

What You Need to Know About Filing for 501 (c) (3) Tax Exemption

Every nonprofit organization is required to file for a determination letter from the Internal Revenue Service or through a qualified Parent Organization who holds a four digit Group Exemption Number. Every non-profit has 27 months from their date of incorporation to file for their Tax Exemption Determination Letter (with exception of churches & organizations with income less than \$5,000 annually– see below).

Any non-profit that does not file timely for a Determination Letter may not be granted exemption retroactive to its incorporation date. In addition, members/officers of the organization will likely owe taxes on any income received up until the exemption date given.

Churches and Tax Exemption

Churches are NOT required to file for a Determination Letter either through the IRS or through a Parent Organization, but many churches still choose to do so. The benefits a church has in filing are:

- 1) The church may obtain other **state exemptions** otherwise found difficult without proof of tax exemption. This may include franchise, sales, use, hotel and some property tax exemptions.
- 2) The IRS may not recognize persons ordained by the church unless the church obtains a Determination Letter.
- 3) Donors are more inclined to give to a church that is recognized as tax exempt.

Why You Should Work with Baumer-Ustica for Your 501 (c) (3) Tax Exemption

Approval Rate: No application we have ever filed has been rejected by the Internal Revenue Service. We have a 100% approval rating!

Money Back Guarantee: If for some reason the IRS rejects your application, we will refund you in full our fee to prepare the application.

Process Made Easy: Because of our years of experience in filing these applications, we know what information is necessary to provide to the IRS to obtain exemption without any conflict. We know how a non-profit is to operate, and therefore, prior to filing, we can give our guidance and recommend changes if we deem necessary, to make certain that your operations are consistent with that of a 501 (c) (3) organization.

Experience: Our experience in this area sets us apart from others! We do not believe there is any other company that sets up primarily religious non-profits. Our expertise has been handed down from our founder who retired from the Internal Revenue Service after 25 years of service. Through our combined years of service since the 1960's, we have established professional business relationships with those who work in the Exempt Organizations Division of the IRS, as well as state & local offices, such as the Office of the Secretary of State and the Texas State Comptroller. We have been told that they recognize our company as one that is professional and thorough in our work. We believe our name alone helps our applications get through with little or no questions asked.

Filing for the Tax Determination Letter (IRS Form 1023) with Baumer-Ustica & Associates

To obtain your 501 (c) (3) status from the Internal Revenue Service, you must apply for a Tax Exempt Determination Letter by filing Form 1023, Application for Recognition of Exemption within 27 months of your Date of Incorporation. If you do not file within 27 months, the IRS may not grant tax exemption retroactive to your incorporation date.

Your organization must have a Determination Letter to be Tax Exempt unless your corporation has a gross income of less than \$5,000 per year. Many organizations make the decision to obtain a letter anyway when below \$5,000 per year because it can help increase contributions when the donors know you are tax exempt Federally.

****NOTE:** Churches are not subject to the above time requirement. Churches are also not required to file Form 1023 to be tax exempt; however, the church must make sure that it has creative documents that meet IRS Code in order to actually be considered exempt.

To obtain a determination letter directly from the Internal Revenue Service, we will:

- Prepare a rough draft of Form 1023, *Application for Recognition of Exemption*
- Once we have your changes or comments, we will prepare the final draft of Form 1023, *Application for Recognition of Exemption*, file it with the Internal Revenue Service and represent you until the exempt status is obtained.

Our Fees & IRS Fees:

- Our fee: Form 1023 EZ - \$425.00
IRS User Fee (non refundable) -Form 1023 EZ - \$275.00
- Form 1023 (Long Form) - \$750.00
IRS User Fee (non refundable) - \$600.00

The IRS user fee is required by the IRS and non negotiable. ***If you expect your organization to bring in less than \$50,000.00 per year for the first 4 years, you would qualify to file the EZ form.***

Exemption approval can take anywhere from 3 months to possibly over a year to receive.

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BAUMER-USTICA & ASSOCIATES - P.O. Box 2026 Frisco Texas 75034