

GROUP EXEMPTION



USATF AND ASSOCIATION
DISCUSSION

MARCH 9, 2023



What is it?

- A ruling or determination by the IRS issued to a central or parent organization which says 1 or more subordinate organizations are exempt from federal income tax by virtue of being a subordinate of the parent organization.

What does that mean?

- Only one application and subsequent determination needs to initially be filed with and received from the IRS – the parent organization files.
- However, regardless of whether an organization is included in a group exemption OR it receives its own exemption ruling, **ALL ORGANIZATIONS ARE SUBJECT TO THE SAME RULES FOR MAINTAINING THEIR TAX EXEMPT STATUS.**

How do you file for tax exempt status?

- A Form 1023 (long form) or Form 1023EZ (short form) is filed with the IRS along with documentation supporting the organization's tax exempt nature.
- Cost is \$600 filing fee for 1023 or \$275 for 1023EZ

Why are we changing now?

- The IRS has stopped accepting applications for new group exemptions while they determine more stringent rules around filing and reporting that will likely cause more work for both parent and subordinates.
- Many associations have already received their own status and are not included in the group exemption.
- Concern that USATF and associations do NOT meet the required 5 Factor Test, particularly factor #2 stating subordinates must be subject to the parent's general supervision and control.
- Understand that most Associations value and appreciate their autonomy with which independent filings would align.

Take Aways

- It will require a **1 time effort** for an association to obtain a determination letter of tax exempt status.
- USATF National Office will reimburse the association for its filing fees.
- It is recommended for associations to consult/engage a tax professional for this and other reasons.
- Filing and reporting requirements DO NOT change.

When will this happen?

- Beginning now in 2023 – we will begin tracking as the process begins. It will take several months.
- USATF National Office will not delete the Group Exemption until all determinations have been received.
- USATF National Office will continue to assist with resources throughout the process.

Resources

- <https://www.irs.gov/charities-non-profits> - for general info and links to helpful resources
- <https://www.irs.gov/charities-non-profits/tax-exempt-organization-search> - for searching filing status of NFP organizations – this information is delayed, IRS working on 2021 currently
- www.councilofnonprofits.org - great resource for all things NFP
- State government websites
- Simone Terry and other associations who have already successfully navigated this process
- <https://www.irs.gov/pub/irs-pdf/f1023.pdf> - Form 1023 blank, must be filed electronically
- <https://www.irs.gov/forms-pubs/about-form-1023> - Instructions for filing Form 1023 and creating a required pay.gov account
- <https://www.irs.gov/pub/irs-pdf/f1023ez.pdf> - Form 1023EZ blank, must be filed electronically
- <https://www.irs.gov/pub/irs-pdf/i1023ez.pdf> - instructions for filing Form 1023EZ and creating a required pay.gov account