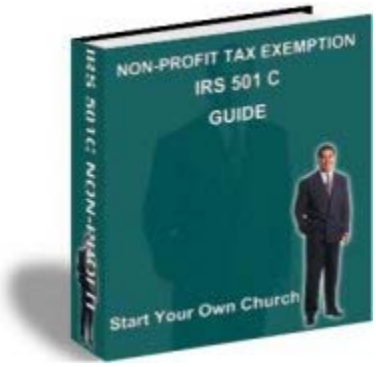
United Christian Faith Ministries



Revision 1.0.1

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Introduction

To qualify for federal tax-exempt status, nonprofit organizations must be **organized** and **operate** for some religious, charitable, educational, literary or scientific purpose permitted under 501(c)(3) of the U.S. Internal Revenue tax code (IRC).

The religious category of classification refers to general types of religious organizations and more formal institutionalized churches, thus the purpose must be clearly stated in the founding documents.

For a nonprofit organization to qualify for 503(c)(3) federal tax-exempt status, a timely filing of IRS form 1023 or in the case of a religious organization form 1024 must be made. The 1023/1024 application is filed in a timely manner if it is postmarked within 15 months after the end of the month when the nonprofit's articles of incorporation were filed.

If filed on time, the tax-exemption is effective retroactively to the date on which the nonprofit's articles of incorporation were filed.

Some organizations are not required to file form 1023, such as a Church, interchurch organization, convention of Churches or an integrated auxiliary of Churches. However, it is recommended that these organizations file for tax-exempt status, thus being assured by the IRS that the organization is recognized by the IRS as a legitimate 501(c)(3) tax-exempt entity.

If a Church does not file form 1023 and if later the IRS were to challenge that your organization is not a Church, and if this challenge were upheld, you could be subject to back taxes, stiff fines and penalties!

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Why File?

Churches in the United States are NOT required by law to file with the IRS for 501(c)(3) paperwork. However there are three major advantages to being IRS 501(c)(3) recognized.

Advantages

- Exemption from Federal Taxes.
- Contributions are tax-deductible.
- Charitable grants.
- Nonprofit postage rates.
- Discounts given to nonprofit entities.
- Access to food banks.

Disadvantages

- Increased paperwork.
- Filing Articles of Incorporations with the state.
- Meeting and Minutes must be properly kept and recorded.
- Applications, records and paperwork must be filed and maintained strictly on both State and Federal levels.
- Payment of the “user fee”.

Prerequisites of Exemption

The items listed below need to be available and in place before making filing form 1023. Failure to do so may well find your application with the IRS declined or taking an extra amount of time and expense to complete the paperwork.

Founding Documents

__ **Articles of Incorporation**

__ **Constitution and Bylaws**

__ **Doctrinal Beliefs**

__ **Documents defining ecclesiastical structures.**
e.g. existence of Church Government.

__ **EIN**
Form SS-4 **CLICK HERE**

__ **Checking Account -**
Generally you cannot open a business checking account without an **EIN.**

__ **Published materials.**
Books, studies, sermons, brochures, handouts, songbooks, etc.

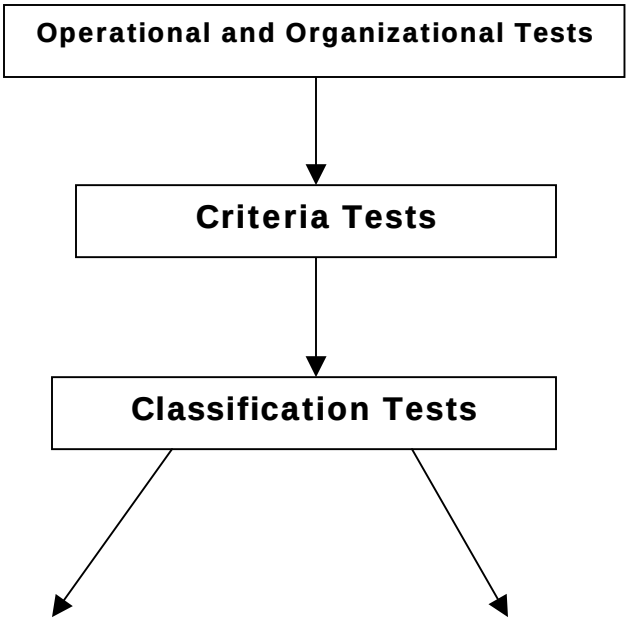
__ **Financial Information.**
Actual or projected budgets.

__ **User Fee**
Form 8718 **CLICK HERE**

Operation and Organization Analysis

Introduction

The IRS applies two sets of tests to determine if an organization is worthy of receiving exemption status and then decides what classification of exemption the organization belongs to.



Church	Ministry (Referred to as "Other Religious Organization")
A Church is automatically granted IRS exempt status.	A Ministry must apply for IRS exempt status.
Can apply for determination using form 1023.	Must apply using form 1024.
No yearly return required.	Must file a yearly return.
$150/$500 User Fee. *Read questions and answers #8*	$150/$500 User Fee. *Read questions and answers #8*

Criteria Analysis

The IRS uses **seven** elements to determine if an organization is qualified for exemption. All seven Criteria's below must be present in the founding documents of an exempted organization.

- Must have some form of **legal status**.
- **Organized** exclusively for exempt purposes.
- **Operated** exclusively for exempt purposes.
- **Assets** NOT to benefit private individuals.
- **Influence legislation** is forbidden
- **Political** activity is forbidden.
- No part of the organization's purposes or activities may be illegal or violate **fundamental public policy**.

Classification Analysis

The IRS uses **fourteen** matching elements to classify an exempt organization.

- Legal existence.
- Officially recognized creed and form of worship.
- Distinct ecclesiastical government.
- Code of doctrine and discipline.
- Distinct religious history.
- Organization of ordained ministers.
- Ordained ministers serving after completing a required course of study.
- Distinct Literature of its own *(not the Bible)*.
- Membership not associated with any other church or denomination.
- Established places of worship.
- Regular congregations.
- Regular religious services.
- Schools for ministerial preparation.
- Schools and training for the youth.

The more of these 14 elements existing in an organization the more likely that the IRS would likely classify that organization as a Church. The real test is going to be is the entity organized and operated as an organization that benefits society as measured against other such recognized entities.

Sample Form 1023

The next section is a sample IRS 1023 form for a Church. Other Religious Organizations such as Ministries etc. would need to file form 1024 instead of form 1023. Form 1024 is basically the same as form 1023.

Form 1023 is broken down to four areas of answers.

I. Identification of Applicant
II. Activities and Operational Information
III. Technical Requirements
IV Financial Data

Any questions that are not applicable to your filing enter "N/A" *(without the quotes)*. Additionally information may be requested but there is not enough space provided on the form. If this happens you can attach an exhibit to the form and write in the box "See Attached Exhibit ___". *"See Exhibit B", "See Attached Exhibit C" or "See attached Exhibit 1…."* etc.

IRS form **1023** **CLICK HERE** and form **1024** **CLICK HERE**. Both are available in PDF format free of charge from the IRS website.

Before filing any of the forms **carefully** read the **instructions** at the beginning of the forms. If you need additional help the IRS is available to answer your questions **CLICK HERE** for locations of the nearest IRS Office**.**

Below are three publications from the IRS that I highly recommend you read before filing for exemption.

Publication 557 - Tax Exempt Guide <- Very important reading!!!

Publication 1828 - Tax Guide for Churches and Religious Organizations

Publication 1771 - Charitable Contributions (Substantiation and Disclosure)

When you see this Icon on the sample 1023 form – click on the Icon and a box will pop-up with additional help and instructions.

Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption

SAMPLE

Under Section 501(c)(3) of the Internal Revenue Code

Contents:

Form 1023 and
Instructions
Form 872-C

Note: *For the addresses for filing* ***Form 1023,*** *see* ***Form 8718,*** *User Fee for Exempt Organization Determination Letter Request.*

For obtaining an employer identification number (EIN), see ***Form SS-4,*** *Application for Employer Identification Number.*

Package 1023
(Rev. September 1998)

Cat. No. 47194L

Department of the Treasury
Internal Revenue Service

Instructions for Form 1023

(Revised September 1998)

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

Note: *Retain a copy of the completed Form 1023 in the organization's permanent records. See* ***Public Inspection of Form 1023*** *regarding public inspection of approved applications.*

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

User Fee.—Submit with the Form 1023 application for a determination letter, a **Form 8718,** User Fee for Exempt Organization Determination Letter Request, and the user fee called for in the Form 8718. You may obtain Form 8718, and additional forms and publications, through your local IRS office or by calling 1-800-829-3676 (1-800-TAX-FORM). User fees are subject to change on an annual basis. Therefore, be sure that you use the most current Form 8718.

Helpful information.—For additional information, see:

- **Pub. 557,** Tax-Exempt Status for Your Organization
- **Pub. 598,** Tax on Unrelated Business Income of Exempt Organizations
- **Pub. 578,** Tax Information for Private Foundations and Foundation Managers
- **Internet site,** www.irs.ustreas.gov/bus_info/eo/

Purpose of Form

1. Completed Form 1023 required for section 501(c)(3) exemption.—Unless it meets one of the exceptions in **2** below, any organization formed after October 9, 1969, must file a Form 1023 to qualify as a section 501(c)(3) organization.

The IRS determines if an organization is a private foundation from the information entered on a Form 1023.

2. Organizations not required to file Form 1023.—The following types of organizations may be considered tax-exempt under section 501(c)(3) even if they do not file Form 1023:

1. Churches,

2. Integrated auxiliaries of churches, and conventions or associations of churches, or

3. Any organization that:

(a) Is not a private foundation (as defined in section 509(a)), and

(b) Has gross receipts in each taxable year of normally not more than $5,000.

Even if the above organizations are not required to file Form 1023 to be tax-exempt, these organizations may choose to file Form 1023 in order to receive a determination letter that recognizes their section 501(c)(3) status.

Section 501(c)(3) status provides certain incidental benefits such as:

- Public recognition of tax-exempt status.
- Advance assurance to donors of deductibility of contributions.
- Exemption from certain state taxes.
- Exemption from certain Federal excise taxes.
- Nonprofit mailing privileges, etc.

3. Other organizations.—Section 501(e) and (f) cooperative service organizations, section 501(k) child care organizations, and section 501(n) charitable risk pools use Form 1023 to apply for a determination letter under section 501(c)(3).

4. Group exemption letter.—Generally, Form 1023 is not used to apply for a group exemption letter. See Pub. 557 for information on how to apply for a group exemption letter.

What To File

All applicants must complete pages 1 through 9 of Form 1023. These organizations must also complete the schedules or form indicated:

1.	Churches	Schedule A
2.	Schools	Schedule B
3.	Hospitals and Medical Research	Schedule C
4.	Supporting Organizations (509(a)(3))	Schedule D
5.	Private Operating Foundations	Schedule E
6.	Homes for the Aged or Handicapped	Schedule F
7.	Child Care	Schedule G
8.	Scholarship Benefits or Student Aid	Schedule H
9.	Organizations that have taken over or will take over a "for profit" institution	Schedule I
10.	Organizations requesting an advance ruling in Part III, Line 10	Form 872-C

Attachments.—For any attachments submitted with Form 1023.—

- Show the organization's name, address, and employer identification number (EIN).
- Identify the Part and line item number to which the attachment relates.
- Use 8½ x 11 inch paper for any attachments.
- Include any court decisions, rulings, opinions, etc., that will expedite processing of the application. Generally, attachments in the form of tape recordings are not acceptable unless accompanied by a transcript.

When To File

An organization formed after October 9, 1969, must file Form 1023 to be recognized as an organization described in section 501(c)(3). Generally, if an organization files its application within 15 months after the end of the month in which it was formed, and if the IRS approves the application, the effective date of the organization's section 501(c)(3) status will be the date it was organized.

Generally, if an organization does not file its application (Form 1023) within 15 months after the end of the month in which it was formed, it will not qualify for exempt status during the period before the date of its application. For exceptions and special rules, including automatic extensions in some cases, see Part III of Form 1023.

The date of receipt of the Form 1023 is the date of the U.S. postmark on the cover in which an exemption application is mailed or, if no postmark appears on the cover, the date the application is stamped as received by the IRS.

Private delivery services.—See the instructions for your income tax return for information on certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying rule." The private delivery service can tell you how to get written proof of the mailing date.

Caution: *Private delivery services cannot deliver items to P.O. boxes. You must use the U. S. Postal Service to mail any item to an IRS P.O. box address. See the Form 8718 for the P.O. box address as well as the express mail or a delivery service address.*

Where To File

File the completed Form 1023 application, and all required information, with the IRS at the address shown in Form 8718.

The IRS will determine the organization's tax-exempt status and whether any annual returns must be filed.

Signature Requirements

An officer, a trustee who is authorized to sign, or another person authorized by a power of attorney, must sign the Form 1023 application. Attach a power of attorney to the application. You may use **Form 2848,** Power of Attorney and Declaration of Representative, for this purpose.

Deductibility of Contributions

Donors can take a charitable contribution deduction if their gift or bequest is made to a section 501(c)(3) organization.

The effective date of an organization's section 501(c)(3) status determines the date that contributions to it are deductible by donors. (See **When To File** on page 1.)

Contributions by U.S. residents to foreign organizations generally are not deductible. Tax treaties between the U.S. and certain foreign countries provide limited exceptions. Foreign organizations (other than those in Canada or Mexico) that claim eligibility to receive contributions deductible by U.S. residents must attach an English copy of the U.S. tax treaty that provides for such deductibility.

Appeal Procedures

The organization's application will be considered by the IRS which will either:

1. Issue a favorable determination letter;

2. Issue a proposed adverse determination letter denying the exempt status requested; or

3. Refer the case to the National Office.

If the IRS sends you a proposed adverse determination, it will advise you of your appeal rights at that time.

Language and Currency Requirements

Language requirements.—Prepare the Form 1023 and attachments in English. Provide an English translation if the organizational document or bylaws are in any other language.

You may be asked to provide English translations of foreign language publications that the organization produces or distributes and that are submitted with the application.

Financial requirements.—Report all financial information in U.S. dollars (specify the conversion rate used). Combine amounts from within and outside the United States and report the total for each item on the financial statements.

For example:

Gross Investment Income	
From U.S. sources	$4,000
From non-U.S. sources	1,000
Amount to report on income statement	$5,000

Annual Information Return

If an annual information return is due while the organization's application for recognition of exempt status is pending with the IRS (including any appeal of a proposed adverse determination), the organization should file at the following address:

Internal Revenue Service
Ogden Service Center
Ogden, Utah 84201-0027

- **Form 990,** Return of Organization Exempt From Income Tax, **or**
- **Form 990-EZ,** Short Form Return of Organization Exempt From Income Tax, **and,**
- **Schedule A (Form 990),** Organization Exempt Under Section 501(c)(3), **or**
- **Form 990-PF,** Return of Private Foundation, if the organization acknowledges it is a private foundation, **and**

Indicate that an application is pending.

If an organization has unrelated business income of more than $1,000, file **Form 990-T,** Exempt Organization Business Income Tax Return.

Public Inspection of Form 1023

Caution: *Note the discussion below for the potential effect of the Taxpayer Bill of Rights 2 (TBOR2) on these instructions.*

IRS responsibilities for public inspection.—If the organization's application for section 501(c)(3) status is approved, the following items will be open to public inspection in any District office and at the National Office of the IRS (section 6104):

1. The organization's application and any supporting documents.

2. Any letter or other document issued by the IRS with regard to the application.

Note that the following items are not available for public inspection:

1. Any information relating to a trade secret, patent, style of work, or apparatus that, if released, would adversely affect the organization, or

2. Any other information that would adversely affect the national defense.

IMPORTANT: Applicants must identify this information by clearly marking it, "NOT SUBJECT TO PUBLIC INSPECTION," and must attach a statement to explain why the organization asks that the information be withheld. If the IRS agrees, the information will be withheld.

Organization's responsibilities for public inspection.—The organization must make available a copy of its approved application and supporting documents, along with any document or letter issued by the IRS for public inspection.

These documents must be available during regular business hours at the organization's principal office and at each of its regional or district offices having at least three paid employees. See Notice 88-120,1988-2 C.B. 454.

A penalty of $20 a day will be imposed on any person under a duty to comply with the public inspection requirements for each day a failure to comply continues.

Furnishing copies of documents under TBOR2.—The Taxpayer Bill of Rights 2 (TBOR2), enacted July 30, 1996, modified prospectively the section 6685 penalty and the rules for the public inspection of returns and exemption applications. An organization must furnish a copy of its Form 990, Form 990-EZ, or exemption application, and certain related documents, if a request is made in writing or in person.

For a request made in person, the organization must make an immediate response.

For a response to a written request, the organization must provide the requested copies within 30 days.

The organization must furnish copies of its Forms 990, or Forms 990-EZ, for any of its 3 most recent taxable years. No charge is to be made other than charging a reasonable fee for reproduction and actual postage costs.

An organization need not provide copies if:

1. The organization has made the requested documents widely available in a manner provided in Treasury regulations, or

2. The Secretary of the Treasury determined, upon application by the organization, that the organization was subject to a harassment campaign such that a waiver of the obligation to provide copies would be in the public interest.

Penalty for failure to allow public inspection or provide copies.—The section 6685 penalty for willful failure to allow public inspections or provide copies is increased from the present-law level of $1,000 to $5,000 by TBOR2.

Effective date of TBOR2.—These public inspection provisions governing tax-exempt organizations under TBOR2 generally apply to requests made no earlier than 60 days after the date on which the Treasury Department publishes the regulations required under the provisions. However, Congress, in the legislative history of TBOR2, indicated that organizations would comply voluntarily with the public inspection provisions prior to the issuance of such regulations.

Special Rule for Canadian Colleges and Universities

A Canadian college or university that received **Form T2051,** Notification of Registration, from Revenue Canada (Department of National Revenue, Taxation) and whose registration has not been revoked, does not need to complete all parts of Form 1023.

Such an organization must complete only Part I of Form 1023 and Schedule B (Schools, Colleges, and Universities). It must attach a copy of its **Form T2050,** Application for Registration, together with all the required attachments submitted to Revenue Canada. It must furnish an English translation if any attachments were prepared in French.

Other Canadian organizations.—Other Canadian organizations that seek a determination of section 501(c)(3) status must complete Form 1023 in the same manner as U.S. organizations.

Specific Instructions

The following instructions are keyed to the line items on the application form:

Part I. Identification of Applicant

Line 1. Full name and address of organization.—Enter the organization's name exactly as it appears in its creating document including amendments. Show the other name in parentheses, if the organization will be operating under another name.

For a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice in placing the postal code in the address. **Do not** abbreviate the country name.

Line 2. Employer identification number (EIN).—All organizations must have an EIN. Enter the nine-digit EIN the IRS assigned to the organization. See **Form SS-4,** Application for Employer Identification Number, for information on how to obtain an EIN immediately by telephone, if the organization does not have an EIN. Enter, "applied for," if the organization has applied for an EIN number previously. Attach a statement giving the date of the application and the office where it was filed. **Do not** apply for an EIN more than once.

Line 3. Person to contact.—Enter the name and telephone number of the person to contact during business hours if more information is needed. The contact person should be an officer, director, or a person with power of attorney who is familiar with the organization's activities and is authorized to act on its behalf. Attach Form 2848 or other power of attorney.

Line 4. Month the annual accounting period ends.—Enter the month the organization's annual accounting period ends. The accounting period is usually the 12-month period that is the organization's tax year. The organization's first tax year depends on the accounting period chosen. The first tax year could be less than 12 months.

Line 5. Date formed.—Enter the date the organization became a legal entity. For a corporation, this is the date that the articles of incorporation were approved by the appropriate state official. For an unincorporated organization, it is the date its constitution or articles of association were adopted.

Line 6.—Indicate if the organization is one of the following:

- 501(e) Cooperative hospital service organization
- 501(f) Cooperative service organization of operating educational organization
- 501(k) Organization providing child care
- 501(n) Charitable risk pool

If none of the above applies, make no entry on line 6.

Line 7.—Indicate if the organization has ever filed a Form 1023 or **Form 1024,** Application for Recognition of Exemption Under Section 501(a), with the IRS.

Line 8.—If the organization for which this application is being filed is a private foundation, answer "N/A." If the organization is not required to file Form 990 (or Form 990-EZ) and is not a private foundation, answer "No" and attach an explanation. See the Instructions for Form 990 and Form 990-EZ for a discussion of organizations not required to file Form 990 (or Form 990-EZ). Otherwise, answer "Yes."

Line 9.—Indicate if the organization has ever filed Federal income tax returns as a taxable organization or filed returns as an exempt organization (e.g., Form 990, 990-EZ, 990-PF, or 990-T).

Line 10. Type of organization and organizational documents.—Organizing instrument.—Submit a conformed copy of the organizing instrument. If the organization does not have an organizing instrument, it will not qualify for exempt status.

A conformed copy is one that agrees with the original and all amendments to it. The conformed copy may be:

- A photocopy of the original signed and dated organizing document, OR
- A copy of the organizing document that is unsigned but is sent with a written declaration, signed by an authorized individual, that states that the copy is a complete and accurate copy of the original signed and dated document.

Corporation.—In the case of a corporation, a copy of the articles of incorporation, approved and dated by an appropriate state official, is sufficient by itself.

If an unsigned copy of the articles of incorporation is submitted, it must be accompanied by the written declaration discussed above.

Signed, or unsigned, copies of the articles of incorporation must be accompanied by a declaration stating that the original copy of the articles was filed with, and approved by, the state. The date filed must be specified.

Unincorporated association.—In the case of an unincorporated association, the conformed copy of the constitution, articles of association, or other organizing document must indicate, in the document itself, or in a written declaration, that the organization was formed by the adoption of the document by two or more persons.

Bylaws.—If the organization has adopted bylaws, include a current copy. The bylaws do not need to be signed if they are submitted as an attachment to the Form 1023 application. The bylaws of an organization alone are not an organizing instrument. They are merely the internal rules and regulations of the organization.

Trust.—In the case of a trust, a copy of the signed and dated trust instrument must be furnished.

Dissolution clause.—For an organization to qualify for exempt status, its organizing instrument must contain a proper dissolution clause, or state law must provide for distribution of assets for one or more section 501(c)(3) purposes upon dissolution. If the organization is relying on state law, provide the citation for the law and briefly state the law's provisions in an attachment. Foreign organizations must provide the citation for the foreign statute and attach a copy of the statute along with an English language translation.

See Pub. 557 for a discussion of dissolution clauses under the heading, **Articles of Organization, Dedication and Distribution of Assets.** Examples of dissolution clauses are shown in the sample organizing instruments given in that publication.

Organizational purposes.—The organizing instrument must specify the organizational purposes of the organization. The purposes specified must be limited to one or more of those given in section 501(c)(3). See Pub. 557 for detailed instructions and for sample organizing instruments that satisfy the requirements of section 501(c)(3) and the related regulations.

Part II. Activities and Operational Information

Line 1.—It is important that you report all activities carried on by the organization to enable the IRS to make a proper determination of the organization's exempt status.

Line 2.—If it is anticipated that the organization's principal sources of support will increase or decrease substantially in relation to the organization's total support, attach a statement describing anticipated changes and explaining the basis for the expectation.

Line 3.—For purposes of providing the information requested on line 3, "fundraising activity" includes the solicitation of contributions and both functionally related activities and unrelated business activities. Include a description of the nature and magnitude of the activities.

Line 4a.—Furnish the mailing addresses of the organization's principal officers, directors, or trustees. Do not give the address of the organization.

Line 4b.—The annual compensation includes salary, bonus, and any other form of payment to the individual for services while employed by the organization.

Line 4c.—Public officials include anyone holding an elected position or anyone appointed to a position by an elected official.

Line 4d.—For purposes of this application, a "disqualified person" is any person who, if the applicant organization were a private foundation, is:

1. A "substantial contributor" to the foundation (defined below);

2. A foundation manager;

3. An owner of more than 20% of the total combined voting power of a corporation that is a substantial contributor to the foundation;

4. A "member of the family" of any person described in **1, 2,** or **3** above;

5. A corporation, partnership, or trust in which persons described in **1, 2, 3,** or **4** above, hold more than 35% of the combined voting power, the profits interest, or the beneficial interests; and

6. Any other private foundation that is effectively controlled by the same persons who control the first-mentioned private foundation or any other private foundation substantially all of whose contributions were made by the same contributors.

A substantial contributor is any person who gave a total of more than $5,000 to the organization, and those contributions are more than 2% of all the contributions and bequests received by the organization from the date it was created up to the end of the year the contributions by the substantial contributor were received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed by that person or others.

See Pub. 578 for more information on "disqualified persons."

Line 5.—If your organization controls or is controlled by another exempt organization or a taxable organization, answer "Yes." "Control" means that:

1. Fifty percent (50%) or more of the filing organization's officers, directors, trustees, or key employees are also officers, directors, trustees, or key employees of the second organization being tested for control;

2. The filing organization appoints 50% or more of the officers, directors, trustees, or key employees of the second organization; or

3. Fifty percent (50%) or more of the filing organization's officers, directors, trustees, or key employees are appointed by the second organization.

Control exists if the 50% test is met by any one group of persons even if collectively the 50% test is not met. Examples of special relationships are common officers and the sharing of office space or employees.

Line 6.—If the organization conducts any financial transactions (either receiving or distributing cash or other assets), or nonfinancial activities with an exempt organization (other than a 501(c)(3) organization), or with a political organization, answer "Yes," and explain.

Line 7.—If the organization must report its income and expense activity to any other organization (tax-exempt or taxable entity), answer "Yes."

Line 8.—Examples of assets used to perform an exempt function are: land, building, equipment, and publications. Do not include cash or property producing investment income. If you have no assets used in performing the organization's exempt function, answer "N/A."

Line 10a.—If the organization is managed by another exempt organization, a taxable organization, or an individual, answer "Yes."

Line 10b.—If the organization leases property from anyone or leases any of its property to anyone, answer "Yes."

Line 11.—A membership organization for purposes of this question is an organization that is composed of individuals or organizations who:

1. Share in the common goal for which the organization was created;

2. Actively participate in achieving the organization's purposes; and

3. Pay dues.

Line 12.—Examples of benefits, services, and products are: meals to homeless people, home for the aged, a museum open to the public, and a symphony orchestra giving public performances.

Note: *Organizations that provide low-income housing should see Rev. Proc. 96-32, 1996-1 C.B. 717, for a "safe harbor" and an alternative facts and circumstances test to be used in completing line 12.*

Line 13.—An organization is attempting to influence legislation if it contacts or urges the public to contact members of a legislative body, for the purpose of proposing, supporting, or opposing legislation, or if it advocates the adoption or rejection of legislation.

If you answer "Yes," you may want to file **Form 5768,** Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

Line 14.—An organization is intervening in a political campaign if it promotes or opposes the candidacy or prospective candidacy of an individual for public office.

Part III. Technical Requirements

Line 1.—If you check "Yes," proceed to line 7. If you check "No," proceed to line 2.

Line 2a.—To qualify as an integrated auxiliary, an organization must not be a private foundation and must satisfy the affiliation and support tests of Regulations section 1.6033-2(h).

Line 3.—Relief from the 15-month filing requirement is granted automatically if the organization submits a completed Form 1023 within 12 months from the end of the 15-month period.

To get this extension, an organization must add the following statement at the top of its application: "Filed Pursuant to Section 301.9100-2." No request for a letter ruling is required to obtain an automatic extension.

Line 4.—See Regulation sections 301.9100-1 and 301.9100-3 for information about a discretionary extension beyond the 27-month period. Under these regulations, the IRS will allow an organization a reasonable extension of time to file a Form 1023 if it submits evidence to establish that:

(a) It acted reasonably and in good faith, and

(b) Granting relief will not prejudice the interests of the government.

Showing reasonable action and good faith.—An organization acted reasonably and showed good faith if at least one of the following is true.

1. The organization filed its application before the IRS discovered its failure to file.

2. The organization failed to file because of intervening events beyond its control.

3. The organization exercised reasonable diligence but was not aware of the filing requirement.

To determine whether the organization exercised reasonable diligence, it is necessary to take into account the complexity of filing and the organization's experience in these matters.

4. The organization reasonably relied upon the written advice of the IRS.

5. The organization reasonably relied upon the advice of a qualified tax professional who failed to file or advise the organization to file Form 1023. An organization cannot rely on the advice of a qualified tax professional if it knows or should know that he or she is not competent to render advice on filing exemption applications or is not aware of all the relevant facts.

Not acting reasonably and in good faith.—An organization has not acted reasonably and in good faith if it chose not to file after being informed of the requirement to file and the consequences of failure to do so. Furthermore, an organization has not acted reasonably and in good faith if it used hindsight to request an extension of time to file. That is, if after the original deadline to file passes, specific facts have changed so that filing an application becomes advantageous to an organization, the IRS will not ordinarily grant an extension. To qualify for an extension in this situation, the organization must prove that its decision to file did not involve hindsight.

No prejudice to the interest of the government.—Prejudice to the interest of the government results if granting an extension of time to file to an organization results in a lower total tax liability for the years to which the filing applies than would have been the case if the organization had applied on time. Before granting an extension, the IRS may require the organization requesting it to submit a statement from an independent auditor certifying that no prejudice will result if the extension is granted.

Procedure for requesting extension.—To request a discretionary extension, an organization must submit the following with its Form 1023:

- A statement showing the date Form 1023 should have been filed and the date it was actually filed.
- An affidavit describing in detail the events that led to the failure to apply and to the discovery of that failure. If the organization relied on a qualified tax professional's advice, the affidavit must describe the engagement and responsibilities of the professional and the extent to which the organization relied on him or her.
- All documents relevant to the election application.
- A dated declaration, signed by an individual authorized to act for the organization, that includes the following statement: "Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete."
- A detailed affidavit from individuals having knowledge or information about the events that led to the failure to make the application and to the discovery of that failure. These individuals include accountants or attorneys knowledgeable in tax matters who advised the organization concerning the application. Any affidavit from a tax professional must describe the engagement and responsibilities of the professional as well as the advice that the professional provided to the organization. The affidavit must also include the name, current address, and taxpayer identification number of the individual making the affidavit (the affiant). The affiant must also forward with the affidavit a dated and signed declaration that states: "Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete."

The reasons for late filing should be specific to your particular organization and situation. Regulation section 301.9100-3 (see above) lists the factors the IRS will consider in determining if good cause exists for granting a discretionary extension of time to file the application. To address these factors, your response for line 4 should provide the following information:

1. Whether the organization consulted an attorney or accountant knowledgeable in tax matters or communicated with a responsible IRS employee (before or after the organization was created) to ascertain the organization's Federal filing requirements and, if so, the names and occupations or titles of the persons contacted, the approximate dates, and the substance of the information obtained;

2. How and when the organization learned about the 15-month deadline for filing Form 1023;

3. Whether any significant intervening circumstances beyond the organization's control prevented it from submitting the application timely or within a reasonable period of time after it learned of the requirement to file the application within the 15-month period; and

4. Any other information that you believe may establish reasonable action and good faith and no prejudice to the interest of the government for not filing timely or otherwise justify granting the relief sought.

A request for relief under this section is treated as part of the request for the exemption determination letter and is covered by the user fee submitted with Form 8718.

Line 5.—If you answer "No," the organization may receive an adverse letter limiting the effective date of its exempt status to the date its application was received.

Line 6.—The organization may still be able to qualify for exemption under section 501(c)(4) for the period preceding the effective date of its exemption as a section 501(c)(3) organization. If the organization is qualified under section 501(c)(4) and page 1 of Form 1024 is filed as directed, the organization will not be liable for income tax returns as a taxable entity. Contributions to section 501(c)(4) organizations are generally not deductible by donors as charitable contributions.

Line 7.—Private foundations are subject to various requirements, restrictions, and excise taxes under Chapter 42 of the Code that do not apply to public charities. Also, contributions to private foundations may receive less favorable treatment than contributions to public charities. See Pub. 578. Therefore, it is usually to an organization's advantage to show that it qualifies as a public charity rather than as a private foundation if its activities or sources of support permit it to do so. Unless an organization meets one of the exceptions below, it is a private foundation. In general, an organization is **not** a private foundation if it is:

1. A church, school, hospital, or governmental unit;

2. A medical research organization operated in conjunction with a hospital;

3. An organization operated for the benefit of a college or university that is owned or operated by a governmental unit;

4. An organization that normally receives a substantial part of its support in the form of contributions from a governmental unit or from the general public as provided in section 170(b)(1)(A)(vi);

5. An organization that normally receives not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts related to its exempt functions (subject to certain exceptions) as provided in section 509(a)(2);

6. An organization operated solely for the benefit of, and in connection with, one or more organizations described above (or for the benefit of one or more of the organizations described in section 501(c)(4), (5), or (6) of the Code and also described in **5** above), but not controlled by disqualified persons other than foundation managers, as provided in section 509(a)(3); or

7. An organization organized and operated to test for public safety as provided in section 509(a)(4).

Line 8.—Basis for private operating foundation status: (Complete this line **only** if you answered "Yes" to the question on line 7.)

A "private operating foundation" is a private foundation that spends substantially all of its adjusted net income or its minimum investment return, whichever is less, directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated.

The foundation must satisfy the income test and one of the three supplemental tests: **(1)** the assets test; **(2)** the endowment test; or **(3)** the support test. For additional information, see Pub. 578.

Line 9.—Basis for nonprivate foundation status: Check the box that shows why your organization is not a private foundation.

Box (a). A church or convention or association of churches.

Box (b). A school.—See the definition in the instructions for Schedule B.

Box (c). A hospital or medical research organization.—See the instructions for Schedule C.

Box (d). A governmental unit.—This category includes a state, a possession of the United States, or a political subdivision of any of the foregoing, or the United States, or the District of Columbia.

Box (e). Organizations operated in connection with or solely for organizations described in (a) through (d) or (g), (h), and (i).—The organization must be organized and operated for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in section 509(a)(1) or (2). It must be operated, supervised, or controlled by or in connection with one or more of the organizations described in the instructions for boxes **(a)** through **(d)** or **(g), (h),** and **(i).** It must not be controlled directly or indirectly by disqualified persons (other than foundation managers or organizations described in section 509(a)(1) or (2)). To show whether the organization satisfies these tests, complete Schedule D.

Box (f). An organization testing for public safety.—An organization in this category is one that tests products to determine their acceptability for use by the general public. It does not include any organization testing for the benefit of a manufacturer as an operation or control in the manufacture of its product.

Box (g). Organization for the benefit of a college or university owned or operated by a governmental unit.—The organization must be organized and operated exclusively for the benefit of a college or university that:

- Is an educational organization within the meaning of section 170(b)(1)(A)(ii) and is an agency or instrumentality of a state or political subdivision of a state;
- Is owned or operated by a state or political subdivision of a state; OR
- Is owned or operated by an agency or instrumentality of one or more states or political subdivisions.

The organization must also normally receive a substantial part of its support from the United States or any state or political subdivision of a state, or from direct or indirect contributions from the general public or from a combination of these sources.

An organizaton described in section 170(b)(1)(A)(iv) will be subject to the same publicly supported rules that are applicable to 170(b)(1)(A)(vi) organizations described in box (h) below.

Box (h). Organization receiving support from a governmental unit or from the general public.—The organization must receive a substantial part of its support from the United States or any state or political subdivision, or from direct or indirect contributions from the general public, or from a combination of these sources.

The organization may satisfy the support requirement in either of two ways.

(1) It will be treated as publicly supported if the support it normally receives from the above-described governmental units and the general public equals at least one-third of its total support.

(2) It will also be treated as publicly supported if the support it normally receives from governmental or public sources equals at least 10% of total support and the organization is set up to attract new and additional public or governmental support on a continuous basis.

If the organization's governmental and public support is at least 10%, but not over one-third of its total support, the questions on lines 1 through 14 of Part II will apply to determine both the organization's claim of exemption and whether it is publicly supported. Preparers should exercise care to assure that those questions are answered in detail.

Box (i). Organization described in section 509(a)(2).—The organization must satisfy the support test under section 509(a)(2)(A) and the gross investment income test under section 509(a)(2)(B).

To satisfy the support test, the organization must normally receive more than one-third of its support from: **(a)** gifts, grants, contributions, or membership fees, and **(b)** gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, in an activity that is not an unrelated trade or business (subject to certain limitations discussed below).

This one-third of support must be from organizations described in section 509(a)(1), governmental sources, or persons other than disqualified persons.

In computing gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in an activity that is not an unrelated trade or business, the gross receipts from any one person or from any bureau or similar agency of a governmental unit are includible only to the extent they do not exceed the greater of $5,000 or 1% of the organization's total support.

To satisfy the gross investment income test, the organization must not receive more than one-third of its support from gross investment income.

Box (j).—If you believe the organization meets the public support test of section 170(b)(1)(A)(vi) or 509(a)(2) but are uncertain as to which public support test it satisfies, check box **(j).** By checking this box, you are claiming that the organization is not a private foundation and are agreeing to let the IRS compute the public support of your organization and determine the correct foundation status.

Line 10.—An organization must complete a tax year consisting of at least 8 months to receive a definitive (final) ruling under sections 170(b)(1)(A)(vi) and 509(a)(1), or under section 509(a)(2).

However, organizations that checked box **(h), (i),** or **(j)** on line 9 that do not meet the 8-month requirement must request an advance ruling that covers their first 5 tax years instead of requesting a definitive ruling.

An organization that meets the 8-month requirement has two options:

1. It may request a definitive ruling. The organization's public support computation will be based on the support the organization has received to date; or

2. It may request an advance ruling. The organization's public support computation will be based on the support it receives during its first 5 tax years.

An organization should consider the advance ruling option if it has not received significant public support during its first tax year or during its first and second tax years, but it reasonably expects to receive such support by the end of its fifth tax year.

An organization that receives an advance ruling is treated, during the 5-year advance ruling period, as a public charity (rather than a private foundation) for certain purposes, including those relating to the deductibility of contributions by the general public.

Line 11.—For definition of an unusual grant, see instructions for Part IV-A, line 12.

Line 12.—Answer this question only if you checked box **(g), (h),** or **(j)** on line 9.

Line 13.—Answer the question on this line only if you checked box **(i)** or **(j)** on line 9 and are requesting a definitive ruling on line 10.

Line 14.—Answer "Yes" or "No" on each line. If "Yes," you must complete the appropriate schedule. Each schedule is included in this application package with accompanying instructions. For a brief definition of each type of organization, see the appropriate schedule.

Part IV. Financial Data

Complete the Statement of Revenue and Expenses for the current year and each of the 3 years immediately before it (or the years the organization has existed, if less than 4).

Any applicant that has existed for less than 1 year must give financial data for the current year and proposed budgets for the following 2 years.

The IRS may request financial data for more than 4 years if necessary.

All financial information for the current year must cover the period beginning on the first day of the organization's established annual accounting period and ending on any day that is within 60 days of the date of this application.

If the date of this application is less than 60 days after the first day of the current accounting period, no financial information is required for the current year.

Financial information is required for the 3 preceding years regardless of the current year requirements. Please note that if no financial information is required for the current year, the preceding year's financial information can end on any day that is within 60 days of the date of this application.

Prepare the statements using the method of accounting and the accounting period (entered on line 4 of Part I) the organization uses in keeping its books and records. If the organization uses a method other than the cash receipts and disbursements method, attach a statement explaining the method used.

A. Statement of Revenue and Expenses

Line 1.—Do not include amounts received from the general public or a governmental unit for the exercise or performance of the organization's exempt function. However, include payments made by a governmental unit to enable the organization to provide a service to the general public.

Do not include unusual grants. See the explanation for unusual grants in Line 12 of this section.

Line 2.—Include amounts received from members for the purpose of providing support to the organization. These are considered as contributions. Do not include payments to purchase admissions, merchandise, services, or use of facilities.

Line 3.—Include on this line the income received from dividends, interest, and payments received on securities loans, rents, and royalties.

Line 4.—Enter the organization's net income from any activities that are regularly carried on and are not related to the organization's exempt purposes.

Examples of such income include fees from the commercial testing of products; income from renting office equipment or other personal property; and income from the sale of advertising in an exempt organization's periodical. See Pub. 598 for information about unrelated business income and activities.

Line 5.—Enter the amount collected by the local tax authority from the general public that has been allocated for your organization.

Line 6.—To report the value of services and/or facilities furnished by a governmental unit, use the fair market value at the time the service/facility was furnished to your organization. Do not include any other donated services or facilities in Part IV.

Line 7.—Enter the total income from all sources that is not reported on lines 1 through 6, or lines 9, 11, and 12. Attach a schedule that lists each type of revenue source and the amount derived from each.

Line 9.—Include income generated by the organization's exempt function activities (charitable, educational, etc.) and its nontaxable fundraising events (excluding any contributions received).

Examples of such income include the income derived by a symphony orchestra from the sale of tickets to its performances; and raffles, bingo, or other fundraising-event income that is not taxable as unrelated business income because the income-producing activities are not regularly carried on or because they are conducted with substantially all (at least 85%) volunteer labor. Record related cost of sales on line 22, Other.

Line 11.—Attach a schedule that shows a description of each asset, the name of the person to whom sold, and the amount received. In the case of publicly traded securities sold through a broker, the name of the purchaser is not required.

Line 12.—Unusual grants generally consist of substantial contributions and bequests from disinterested persons that:

1. Are attracted by reason of the publicly supported nature of the organization;

2. Are unusual and unexpected as to the amount; and

3. Would, by reason of their size, adversely affect the status of the organization as normally meeting the support test of section 170(b)(1)(A)(vi) or section 509(a)(2), as the case may be.

If the organization is awarded an unusual grant and the terms of the granting instrument provide that the organization will receive the funds over a period of years, the amount received by the organization each year under the grant may be excluded. See the regulations under sections 170 and 509.

Line 14.—Fundraising expenses represent the total expenses incurred in soliciting contributions, gifts, grants, etc.

Line 15.—Attach a schedule showing the name of the recipient, a brief description of the purposes or conditions of payment, and the amount paid. The following example shows the format and amount of detail required for this schedule:

Recipient	Purpose	Amount
Museum of Natural History	General operating budget	$29,000
State University	Books for needy students	14,500
Richard Roe	Educational scholarship	12,200

Colleges, universities, and other educational institutions and agencies subject to the Family Educational Rights and Privacy Act (20 U.S.C. 1232g) are not required to list the names of individuals who were provided scholarships or other financial assistance where such disclosure would violate the privacy provisions of the law. Instead, such organizations should group each type of financial aid provided, indicate the number of individuals who received the aid, and specify the aggregate dollar amount.

Line 16.—Attach a schedule showing the name of each recipient, a brief description of the purposes or condition of payment, and amount paid. Do not include any amounts that are on line 15. The schedule should be similar to the schedule shown in the line 15 instructions above.

Line 17.—Attach a schedule that shows the name of the person compensated; the office or position; the average amount of time devoted to the organization's affairs per week, month, etc.; and the amount of annual compensation. The following example shows the format and amount of detail required:

Name	Position	Time devoted	Annual salary
Philip Poe	President and general manager	16 hrs. per wk.	$27,500

Line 18.—Enter the total of employees' salaries not reported on line 17.

Line 19.—Enter the total interest expense for the year, excluding mortgage interest treated as if an occupancy expense on line 20.

Line 20.—Enter the amount paid for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes, and similar expenses.

Line 21.—If your organization records depreciation, depletion, and similar expenses, enter the total.

Line 22.—Attach a schedule listing the type and amount of each **significant** expense for which a separate line is not provided. Report other miscellaneous expenses as a single total if not substantial in amount.

B. Balance Sheet

Line 1.—Enter the total cash in checking and savings accounts, temporary cash investments (money market funds, CDs, treasury bills, or other obligations that mature in less than 1 year), change funds, and petty cash funds.

Line 2.—Enter the total accounts receivable that arose from the sale of goods and/or performance of services, less any reserve for bad debt.

Line 3.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period.

Line 4.—Attach a schedule that shows the name of the borrower, a brief description of the obligation, the rate of return on the principal indebtedness, the due date, and the amount due. The following example shows the format and amount of detail required:

Name of borrower	Description of obligation	Rate of return	Due date	Amount
Hope Soap Corporation	Debenture bond (no senior issue outstanding)	8%	Jan. 2004	$37,500
Big Spool Company	Collateral note secured by company's fleet of 20 delivery trucks	10%	Jan. 2003	262,000

Line 5.—Attach a schedule listing the organization's corporate stock holdings.

For stock of closely held corporations, the statement should show the name of the corporation, a brief summary of the corporation's capital structure, and the number of shares held and their value as carried on the organization's books. If such valuation does not reflect current fair market value, also include fair market value.

For stock traded on an organized exchange or in substantial quantities over the counter, the statement should show the name of the corporation, a description of the stock and the principal exchange on which it is traded, the number of shares held, and their value as carried on the organization's books.

The following example shows the format and the amount of detail required:

Name of corporation	Capital structure (or exchange on which traded)	Shares	Book amount	Fair market value
Little Spool Corporation	100 shares nonvoting preferred issued and outstanding, no par value; 50 shares common issued and outstanding, no par value.			
	Preferred shares:	50	$20,000	$24,000
	Common shares:	10	25,000	30,000
Flintlock Corporation	Class A common N.Y.S.E.	80	6,000	6,500

Line 6.—Report each loan separately, even if more than one loan was made to the same person. Attach a schedule that shows the borrower's name, purpose of loan, repayment terms, interest rate, and original amount of loan.

Line 7.—Enter the book value of government securities held (U.S., state, or municipal). Also enter the book value of buildings and equipment held for investment purposes. Attach a schedule identifying and reporting the book value of each.

Line 8.—Enter the book value of buildings and equipment **not** held for investment. This includes plant and equipment used by the organization in conducting its exempt activities. Attach a schedule listing these assets held at the end of the current tax year/period and the cost or other basis.

Line 9.—Enter the book value of land **not** held for investment.

Line 10.—Enter the book value of each category of assets not reported on lines 1 through 9. Attach a schedule listing each.

Line 12.—Enter the total of accounts payable to suppliers and others, such as salaries payable, accrued payroll taxes, and interest payable.

Line 13.—Enter the unpaid portion of grants and contributions that the organization has made a commitment to pay to other organizations or individuals.

Line 14.—Enter the total of mortgages and other notes payable outstanding at the end of the current tax year/period. Attach a schedule that shows each item separately and the lender's name, purpose of loan, repayment terms, interest rate, and original amount.

Line 15.—Enter the amount of each liability not reported on lines 12 through 14. Attach a separate schedule.

Line 17.—Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to restrictions on the use of certain assets. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses. If the organization does not use fund accounting, report only the "net assets" account balances, such as: capital stock, paid-in capital, and retained earnings or accumulated income.

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax-exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 1023 application are covered in Code section 6104.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing, and sending the form to IRS
1023 Parts I to IV	55 hr., 58 min.	5 hr., 1 min.	8 hr., 33 min.
1023 Sch. A	7 hr., 10 min.	-0- min.	7 min.
1023 Sch. B	4 hr., 47 min.	30 min.	36 min.
1023 Sch. C	5 hr., 1 min.	35 min.	43 min.
1023 Sch. D	4 hr., 4 min.	42 min.	47 min.
1023 Sch. E	9 hr., 20 min.	1 hr., 5 min.	1 hr., 17 min.
1023 Sch. F	2 hr., 39 min.	2 hr., 53 min.	3 hr., 3 min.
1023 Sch. G	2 hr., 38 min.	-0- min.	2 min.
1023 Sch. H	1 hr., 55 min.	42 min.	46 min.
1023 Sch. I	3 hr., 35 min.	-0- min.	4 min.
872-C	1 hr., 26 min.	24 min.	26 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the application to this address. Instead, see **Where To File** on page 1.

Procedural Checklist

Make sure the application is complete.

If you do not complete all applicable parts or do not provide all required attachments, we may return the incomplete application to your organization for resubmission with the missing information or attachments. This will delay the processing of the application and may delay the effective date of your organization's exempt status. The organization may also incur additional user fees.

Have you . . .

_____ Attached **Form 8718** (User Fee for Exempt Organization Determination Letter Request) and the appropriate fee?

_____ Prepared the application for mailing? (See **Where To File** addresses on Form 8718.) Do **not** file the application with your local Internal Revenue Service Center.

_____ Completed Parts I through IV and any other schedules that apply to the organization?

_____ Shown the organization's **Employer Identification Number (EIN)**?

a. If your organization has an EIN, write it in the space provided.

b. If this is a newly formed organization and does not have an Employer Identification Number, obtain an EIN by telephone. (See Specific Instructions, Part I, Line 2, on page 3.)

_____ Described your organization's **specific activities** as directed in Part II, line 1, of the application?

_____ Included a **conformed copy** of the complete organizing instrument? (See Specific Instructions, Part I, Line 10, on page 3.)

_____ Had the application signed by one of the following?

a. An officer or trustee who is authorized to sign (e.g., president, treasurer); **or**

b. A person authorized by a power of attorney (Submit Form 2848, or other power of attorney.)

_____ Enclosed **financial statements** (Part IV)?

a. Current year (must include period up to within 60 days of the date the application is filed) and 3 preceding years.

b. Detailed breakdown of revenue and expenses (no lump sums).

c. If the organization has been in existence less than 1 year, you must also submit proposed budgets for 2 years showing the amounts and types of receipts and expenditures anticipated.

Note: *During the technical review of a completed application, it may be necessary to contact the organization for more specific or additional information.*

Do not send this checklist with the application.

Form **1023**
(Rev. September 1998)
Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code

OMB No. 1545-0056

Note: *If exempt status is approved, this application will be open for public inspection.*

Read the instructions for each Part carefully.
A User Fee must be attached to this application.
If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.
Complete the Procedural Checklist on page 8 of the instructions.

SAMPLE

Part I Identification of Applicant

1a Full name of organization (as shown in organizing document)
First South Baptist Church of God

2 Employer identification number (EIN) (If none, see page 3 of the **Specific Instructions.**)
55 : 10101010

1b c/o Name (if applicable)
N/A

3 Name and telephone number of person to be contacted if additional information is needed
John W. Doe
(123) 123-1234

1c Address (number and street) | Room/Suite
123 Elmwood Lane Houston, Texas 12345

1d City, town, or post office, state, and ZIP + 4. If you have a foreign address, see **Specific Instructions** for Part I, page 3.
Houston, Texas 123456

4 Month the annual accounting period ends
December

5 Date incorporated or formed
12/01/2003

1e Web site address N/A

6 Check here if applying under section:
a ☐ 501(e) **b** ☐ 501(f) **c** ☐ 501(k) **d** ☐ 501(n)

7 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? . . . . . ☐ **Yes** ☒ **No**
If "Yes," attach an explanation.

8 Is the organization required to file Form 990 (or Form 990-EZ)? . . . . . ☐ **N/A** ☐ **Yes** ☒ **No**
If "No," attach an explanation (see page 3 of the **Specific Instructions**).

9 Has the organization filed Federal income tax returns or exempt organization information returns? . . ☐ **Yes** ☒ **No**
If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.

10 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING. (See **Specific Instructions** for Part I, Line 10, on page 3.) See also Pub. 557 for examples of organizational documents.

View IRS Pub. 557 Online - CLICK HERE

a ☒ Corporation— Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws.

b ☐ Trust— Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.

c ☐ Association— Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here ▶ ☐

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, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here ▶

YOUR SIGNATURE HERE!	John W. Doe, Senior Pastor	10/11/2003
(Signature)	(Type or print name and title or authority of signer)	(Date)

For Paperwork Reduction Act Notice, see page 7 of the instructions. Cat. No. 17133K

Part II Activities and Operational Information

1 Provide a detailed narrative description of all the activities of the organization—past, present, and planned. **Do not merely refer to or repeat the language in the organizational document.** List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: **(a)** a detailed description of the activity including its purpose and how each acitivity furthers your exempt purpose; **(b)** when the activity was or will be initiated; and **(c)** where and by whom the activity will be conducted.

See Attached Exhibit 1

2 What are or will be the organization's sources of financial support? List in order of size.

Tithes and Offerings
Yearly Ministry / Ordination Dues and Renewals

3 Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

See Attached Exhibit 2

Part II **Activities and Operational Information** *(Continued)*

4 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.	**b** Annual compensation
John W. Doe, 123 Hoch Rd. Houston TX - President / Senior Pastor	$ 10,000.00
Harry W. Smith, 14211 New York, NY - V.P./ Assistant Senior Pastor	$ 5,000.00
Mary W. Doe, 123 Hoch Rd. Houston Tx - Secetary	0
John W Smith - 118 Miner Ave. Colorado Springs Colorado - Treasurer	0
Harry W. Jones - 143 Coch Avenue, Sibert NM - Board of Directors	0

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? . . . . . ☐ **Yes** ☒ **No**
If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See **Specific Instructions** for Part II, Line 4d, on page 3.) . . . . . ☐ **Yes** ☒ **No**
If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? . . . . . ☐ **Yes** ☒ **No**

Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? . . . . ☐ **Yes** ☐ **No**
If either of these questions is answered "Yes," explain.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): **(a)** grants; **(b)** purchases or sales of assets; **(c)** rental of facilities or equipment; **(d)** loans or loan guarantees; **(e)** reimbursement arrangements; **(f)** performance of services, membership, or fundraising solicitations; or **(g)** sharing of facilities, equipment, mailing lists or other assets, or paid employees? . . . . . ☐ **Yes** ☒ **No**
If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? . . . . . ☐ **Yes** ☒ **No**
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

Part II **Activities and Operational Information** *(Continued)*

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If none, indicate "N/A."

See Attached Exhibit 3

9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? . . . ☐ **Yes** ☒ **No**

10a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? . . . ☐ **Yes** ☒ **No**

b Is the organization a party to any leases? . . . ☐ **Yes** ☒ **No**

If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

11 Is the organization a membership organization? . . . ☒ **Yes** ☐ **No**

If "Yes," complete the following:

a Describe the organization's membership requirements and attach a schedule of membership fees and dues.

See Attached Exhibit 4

b Describe the organization's present and proposed efforts to attract members and attach a copy of any descriptive literature or promotional material used for this purpose.

See Attached Exhibit 5

c What benefits do (or will) the members receive in exchange for their payment of dues?

See Attached Exhibit 6

12a If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? . . . ☐ **N/A** ☒ **Yes** ☐ **No**

If "Yes," explain how the charges are determined and attach a copy of the current fee schedule.

See Attached Exhibit 7

b Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? . . . ☐ **N/A** ☐ **Yes** ☒ **No**

If "Yes," explain how the recipients or beneficiaries are or will be selected.

13 Does or will the organization attempt to influence legislation? . . . ☐ **Yes** ☒ **No**

If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

14 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? . . . ☐ **Yes** ☒ **No**

If "Yes," explain fully.

Part III Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed? . . . . . ☒ **Yes** ☐ **No**
If you answer "Yes," do not answer questions on lines 2 through 6 below.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 7.

Exceptions—You are not required to file an exemption application within 15 months if the organization:

☐ **a** Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church. See **Specific Instructions,** Line 2a, on page 4;

☐ **b** Is not a private foundation and normally has gross receipts of not more than $5,000 in each tax year; or

☐ **c** Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If the organization does not meet any of the exceptions on line 2 above, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed? . . . . . ☐ **Yes** ☐ **No**

If "Yes," your organization qualifies under Regulation section 301.9100-2, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 6.

If "No," answer question 4.

4 If you answer "No" to question 3, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3? . . . . . ☐ **Yes** ☐ **No**

If "Yes," give the reasons for not filing this application within the 27-month period described in question 3. See **Specific Instructions,** Part III, Line 4, before completing this item. Do not answer questions 5 and 6.

If "No," answer questions 5 and 6.

5 If you answer "No" to question 4, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed? . ☐ **Yes** ☐ **No**

6 If you answer "Yes" to question 5 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here ► ☐ and attach a completed page 1 of Form 1024 to this application.

Part III **Technical Requirements** *(Continued)*

7 Is the organization a private foundation?

☐ **Yes** (Answer question 8.)

☒ **No** (Answer question 9 and proceed as instructed.)

8 If you answer "Yes" to question 7, does the organization claim to be a private operating foundation?

☐ **Yes** (Complete Schedule E.)

☐ **No**

After answering question 8 on this line, go to line 14 on page 7.

9 If you answer "No" to question 7, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

a	☒	As a church or a convention or association of churches (CHURCHES MUST COMPLETE SCHEDULE A.)	Sections 509(a)(1) and 170(b)(1)(A)(i)
b	☐	As a school (MUST COMPLETE SCHEDULE B.)	Sections 509(a)(1) and 170(b)(1)(A)(ii)
c	☐	As a hospital or a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (These organizations, except for hospital service organizations, MUST COMPLETE SCHEDULE C.)	Sections 509(a)(1) and 170(b)(1)(A)(iii)
d	☐	As a governmental unit described in section 170(c)(1).	Sections 509(a)(1) and 170(b)(1)(A)(v)
e	☐	As being operated solely for the benefit of, or in connection with, one or more of the organizations described in **a** through **d, g, h,** or **i** (MUST COMPLETE SCHEDULE D.)	Section 509(a)(3)
f	☐	As being organized and operated exclusively for testing for public safety.	Section 509(a)(4)
g	☐	As being 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)
h	☐	As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public.	Sections 509(a)(1) and 170(b)(1)(A)(vi)
i	☐	As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions).	Section 509(a)(2)
j	☐	The organization is a publicly supported organization but is not sure whether it meets the public support test of **h** or **i.** The organization would like the IRS to decide the proper classification.	Sections 509(a)(1) and 170(b)(1)(A)(vi) or Section 509(a)(2)

If you checked one of the boxes a through f in question 9, go to question 14. If you checked box g in question 9, go to questions 11 and 12. If you checked box h, i, or j, in question 9, go to question 10.

Part III **Technical Requirements** *(Continued)*

10 If you checked box **h, i,** or **j** in question 9, has the organization completed a tax year of at least 8 months?

☐ **Yes—**Indicate whether you are requesting:

☐ A definitive ruling. (Answer questions 11 through 14.)

☐ An advance ruling. (Answer questions 11 and 14 and attach two Forms 872-C completed and signed.)

☐ **No—You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the Form 1023.**

11 If the organization received any unusual grants during any of the tax years shown in Part IV-A, **Statement of Revenue and Expenses,** attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

12 If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here ► ☐ and:

a Enter 2% of line 8, column (e), Total, of Part IV-A . . . . . _____

b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line **12a** above.

13 If you are requesting a definitive ruling under section 509(a)(2), check here ► ☐ and:

a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see **Specific Instructions,** Part II, Line 4d, on page 3.)

b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than $5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

14 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. **Do not submit blank schedules.**)	**Yes**	**No**	**If "Yes," complete Schedule:**
Is the organization a church?	✘		A
Is the organization, or any part of it, a school?		✘	B
Is the organization, or any part of it, a hospital or medical research organization?		✘	C
Is the organization a section 509(a)(3) supporting organization?		✘	D
Is the organization a private operating foundation?		✘	E
Is the organization, or any part of it, a home for the aged or handicapped?		✘	F
Is the organization, or any part of it, a child care organization?		✘	G
Does the organization provide or administer any scholarship benefits, student aid, etc.?		✘	H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution?		✘	I

Part IV Financial Data

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. **If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.**

A. Statement of Revenue and Expenses

		Current tax year	3 prior tax years or proposed budget for 2 years			
		(a) From 12/1/02 to 12/31/02	(b) 2001	(c)	(d)	(e) TOTAL
Revenue	1 Gifts, grants, and contributions received (not including unusual grants—see page 6 of the instructions)		$0.00			$0.00
	2 Membership fees received	$0.00	$0.00			$0.00
	3 Gross investment income (see instructions for definition)	$0.00	0.00			$0.00
	4 Net income from organization's unrelated business activities not included on line 3	0	0			0
	5 Tax revenues levied for and either paid to or spent on behalf of the organization	0	0			0
	6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)	0	0			0
	7 Other income (not including gain or loss from sale of capital assets) (attach schedule)	0	0			0
	8 **Total** (add lines 1 through 7)	$0.00	$0.00			$0.00
	9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513. Include related cost of sales on line 22	1000	1000			2000
	10 **Total** (add lines 8 and 9)	1000	1000			2000
	11 Gain or loss from sale of capital assets (attach schedule)					
	12 Unusual grants	0	0			0
	13 **Total** revenue (add lines 10 through 12)	1000	1000			1000
Expens	14 Fundraising expenses	200	100	See Attached Exhibit 6		
	15 Contributions, gifts, grants, and similar amounts paid (attach schedule)	0	0			
	16 Disbursements to or for benefit of members (attach schedule)	100	100	See Attached Exhibit 7		
	17 Compensation of officers, directors, and trustees (attach schedule)	100	100	See Attached Exhibit 8		
	18 Other salaries and wages	500	100			
	19 Interest					
	20 Occupancy (rent, utilities, etc.)	100	100			
	21 Depreciation and depletion					
	22 Other (attach schedule)					
	23 **Total** expenses (add lines 14 through 22)	800	500			
	24 Excess of revenue over expenses (line 13 minus line 23)	200	500			

Part IV **Financial Data** *(Continued)*

B. Balance Sheet (at the end of the period shown)		Current tax year Date 2003
Assets		
1 Cash	1	$500.00
2 Accounts receivable, net	2	$0.00
3 Inventories	3	0
4 Bonds and notes receivable (attach schedule)	4	0
5 Corporate stocks (attach schedule)	5	0
6 Mortgage loans (attach schedule)	6	0
7 Other investments (attach schedule)	7	0
8 Depreciable and depletable assets (attach schedule)	8	0
9 Land	9	0
10 Other assets (attach schedule)	10	0
11 **Total assets** (add lines 1 through 10)	11	$500.00
Liabilities		
12 Accounts payable	12	100
13 Contributions, gifts, grants, etc., payable	13	
14 Mortgages and notes payable (attach schedule)	14	
15 Other liabilities (attach schedule)	15	
16 **Total liabilities** (add lines 12 through 15)	16	100
Fund Balances or Net Assets		
17 Total fund balances or net assets	17	500
18 **Total liabilities and fund balances or net assets** (add line 16 and line 17)	18	600

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation ▶ ☐

Form **872-C**

(Rev. September 1998)

Department of the Treasury
Internal Revenue Service

Consent Fixing Period of Limitation Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code

(See instructions on reverse side.)

OMB No. 1545-0056

To be used with Form 1023. Submit in duplicate.

Under section 6501(c)(4) of the Internal Revenue Code, and as part of a request filed with Form 1023 that the organization named below be treated as a publicly supported organization under section 170(b)(1)(A)(vi) or section 509(a)(2) during an advance ruling period,

First South Baptist Church of God
(Exact legal name of organization as shown in organizing document)

123 Elmwood Lane Houston, Texas 12345
(Number, street, city or town, state, and ZIP code)

and the District Director of Internal Revenue, or Assistant Commissioner (Employee Plans and Exempt Organizations)

consent and agree that the period for assessing tax (imposed under section 4940 of the Code) for any of the 5 tax years in the advance ruling period will extend 8 years, 4 months, and 15 days beyond the end of the first tax year.

However, if a notice of deficiency in tax for any of these years is sent to the organization before the period expires, the time for making an assessment will be further extended by the number of days the assessment is prohibited, plus 60 days.

Ending date of first tax year 12/31/2003
(Month, day, and year)

Name of organization (as shown in organizing document)	Date
First South Baptist Church of God	12/15/2003
Officer or trustee having authority to sign Signature ▶ YOUR SIGNATURE HERE!	Type or print name and title John W. Doe

For IRS use only

District Director or Assistant Commissioner (Employee Plans and Exempt Organizations)	Date

By ▶

For Paperwork Reduction Act Notice, see page 7 of the Form 1023 Instructions. Cat. No. 16905Q

You must complete Form 872-C and attach it to the Form 1023 if you checked box **h, i,** or **j** of Part III, question 9, and the organization has not completed a tax year of at least 8 months.

For example: If the organization incorporated May 15 and its year ends December 31, it has completed a tax year of only 7½ months. Therefore, Form 872-C must be submitted.

(a) Enter the name of the organization. This must be entered exactly as it appears in the organizing document. Do not use abbreviations unless the organizing document does.

(b) Enter the current address.

(c) Enter the ending date of the first tax year.

For example:

(1) If the organization was formed on June 15 and it has chosen December 31 as its year end, enter December 31, ...

(2) If the organization was formed June 15 and it has chosen June 30 as its year end, enter June 30, ... In this example, the organization's first tax year consists of only 15 days.

(d) The form must be signed by an authorized officer or trustee, generally the president or treasurer. The name and title of the person signing must be typed or printed in the space provided.

(e) Enter the date that the form was signed.

DO NOT MAKE ANY OTHER ENTRIES.

Schedule A. Churches

1 Provide a brief history of the development of the organization, including the reasons for its formation.

See Attached Exhibit 10

2 Does the organization have a written creed or statement of faith? . . . ☒ **Yes** ☐ **No**

If "Yes," attach a copy.

3 Does the organization require prospective members to renounce other religious beliefs or their membership in other churches or religious orders to become members? . . . . . ☒ **Yes** ☐ **No**

4 Does the organization have a formal code of doctrine and discipline for its members? . . . . . ☒ **Yes** ☐ **No**

If "Yes," describe.

5 Describe the form of worship and attach a schedule of worship services.

See Attached

6 Are the services open to the public? . . . . . ☒ **Yes** ☐ **No**

If "Yes," describe how the organization publicizes its services and explain the criteria for admittance.

See Attached Exhibit 11

7 Explain how the organization attracts new members.

See Attached Exhibit 12

8 **(a)** How many active members are currently enrolled in the church?

121

(b) What is the average attendance at the worship services?

50

9 In addition to worship services, what other religious services (such as baptisms, weddings, funerals, etc.) does the organization conduct?

Baptisms, Marriage, Communion, Funerals, Annointing the Sick, Intercessory Prayer

Schedule A. Churches *(Continued)*

10 Does the organization have a school for the religious instruction of the young? . . . . . ☒ **Yes** ☐ **No**

11 Were the current deacons, minister, and/or pastor formally ordained after a prescribed course of study? . . . . . ☒ **Yes** ☐ **No**

12 Describe the organization's religious hierarchy or ecclesiastical government.

See Attached Exhibit 13

13 Does the organization have an established place of worship? . . . . . ☐ **Yes** ☒ **No**

If "Yes," provide the name and address of the owner or lessor of the property and the address and a description of the facility.

If the organization has no regular place of worship, state where the services are held and how the site is selected.

In the homes of members of the Church as described in the Bible.

14 Does (or will) the organization license or otherwise ordain ministers (or their equivalent) or issue church charters? . . . . . ☒ **Yes** ☐ **No**

If "Yes," describe in detail the requirements and qualifications needed to be so licensed, ordained, or chartered.

See Attached Exhibit 14

15 Did the organization pay a fee for a church charter? . . . . . ☐ **Yes** ☒ **No**

If "Yes," state the name and address of the organization to which the fee was paid, attach a copy of the charter, and describe the circumstances surrounding the chartering.

16 Show how many hours a week the minister/pastor and officers each devote to church work and the amount of compensation paid to each of them. If the minister or pastor is otherwise employed, indicate by whom employed, the nature of the employment, and the hours devoted to that employment.

40 hours

Schedule A. Churches *(Continued)*

17 Will any funds or property of the organization be used by any officer, director, employee, minister, or pastor for his or her personal needs or convenience? ☐ **Yes** ☒ **No**

If "Yes," describe the nature and circumstances of such use.

18 List any officers, directors, or trustees related by blood or marriage.

John W. Doe, Mary J. Doe (Husband and Wife)

19 Give the name of anyone who has assigned income to the organization or made substantial contributions of money or other property. Specify the amounts involved.

Harry Smith - $1,000.00 Cash contribution

Instructions

Although a church, its integrated auxiliaries, or a convention or association of churches is not required to file Form 1023 to be exempt from Federal income tax or to receive tax-deductible contributions, such an organization may find it advantageous to obtain recognition of exemption. In this event, you should submit information showing that your organization is a church, synagogue, association or convention of churches, religious order or religious organization that is an integral part of a church, and that it is carrying out the functions of a church.

In determining whether an admittedly religious organization is also a church, the IRS does not accept any and every assertion that such an organization is a church. Because beliefs and practices vary so widely, there is no single definition of the word "church" for tax purposes. The IRS considers the facts and circumstances of each organization applying for church status.

The IRS maintains two basic guidelines in determining that an organization meets the religious purposes test:

1. That the particular religious beliefs of the organization are truly and sincerely held, and

2. That the practices and rituals associated with the organization's religious beliefs or creed are not illegal or contrary to clearly defined public policy.

In order for the IRS to properly evaluate your organization's activities and religious purposes, it is important that all questions in Schedule A be answered.

The information submitted with Schedule A will be a determining factor in granting the "church" status requested by your organization. In completing the schedule, consider the following points:

1. The organization's activities in furtherance of its beliefs must be exclusively religious, and

2. An organization will not qualify for exemption if it has a substantial nonexempt purpose of serving the private interests of its founder or the founder's family.

Schedule B. Schools, Colleges, and Universities

1 Does, or will, the organization normally have: **(a)** a regularly scheduled curriculum, **(b)** a regular faculty of qualified teachers, **(c)** a regularly enrolled student body, and **(d)** facilities where its educational activities are regularly carried on? . . . . . ☐ **Yes** ☐ **No**
If "No," do not complete the rest of Schedule B.

2 Is the organization an instrumentality of a state or political subdivision of a state? . . . . . ☐ **Yes** ☐ **No**
If "Yes," document this in Part II and do not complete items 3 through 10 of Schedule B. (See instructions on the back of Schedule B.)

3 Does or will the organization (or any department or division within it) discriminate in any way on the basis of race with respect to:

a Admissions? . . . . . ☐ **Yes** ☐ **No**
b Use of facilities or exercise of student privileges? . . . . . ☐ **Yes** ☐ **No**
c Faculty or administrative staff? . . . . . ☐ **Yes** ☐ **No**
d Scholarship or loan programs? . . . . . ☐ **Yes** ☐ **No**

If "Yes" for any of the above, explain.

4 Does the organization include a statement in its charter, bylaws, or other governing instrument, or in a resolution of its governing body, that it has a racially nondiscriminatory policy as to students? . . . . ☐ **Yes** ☐ **No**

Attach whatever corporate resolutions or other official statements the organization has made on this subject.

5a Has the organization made its racially nondiscriminatory policies known in a manner that brings the policies to the attention of all segments of the general community that it serves? . . . . . ☐ **Yes** ☐ **No**

If "Yes," describe how these policies have been publicized and how often relevant notices or announcements have been made. If no newspaper or broadcast media notices have been used, explain.

b If applicable, attach clippings of any relevant newspaper notices or advertising, or copies of tapes or scripts used for media broadcasts. Also attach copies of brochures and catalogs dealing with student admissions, programs, and scholarships, as well as representative copies of all written advertising used as a means of informing prospective students of the organization's programs.

6 Attach a numerical schedule showing the racial composition, as of the current academic year, and projected to the extent feasible for the next academic year, of: **(a)** the student body, and **(b)** the faculty and administrative staff.

7 Attach a list showing the amount of any scholarship and loan funds awarded to students enrolled and the racial composition of the students who have received the awards.

8a Attach a list of the organization's incorporators, founders, board members, and donors of land or buildings, whether individuals or organizations.

b State whether any of the organizations listed in **8a** have as an objective the maintenance of segregated public or private school education, and, if so, whether any of the individuals listed in **8a** are officers or active members of such organizations.

9a Enter the public school district and county in which the organization is located.

b Was the organization formed or substantially expanded at the time of public school desegregation in the above district or county? . . . . . ☐ **Yes** ☐ **No**

10 Has the organization ever been determined by a state or Federal administrative agency or judicial body to be racially discriminatory? . . . . . ☐ **Yes** ☐ **No**

If "Yes," attach a detailed explanation identifying the parties to the suit, the forum in which the case was heard, the cause of action, the holding in the case, and the citations (if any) for the case. Also describe in detail what changes in the organization's operation, if any, have occurred since then.

For more information, see back of Schedule B.

Instructions

A “school” is an organization that has the primary function of presenting formal instruction, normally maintains a regular faculty and curriculum, normally has a regularly enrolled student body, and has a place where its educational activities are carried on.

The term generally corresponds to the definition of an “educational organization” in section 170(b)(1)(A)(ii). Thus, the term includes primary, secondary, preparatory and high schools, and colleges and universities. The term does not include organizations engaged in both educational and noneducational activities unless the latter are merely incidental to the educational activities. A school for handicapped children is included within the term, but an organization merely providing handicapped children with custodial care is not.

For purposes of Schedule B, “Sunday schools” that are conducted by a church are not included in the term “schools,” but separately organized schools (such as parochial schools, universities, and similar institutions) are included in the term.

A private school that otherwise meets the requirements of section 501(c)(3) as an educational institution will not qualify for exemption under section 501(a) unless it has a racially nondiscriminatory policy as to students.

This policy means that the school admits students of any race to all the rights, privileges, programs, and activities generally accorded or made available to students at that school and that the school does not discriminate on the basis of race in the administration of its educational policies, admissions policies, scholarship and loan programs, and athletic or other school-administered programs.

The IRS considers discrimination on the basis of race to include discrimination on the basis of color and national or ethnic origin. A policy of a school that favors racial minority groups in admissions, facilities, programs, and financial assistance will not constitute discrimination on the basis of race when the purpose and effect is to promote the establishment and maintenance of that school’s racially nondiscriminatory policy as to students.

See Rev. Proc. 75-50, 1975-2 C.B. 587, for guidelines and recordkeeping requirements for determining whether private schools that are applying for recognition of exemption have racially nondiscriminatory policies as to students.

Line 2

An instrumentality of a state or political subdivision of a state may qualify under section 501(c)(3) if it is organized as a separate entity from the governmental unit that created it and if it otherwise meets the organizational and operational tests of section 501(c)(3). See Rev. Rul. 60-384, 1960-2 C.B. 172. Any such organization that is a school is not a private school and, therefore, is not subject to the provisions of Rev. Proc. 75-50.

Schools that incorrectly answer “Yes” to line 2 will be contacted to furnish the information called for by lines 3 through 10 in order to establish that they meet the requirements for exemption. To prevent delay in the processing of your application, be sure to answer line 2 correctly and complete lines 3 through 10, if applicable.

Schedule C. Hospitals and Medical Research Organizations

☐ Check here if claiming to be a hospital; complete the questions in Section I of this schedule; and write "N/A" in Section II.
☐ Check here if claiming to be a medical research organization operated in conjunction with a hospital; complete the questions in Section II of this schedule; and write "N/A" in Section I.

Section I Hospitals

1a How many doctors are on the hospital's courtesy staff? . . . . . _____

b Are all the doctors in the community eligible for staff privileges? . . . . . ☐ **Yes** ☐ **No**
If "No," give the reasons why and explain how the courtesy staff is selected.

2a Does the hospital maintain a full-time emergency room? . . . . . ☐ **Yes** ☐ **No**

b What is the hospital's policy on administering emergency services to persons without apparent means to pay?

c Does the hospital have any arrangements with police, fire, and voluntary ambulance services for the delivery or admission of emergency cases? . . . . . ☐ **Yes** ☐ **No**
Explain.

3a Does or will the hospital require a deposit from persons covered by Medicare or Medicaid in its admission practices? . . . . . ☐ **Yes** ☐ **No**
If "Yes," explain.

b Does the same deposit requirement, if any, apply to all other patients? . . . . . ☐ **Yes** ☐ **No**
If "No," explain.

4 Does or will the hospital provide for a portion of its services and facilities to be used for charity patients? ☐ **Yes** ☐ **No**
Explain the policy regarding charity cases. Include data on the hospital's past experience in admitting charity patients and arrangements it may have with municipal or government agencies for absorbing the cost of such care.

5 Does or will the hospital carry on a formal program of medical training and research? . . . . . ☐ **Yes** ☐ **No**
If "Yes," describe.

6 Does the hospital provide office space to physicians carrying on a medical practice? . . . . . ☐ **Yes** ☐ **No**
If "Yes," attach a list setting forth the name of each physician, the amount of space provided, the annual rent, the expiration date of the current lease and whether the terms of the lease represent fair market value.

Section II Medical Research Organizations

1 Name the hospitals with which the organization has a relationship and describe the relationship.

2 Attach a schedule describing the organization's present and proposed (indicate which) medical research activities; show the nature of the activities, and the amount of money that has been or will be spent in carrying them out. (Making grants to other organizations is not direct conduct of medical research.)

3 Attach a statement of assets showing their fair market value and the portion of the assets directly devoted to medical research.

For more information, see back of Schedule C.

Additional Information

Hospitals

To be entitled to status as a "hospital," an organization must have, as its principal purpose or function, the providing of medical or hospital care or medical education or research. "Medical care" includes the treatment of any physical or mental disability or condition, the cost of which may be taken as a deduction under section 213, whether the treatment is performed on an inpatient or outpatient basis. Thus, a rehabilitation institution, outpatient clinic, or community mental health or drug treatment center may be a hospital if its principal function is providing the above-described services.

On the other hand, a convalescent home or a home for children or the aged is not a hospital. Similarly, an institution whose principal purpose or function is to train handicapped individuals to pursue some vocation is not a hospital. Moreover, a medical education or medical research institution is not a hospital, unless it is also actively engaged in providing medical or hospital care to patients on its premises or in its facilities on an inpatient or outpatient basis.

Cooperative Hospital Service Organizations

Cooperative hospital service organizations (section 501(e)) should not complete Schedule C.

Medical Research Organizations

To qualify as a medical research organization, the principal function of the organization must be the direct, continuous, and active conduct of medical research in conjunction with a hospital that is described in section 501(c)(3), a Federal hospital, or an instrumentality of a governmental unit referred to in section 170(c)(1).

For purposes of section 170(b)(1)(A)(iii) only, the organization must be set up to use the funds it receives in the active conduct of medical research by January 1 of the fifth calendar year after receipt. The arrangement it has with donors to assure use of the funds within the 5-year period must be legally enforceable.

As used here, "medical research" means investigations, experiments, and studies to discover, develop, or verify knowledge relating to the causes, diagnosis, treatment, prevention, or control of human physical or mental diseases and impairments.

For further information, see Regulations section 1.170A-9(c)(2).

Schedule D. Section 509(a)(3) Supporting Organizations

1a Organizations supported by the applicant organization: Name and address of supported organization	**b** Has the supported organization received a ruling or determination letter that it is not a private foundation by reason of section 509(a)(1) or (2)?	
	☐ **Yes**	☐ **No**
	☐ **Yes**	☐ **No**
	☐ **Yes**	☐ **No**
	☐ **Yes**	☐ **No**
	☐ **Yes**	☐ **No**

c If "No" for any of the organizations listed in **1a,** explain.

2 Does the supported organization have tax-exempt status under section 501(c)(4), 501(c)(5), or 501(c)(6)? ☐ **Yes** ☐ **No**
If "Yes," attach: **(a)** a copy of its ruling or determination letter, and **(b)** an analysis of its revenue for the current year and the preceding 3 years. (Provide the financial data using the formats in Part IV-A (lines 1–13) and Part III (lines 11, 12, and 13).)

3 Does your organization's governing document indicate that the majority of its governing board is elected or appointed by the supported organizations? . . . . . ☐ **Yes** ☐ **No**
If "Yes," skip to line 9.
If "No," you must answer the questions on lines 4 through 9.

4 Does your organization's governing document indicate the common supervision or control that it and the supported organizations share? . . . . . ☐ **Yes** ☐ **No**
If "Yes," give the article and paragraph numbers. If "No," explain.

5 To what extent do the supported organizations have a significant voice in your organization's investment policies, in the making and timing of grants, and in otherwise directing the use of your organization's income or assets?

6 Does the mentioning of the supported organizations in your organization's governing instrument make it a trust that the supported organizations can enforce under state law and compel to make an accounting? ☐ **Yes** ☐ **No**
If "Yes," explain.

7a What percentage of your organization's income does it pay to each supported organization?

b What is the total annual income of each supported organization?

c How much does your organization contribute annually to each supported organization?

For more information, see back of Schedule D.

Schedule D. Section 509(a)(3) Supporting Organizations *(Continued)*

8 To what extent does your organization conduct activities that would otherwise be carried on by the supported organizations? Explain why these activities would otherwise be carried on by the supported organizations.

9 Is the applicant organization controlled directly or indirectly by one or more "disqualified persons" (other than one who is a disqualified person solely because he or she is a manager) or by an organization that is not described in section 509(a)(1) or (2)? . . . . . ☐ **Yes** ☐ **No**
If "Yes," explain.

Instructions

For an explanation of the types of organizations defined in section 509(a)(3) as being excluded from the definition of a private foundation, see Pub. 557, Chapter 3.

Line 1

List each organization that is supported by your organization and indicate in item **1b** if the supported organization has received a letter recognizing exempt status as a section 501(c)(3) public charity as defined in section 509(a)(1) or 509(a)(2). If you answer "No" in **1b** to any of the listed organizations, please explain in **1c.**

Line 3

Your organization's governing document may be articles of incorporation, articles of association, constitution, trust indenture, or trust agreement.

Line 9

For a definition of a "disqualified person," see **Specific Instructions,** Part II, Line 4d, on page 3 of the application's instructions.

Schedule E. Private Operating Foundations

	Income Test		Most recent tax year
1a	Adjusted net income, as defined in Regulations section 53.4942(a)-2(d)	**1a**	
b	Minimum investment return, as defined in Regulations section 53.4942(a)-2(c)	**1b**	
2	Qualifying distributions:		
a	Amounts (including administrative expenses) paid directly for the active conduct of the activities for which organized and operated under section 501(c)(3) (attach schedule)	**2a**	
b	Amounts paid to acquire assets to be used (or held for use) directly in carrying out purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	**2b**	
c	Amounts set aside for specific projects that are for purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	**2c**	
d	**Total** qualifying distributions (add lines 2a, b, and c)	**2d**	
3	Percentages:		
a	Percentage of qualifying distributions to adjusted net income (divide line 2d by line 1a)	**3a**	%
b	Percentage of qualifying distributions to minimum investment return (divide line 2d by line 1b). (Percentage must be at least 85% for 3a or 3b)	**3b**	%
	Assets Test		
4	Value of organization's assets used in activities that directly carry out the exempt purposes. Do not include assets held merely for investment or production of income (attach schedule)	**4**	
5	Value of any stock of a corporation that is controlled by applicant organization and carries out its exempt purposes (attach statement describing corporation)	**5**	
6	Value of all qualifying assets (add lines 4 and 5)	**6**	
7	Value of applicant organization's total assets	**7**	
8	Percentage of qualifying assets to total assets (divide line 6 by line 7—percentage must exceed 65%)	**8**	%
	Endowment Test		
9	Value of assets not used (or held for use) directly in carrying out exempt purposes:		
a	Monthly average of investment securities at fair market value	**9a**	
b	Monthly average of cash balances	**9b**	
c	Fair market value of all other investment property (attach schedule)	**9c**	
d	**Total** (add lines 9a, b, and c)	**9d**	
10	Acquisition indebtedness related to line 9 items (attach schedule)	**10**	
11	Balance (subtract line 10 from line 9d)	**11**	
12	Multiply line 11 by 3⅓% (⅔ of the percentage for the minimum investment return computation under section 4942(e)). Line 2d above must equal or exceed the result of this computation	**12**	
	Support Test		
13	Applicant organization's support as defined in section 509(d)	**13**	
14	Gross investment income as defined in section 509(e)	**14**	
15	Support for purposes of section 4942(j)(3)(B)(iii) (subtract line 14 from line 13)	**15**	
16	Support received from the general public, five or more exempt organizations, or a combination of these sources (attach schedule)	**16**	
17	For persons (other than exempt organizations) contributing more than 1% of line 15, enter the total amounts that are more than 1% of line 15	**17**	
18	Subtract line 17 from line 16	**18**	
19	Percentage of total support (divide line 18 by line 15—must be at least 85%)	**19**	%
20	Does line 16 include support from an exempt organization that is more than 25% of the amount of line 15?	☐ **Yes** ☐ **No**	

21 Newly created organizations with less than 1 year's experience: Attach a statement explaining how the organization is planning to satisfy the requirements of section 4942(j)(3) for the income test and one of the supplemental tests during its first year's operation. Include a description of plans and arrangements, press clippings, public announcements, solicitations for funds, etc.

22 Does the amount entered on line 2a above include any grants that the applicant organization made? ☐ **Yes** ☐ **No**
If "Yes," attach a statement explaining how those grants satisfy the criteria for "significant involvement" grants described in section 53.4942(b)-1(b)(2) of the regulations.

For more information, see back of Schedule E.

Instructions

If the organization claims to be an operating foundation described in section 4942(j)(3) and—

a. Bases its claim to private operating foundation status on normal and regular operations over a period of years; or

b. Is newly created, set up as a private operating foundation, and has at least 1 year's experience;

provide the information under the **income test and under one of the three supplemental tests** (assets, endowment, or support). If the organization does not have at least 1 year's experience, provide the information called for on line 21. If the organization's private operating foundation status depends on its normal and regular operations as described in **a** above, attach a schedule similar to Schedule E showing the data in tabular form for the 3 years preceding the most recent tax year. (See Regulations section 53.4942(b)-1 for additional information before completing the "Income Test" section of this schedule.) Organizations claiming section 4942(j)(5) status must satisfy the income test and the endowment test.

A "private operating foundation" described in section 4942(j)(3) is a private foundation that spends substantially all of the smaller of its adjusted net income (as defined below) or its minimum investment return directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated. The foundation must satisfy the income test under section 4942(j)(3)(A), as modified by Regulations section 53.4942(b)-1, and one of the following three supplemental tests: **(1)** the assets test under section 4942(j)(3)(B)(i); **(2)** the endowment test under section 4942(j)(3)(B)(ii); or **(3)** the support test under section 4942(j)(3)(B)(iii).

Certain long-term care facilities described in section 4942(j)(5) are treated as private operating foundations for purposes of section 4942 only.

"Adjusted net income" is the excess of gross income determined with the income modifications described below for the tax year over the sum of deductions determined with the deduction modifications described below. Items of gross income from any unrelated trade or business and the deductions directly connected with the unrelated trade or business are taken into account in computing the organization's adjusted net income.

Income Modifications

The following are income modifications (adjustments to gross income):

1. Section 103 (relating to interest on certain governmental obligations) does not apply. Thus, interest that otherwise would have been excluded should be included in gross income.

2. Except as provided in **3** below, capital gains and losses are taken into account only to the extent of the net short-term gain. Long-term gains and losses are disregarded.

3. The gross amount received from the sale or disposition of certain property should be included in gross income to the extent that the acquisition of the property constituted a qualifying distribution under section 4942(g)(1)(B).

4. Repayments of prior qualifying distributions (as defined in section 4942(g)(1)(A)) constitute items of gross income.

5. Any amount set aside under section 4942(g)(2) that is "not necessary for the purposes for which it was set aside" constitutes an item of gross income.

Deduction Modifications

The following are deduction modifications (adjustments to deductions):

1. Expenses for the general operation of the organization according to its charitable purposes (as contrasted with expenses for the production or collection of income and management, conservation, or maintenance of income-producing property) should not be taken as deductions. If only a portion of the property is used for production of income subject to section 4942 and the remainder is used for general charitable purposes, the expenses connected with that property should be divided according to those purposes. Only expenses related to the income-producing portion should be taken as deductions.

2. Charitable contributions, deductible under section 170 or 642(c), should not be taken into account as deductions for adjusted net income.

3. The net operating loss deduction prescribed under section 172 should not be taken into account as a deduction for adjusted net income.

4. The special deductions for corporations (such as the dividends-received deduction) allowed under sections 241 through 249 should not be taken into account as deductions for adjusted net income.

5. Depreciation and depletion should be determined in the same manner as under section 4940(c)(3)(B).

Section 265 (relating to the expenses and interest connected with tax-exempt income) should not be taken into account.

You may find it easier to figure adjusted net income by completing column (c), Part 1, Form 990-PF, according to the instructions for that form.

An organization that has been held to be a private operating foundation will continue to be such an organization only if it meets the income test and either the assets, endowment, or support test in later years. See Regulations section 53.4942(b) for additional information. No additional request for ruling will be necessary or appropriate for an organization to maintain its status as a private operating foundation. However, data related to the above tests must be submitted with the organization's annual information return, Form 990-PF.

Schedule F. Homes for the Aged or Handicapped

1 What are the requirements for admission to residency? Explain fully and attach promotional literature and application forms.

2 Does or will the home charge an entrance or founder's fee? . . . . . ☐ **Yes** ☐ **No**
If "Yes," explain and specify the amount charged.

3 What periodic fees or maintenance charges are or will be required of its residents?

4a What established policy does the home have concerning residents who become unable to pay their regular charges?

b What arrangements does the home have or will it make with local and Federal welfare units, sponsoring organizations, or others to absorb all or part of the cost of maintaining those residents?

5 What arrangements does or will the home have to provide for the health needs of its residents?

6 In what way are the home's residential facilities designed to meet some combination of the physical, emotional, recreational, social, religious, and similar needs of the aged or handicapped?

7 Provide a description of the home's facilities and specify both the residential capacity of the home and the current number of residents.

8 Attach a sample copy of the contract or agreement the organization makes with or requires of its residents.

For more information, see back of Schedule F.

Instructions

Line 1

Provide the criteria for admission to the home and submit brochures, pamphlets, or other printed material used to inform the public about the home's admissions policy.

Line 2

Indicate whether the fee charged is an entrance fee or a monthly charge, etc. Also, if the fee is an entrance fee, is it payable in a lump sum or on an installment basis?

Line 4

Indicate the organization's policy regarding residents who are unable to pay. Also, indicate whether the organization is subsidized for all or part of the cost of maintaining those residents who are unable to pay.

Line 5

Indicate whether the organization provides health care to the residents, either directly or indirectly, through some continuing arrangement with other organizations, facilities, or health personnel. If no health care is provided, indicate "N/A."

Schedule G. Child Care Organizations

1 Is the organization's primary activity the providing of care for children away from their homes? . . . . . ☐ **Yes** ☐ **No**

2 How many children is the organization authorized to care for by the state (or local governmental unit), and what was the average attendance during the past 6 months, or the number of months the organization has been in existence if less than 6 months?

3 How many children are currently cared for by the organization?

4 Is substantially all (at least 85%) of the care provided for the purpose of enabling parents to be gainfully employed or to seek employment? . . . ☐ **Yes** ☐ **No**

5 Are the services provided available to the general public? . . . . . ☐ **Yes** ☐ **No**

If "No," explain.

6 Indicate the category, or categories, of parents whose children are eligible for the child care services (check as many as apply):

- ☐ low-income parents
- ☐ any working parents (or parents looking for work)
- ☐ anyone with the ability to pay
- ☐ other (explain)

Instructions

Line 5

If your organization's services are not available to the general public, indicate the particular group or groups that may utilize the services.

REMINDER—If this organization claims to operate a school, then it must also fill out Schedule B.

Schedule H. Organizations Providing Scholarship Benefits, Student Aid, etc., to Individuals

1a Describe the nature and the amount of the scholarship benefit, student aid, etc., including the terms and conditions governing its use, whether a gift or a loan, and how the availability of the scholarship is publicized. If the organization has established or will establish several categories of scholarship benefits, identify each kind of benefit and explain how the organization determines the recipients for each category. Attach a sample copy of any application the organization requires individuals to complete to be considered for scholarship grants, loans, or similar benefits. (Private foundations that make grants for travel, study, or other similar purposes are required to obtain advance approval of scholarship procedures. See Regulations sections 53.4945-4(c) and (d).)

b If you want this application considered as a request for approval of grant procedures in the event we determine that the organization is a private foundation, check here . . . . . ► ☐

c If you checked the box in **1b** above, check the box(es) for which you wish the organization to be considered.

☐ 4945(g)(1) ☐ 4945(g)(2) ☐ 4945(g)(3)

2 What limitations or restrictions are there on the class of individuals who are eligible recipients? Specifically explain whether there are, or will be, any restrictions or limitations in the selection procedures based upon race or the employment status of the prospective recipient or any relative of the prospective recipient. Also indicate the approximate number of eligible individuals.

3 Indicate the number of grants the organization anticipates making annually . . . . . ►

4 If the organization bases its selections in any way on the employment status of the applicant or any relative of the applicant, indicate whether there is or has been any direct or indirect relationship between the members of the selection committee and the employer. Also indicate whether relatives of the members of the selection committee are possible recipients or have been recipients.

5 Describe any procedures the organization has for supervising grants (such as obtaining reports or transcripts) that it awards and any procedures it has for taking action if the terms of the grant are violated.

For more information, see back of Schedule H.

Additional Information

Private foundations that make grants to individuals for travel, study, or other similar purposes are required to obtain advance approval of their grant procedures from the IRS. Such grants that are awarded under selection procedures that have not been approved by the IRS are subject to a 10% excise tax under section 4945. (See Regulations sections 53.4945-4(c) and (d).)

If you are requesting advance approval of the organization's grant procedures, the following sections apply to line **1c:**

4945(g)(1)— The grant constitutes a scholarship or fellowship grant that meets the provisions of section 117(a) prior to its amendment by the Tax Reform Act of 1986 and is to be used for study at an educational organization (school) described in section 170(b)(1)(A)(ii).

4945(g)(2)— The grant constitutes a prize or award that is subject to the provisions of section 74(b), if the recipient of such a prize or award is selected from the general public.

4945(g)(3)— The purpose of the grant is to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Schedule I. Successors to "For Profit" Institutions

1 What was the name of the predecessor organization and the nature of its activities?

2 Who were the owners or principal stockholders of the predecessor organization? (If more space is needed, attach schedule.)

Name and address	Share or interest

3 Describe the business or family relationship between the owners or principal stockholders and principal employees of the predecessor organization and the officers, directors, and principal employees of the applicant organization.

4a Attach a copy of the agreement of sale or other contract that sets forth the terms and conditions of sale of the predecessor organization or of its assets to the applicant organization.

b Attach an appraisal by an independent qualified expert showing the fair market value at the time of sale of the facilities or property interest sold.

5 Has any property or equipment formerly used by the predecessor organization been rented to the applicant organization or will any such property be rented? . . . . . ☐ **Yes** ☐ **No**
If "Yes," explain and attach copies of all leases and contracts.

6 Is the organization leasing or will it lease or otherwise make available any space or equipment to the owners, principal stockholders, or principal employees of the predecessor organization? . . . . . ☐ **Yes** ☐ **No**
If "Yes," explain and attach a list of these tenants and a copy of the lease for each such tenant.

7 Were any new operating policies initiated as a result of the transfer of assets from a profit-making organization to a nonprofit organization? . . . . . ☐ **Yes** ☐ **No**
If "Yes," explain.

Additional Information

A "for profit" institution for purposes of Schedule I includes any organization in which a person may have a proprietary or partnership interest, hold corporate stock, or otherwise exercise an ownership interest. The institution need not have operated for the purpose of making a profit.

Common Questions and Answers

1. Can the founders an exempt organization directly profit from the resources of an exempt organization?

NO! The **founding documents** of an exempt organization must clearly make a provision that "no part of the net may inure to the benefit of any private individuals". This means that the organization MUST serve the public good, or at least that portion of the public who ascribes to the beliefs and practices of your organization. Exempt organizations do NOT serve the interests a private person(s) or select few individuals. This however does not mean that the founders or other certain persons including family members cannot be reasonably compensated for duties performed on behalf of the organization.

2. What happens when an exempt organization ceases to exist?

All exempt organizations must include in their **founding documents** a provision stating that upon the dissolution of the organization after all of the debts of the organization are paid the remaining funds, shall be donated to another IRS recognized exempt organization.

3. Can the IRS view the books and records of an exempt organization even if it is a Church?

Yes, there are certain guidelines where the IRS can audit any accounting records dealing with income and expenditures upon their request.

4. What is the primary test in determining exemption qualification?

Tax-exemption greatly depends on the design and/or actual "***organizational*** and ***operational***" structure for an exempt purpose that benefits to society!

5. Can a Church file for tax-exemption even though not required?

Yes, in fact it might be in the best interests of the Church to file form 1023 to request the IRS determination of exemption.

6. Does the IRS grant temporary exemption rulings?

Yes, the IRS might grant a ruling regarding the tax-exempt status of an organization for a two-year period. At the end of the two-year period it will then make a final ruling based up the actual organization and operations of your organization.

7. What form do I need to file for exemption?

This depends on if you're a Church or Ministry *(other religious organization)*. Churches are not required to file for exemption with the IRS. If you're a Church and want the IRS to make a determination regarding your exemption status file form 1023, otherwise for ministries file form 1024.

8. How much does the IRS “User Fee” cost?

To Process your application the IRS charges either a $150 or $500 fee. If the projected combined annual income of your first four years of gross annual income is under $40,000 dollars then your user fee is $150. If over $40,000 then the user fee is $500.

9. Can an organization that has is awaiting determination by the IRS issue tax-deductible receipts for contributions?

Not until you have a letter of determination from the IRS. However the organization may still receive funds – but it is not advisable to issue tax-deductible receipts yet, or that you advertise you are tax-exempt organizations.

10. Do exempt organizations have to pay any federal taxes?

Yes – If they receive incoming from operations that are not directly related to the exempt operations of the organization.

11. What does the IRS consider an organization with legal status?

The IRS basically sees three types of organizations having legal standing or status worthy of exemption (Corporations, Associations, and Trusts).

Related IRS Publications And Forms

Main IRS website regarding Charitable Organizations

IRS Frequently Asked Exempt Questions

Form 990
End of Year Income Return

Application Forms

Form 1023	Form 1024
Church	*Ministry/Association*

Form SS-4
EIN application

Form 8718
User Fee Form

Publication 557
Tax-Exempt Guide

Publication 1828
Tax Guide for Churches and Religious Organizations

Publication 1771
Charitable Contributions - Substantiation and Disclosure