

**SUPPORTING STATEMENT
(Form 1023)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Unless specifically exempted by a provision in the Internal Revenue Code, all organizations and individuals are subject to Federal income tax. Certain organizations may be exempt from Federal income taxes under section 501(a) of the Code if they are described in section 501(c)(3) and meet certain other conditions set out in the Code.

Section 508(a) of the Code requires organizations that are broadly classified as charitable to notify the Internal Revenue Service (authority delegated by the Secretary of the Treasury) that they intend to apply for exempt status under section 501(c)(3). Section 1.501(a)-1(a) of the Income Tax Regulations requires these organizations to apply for exempt status. Section 509(a) of the Code requires them to provide information on their private foundation status or show why they are not private foundations. Form 1023 has been developed to serve all these requirements.

2. USE OF DATA

Form 1023 provides the IRS with information to determine the applicant's exempt status and private foundation status. This includes:

- (a) The date the organization was created. This date must be known under section 508 to qualify for retroactive exempt status.
- (b) Whether the applicant's organizing documents contain certain provisions relating to Chapter 42 of the Code.
- (c) Whether the applicant is organized and operated for exempt purposes.
- (d) Whether the applicant is privately or publicly supported and controlled. The IRS must know the sources of support for the applicant and who operates the organization to determine its private foundation status.
- (e) Whether the applicant's organizing documents provide for disposition of its assets to one or more approved charitable organizations in the event of dissolution.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 1023 cannot be filed electronically, since its relatively low volume does not justify the cost of electronic enabling.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

Not applicable.

6. **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

Not applicable.

7. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

Not applicable.

8. **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 1023.

In response to the Federal Register Notice dated June 14, 2007 (72 F. R. 32942), we received no comments during the comment period regarding Form 1023.

9. **EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

10. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. **JUSTIFICATION OF SENSITIVE QUESTIONS**

The only items of a sensitive nature the organizations are asked to furnish are some general information requirements asked of all organizations on their activities and

operations. For organizations claiming tax-exempt status as churches or religious organizations, the information required to be submitted would pertain to their religious beliefs and practices. IRS needs this information to determine whether the organization qualifies for tax-exempt status.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

Form	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
1023	29,409	101.68	3,090,298
1023 Sch. A	588	10.17	6,122
1023 Sch. B	588	15.48	9,385
1023 Sch. C	588	11.34	6,957
1023 Sch. D	588	10.90	6,698
1023 Sch. E	294	17.92	5,410
1023 Sch. F	588	11.59	7,098
1023 Sch. G	147	6.77	1,031
1023 Sch. H	<u>588</u>	8.96	<u>1,551</u>
	33,378		3,138,550

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0056 to these regulations.

1.501(a)-1	301.6104(a)-5
1.501(c)(3)-1	301.6104(a)-6
1.508-1	

13. **ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As suggested by OMB, our **Federal Register** notice dated June 14, 2007, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

14. **ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for Form 1023 is \$258,938.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.