

Who's Afraid of the Big, Bad IRS? How the IRS Sees Homeschool Organizations

Carol Topp, CPA

HomeschoolCPA.com

History of tax exemption. Tax exemption is a privilege, so exercise it!

How the IRS sees homeschool organizations

Homeschool Support Groups: 501 (c)(7) Social Club

- Purpose is for pleasure, social or recreation. Personal contacts and fellowship.
- Limited membership
- No selling products or services except to members
- Self declare tax exempt status. No application required
- Supported by membership fees
- No tax deductible donations
- No limits on legislative activity

Examples: hobby clubs, country clubs, fraternities

Homeschool Co-ops: 501(c)(3) Charities

- Purpose: educational, frequently religious and charitable too.
- Serve a charitable class: children, poor, elderly, etc.
- Insubstantial lobbying. No candidate endorsements.
- Tax deductible donations

Examples: Churches, Red Cross, private schools

Conventions or State-wide Homeschool Organizations: 501(c)(4) Social Welfare

- Purpose to promote general welfare of people in a community, civic betterment, social improvement
- No tax deductible donations
- Private benefits to members
- Unlimited lobbying and (some) endorsement

Examples: Civic leagues, homeowners associations, Tea Party groups, AARP, NRA, etc.

For Profit Businesses: Sole Proprietorship, Partnership, Corporation

- Purpose: profit, ease or speed, control

A homeschool family cannot become a nonprofit organization or receive tax exempt status because they do not serve a public good.

How to become a tax exempt organization

- Board approval
- Organizing documents with IRS required language
- File IRS Form 1023/1023-EZ for 501(c)(3) or Form 1024 for 501(c)(4) or (c)(7)
- Pay IRS fee of \$400 or \$850

Tax exempt status revoked: Failure to file Form 990/990EZ/990N for 3 consecutive years results in automatic revocation of tax exempt status.

What changed? 2006 Congress/IRS require new Form 990N. 2010: Automatic revocations begin. 2014:

Streamlined reinstatement and Form 1023EZ created

IRS Streamlined Reinstatement of tax exempt status. IRS Revenue Procedure 2014-11

- Revoked organizations must reapply for tax exempt status. Pay IRS fee \$400 or \$850. State reasons for failing to file. File prior years Form 990s. May owe tax for period when not tax exempt.
- Some small organizations automatically revoked are eligible to file 1023-EZ for reinstatement. No filing of prior year 990Ns, no statement on reason for failure to file. Fee \$400.

Resources

Books: print and ebook

The IRS and Your Homeschool Organization

Homeschool Co-ops: How to Start Them, Run Them and Not Burn Out

Money Management in a Homeschool Organization

Consultations on tax exempt status, revocation

Podcast: DollarsAndSenseShow.com

HomeschoolCPA.com

Carol@HomeschoolCPA.com

