** (Rev. 10-2018)

# The Filing Process

## Filing the 1023-EZ

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Online only at **Pay.gov**

- Search for 1023-EZ

Payment by bank account (ACH)  
or debit or credit card

Save a pdf and keep forever!



## IRS audit of 1023-EZ fliers

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- IRS will sample **3%** for additional information
  - Art of Inc, financial stmts, bylaws, activities
- If gross revenues exceed \$50,000/year in first 3 years, IRS will ask for **full 1023** application (the beast!).



## After the 1023-EZ

IRS determination letter in 2-4 weeks.

- Make several copies, digital copy. Keep FOREVER!

State filings (next webinar!)

Annual 990-N/990-EZ or 990 with IRS (next webinar!)



## State Filings for Nonprofits



### Dept of Revenue:

Corporate tax exemption. Sales tax exemption.



### Secretary of State:

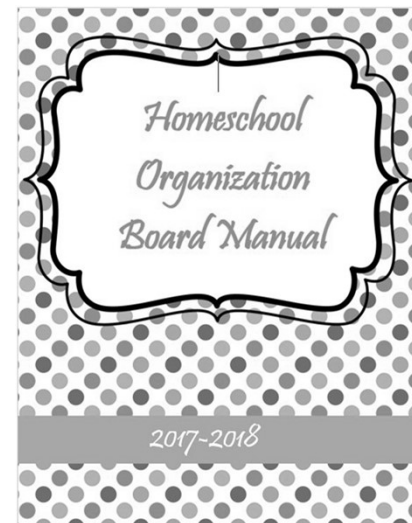
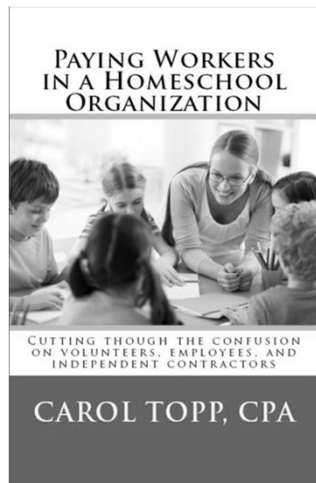
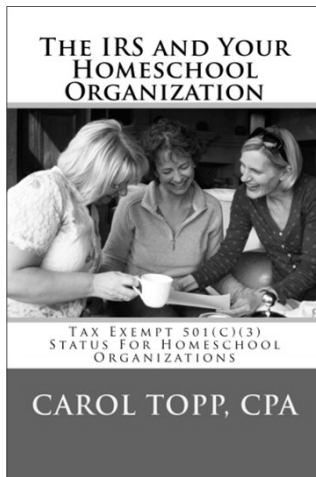
Nonprofit corporate status update every 1-5 years.



### Attorney General:

Charitable Solicitation for donations or fundraisers

[HarborCompliance.com](http://HarborCompliance.com)>Information Center>Resources by State



**NEED HELP?**



Contact Carol Topp, CPA  
for a one-on-one consultation

[Carol@HomeschoolCPA.com](mailto:Carol@HomeschoolCPA.com)

Discount rate of \$60/hour  
because you purchased this  
webinar!

Be sure to mention this  
webinar when you arrange  
for a phone consultation.

# HomeschoolCPA.com

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## Questions?

