

IRS Interactive Application Form

The Advisory Committee on Tax Exempt and Government Entities is an organized public forum that discusses, among other things, tax exempt organizations and organizations seeking tax exempt status. They work with the IRS to ensure the IRS is developing and implementing policies that will adequately serve the non-profit sector.

According to the Committee upwards of 55,000 organizations seek tax-exempt status in a typical year. Due to the high number of applications the IRS is operating with a huge backlog. One of the most recent advances the Committee and the IRS have implemented is a test run of an online interactive application for charity status on the IRS website. The goal is to eliminate many of the common errors that result in denial of tax-exempt status applications. The interactive application offers a step-by-step approach to filing the Form 1023 and any associated schedules that may be required. Each step includes pop up windows with examples of a correctly filled in form, clarifying instructions, or links that provide further information. The goal is to reduce the overall processing time and speed up approvals.

Currently, there is very little an organization can do to expedite the approval of the tax-exempt application. In rare instances, the IRS will look at an application out of order if the applicant includes a written request detailing a “compelling reason” to receive expedited handling. Compelling reasons include a pending grant, where failure to secure the grant would adversely affect the organization’s operations, an organization that provides disaster relief in the face of recent emergencies, and IRS errors that have caused undue delay. Of these requests, more than 80% are denied each year.

The IRS is hoping to complete the testing by the end of 2013, and nonprofits are not currently able to submit the testing version as their only form of application. Organizations are encouraged to try the interactive application, but they still need to formally mail their applications. Additionally, even when the interactive application is formally available, organizations will still have to mail their applications just as they do now so it is not clear just how much of an impact this new application form will have.

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Sources:

<http://philanthropy.com/article/IRS-Tests-Interactive-Charity/141583?cid=megamenu>

<http://www.stayexempt.irs.gov/StartingOut/InteractiveForm1023Application.aspx>

<http://www.irs.gov/Charities-&-Non-Profits/Applying-for-Exemption:-Expediting-Application-Processing>

[http://www.irs.gov/Government-Entities/Advisory-Committee-on-Tax-Exempt-and-Government-Entities-\(ACT\)](http://www.irs.gov/Government-Entities/Advisory-Committee-on-Tax-Exempt-and-Government-Entities-(ACT))