Comments Received

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IRS Form 1023

1545-0056

**On whether Form 1023 is duplicative:**

1. I would think that a lot of the financial information required in this form could be found in required 990 forms already filed by the organization. And if the organization proves that it is not required to file a 990 then why is the information requested in the 1023?
2. No. But is does ask the same questions in duplication.
3. It collects a great deal of information from the states' Secretary of State business departments. There should be more collaboration between them.

**Ideas for Burden Reduction:**

1. Having an electronic file method would be very helpful.
2. We work assisting start-up minority grassroots churches and ministries in obtaining their 501(c)(3) tax-exempt recognition. Even though churches are already exempt by law, in order for them to obtain grants, funds and resources for programs for the needy and community services, almost all government and private funding sources require the churches to have obtained its 501(c)(3) status. The Form 1023 requires extensive financial documentation which does not have any baring on the churches automatic exempt status. However, putting together the required financial statements are burdensome, and costly for most churches. We believe that churches should be excluded from having to make the additional expense to what is already a financially burden for them.
3. Yes. Either get rid of the narrative requirement or decrease the questions on the form, which are then required to be covered in the narrative.
4. Reduce questions for small orgs that lost exemption due to non-filing (new requirement). Reduce questions for very small orgs expecting to file postcard 990-n.
5. While the Form 1023 did not appear burdensome, the information (additional) requested following our submission was time-consuming and very burdensome to collect and respond to questions we have yet experience as a new and emerging non-profit. Following our response to this request we were requested again to respond to 11 pages of 20 questions each question having multiple requests and most of which would require the organization to have been in business for at least 5years according to those who have already received approval for exemption and have to develop the programs and policies call for i8n the second request. We are still working on getting the data for this request and it contains redundancy and duplication of what was asked the first time and whose sole purpose is to make the task of responding aso burdensome that one would be discouraged, so overwhelmed and not respond.
6. It would seem that there could be a much simpler form for those organiztions who are in the process of forming their organization as opposed to those that are actually in operation. How much of the information that is provided is actually used in determining the approval of the organization? Let's delete those parts that seem to be more fluff than substance.
7. Please make the questions clearer. For some of them, a group debated for some time to try and figure out what you wanted to know to know if the answer was yes or no. It might be easier to give the law in laymans language and ask if the organization will follow it.

Right now we have 3 attorneys and 1 CPA, 3 of who specialize in non-profits. One 1 of those might have a chance in filing a successful 1023. In your efforts to make sure that people comply with nonprofit law, the new form is really difficult for those who want to be honest and follow the law and really want to help people.

1. This form is incredibly complex. There is supposed to be a "Cyber Assistant" software to automate this form, but the implementation date keeps getting rolled back.

This form should be very short, essentially comprising the contact information for the corporation, the EIN, and a few questions regarding having the proper intent.

There is no reason any paper should be involved. If I can set up the public benefit corporation at the state level entirely online in under an hour, why should an application for 501(c)(3) be on paper, take many hours of preparation, and be very complex. The fee, $850, is exorbitant.

The IRS should encourage people who have charitable and appropriate projects to get this status. With this hurdle in front of people, there are many non-profits who won't start. That's a shame.

1. Yes, Cyber Assist. While the 1023 is a long form, it is important. Any technology that can assist both the organization applying and the IRS agent reviewing would be helpful and reduce the burden.

**Accuracy of the burden estimate:**

1. The $850 application fee prohibits many grassroots churches from applying for their 501(c)(3) status, and this in-turn limits their effectiveness in being able to provide much needed social services to their respective communities.
2. While the 96 hours may seem like a lot, in reality requiring the large volume of information on the 1023 in my opinion is a good idea. Many nonprofits are formed by well-meaning individuals with only the intention to do good and no further planning. By requiring the disclosure of the policies, procedures, budgets etc. I believe the IRS is promoting good governance among nonprofits in their formative stages.

It should not be easy to attain 501(c)(3) status. The burden of preparing the form is a necessary exercise for prospective nonprofits to help focus them on areas that are critical for the long-term survival of the organization and important so the donated dollars are prudently spent.

1. Professional preparation of the form for anything but a very simple organization costs from $8,000 to $20,000 depending upon hourly rates of the provider and the complexity of the organization.

I believe it is not a document that is user friendly enough for the average non-professional to complete.

1. I am happy to learn that the fees will go down when you release the Cyber Assistant sometime this year. I'd sure like to have it now. When do you plan to release it? A fee of $850 is quite steep for a small start-up nonprofit. Yes, my esitmated income for 4 years is just over $10,000. However, to pay nearly 10% of that for an application fee now when my average income has not yet reached $10,000 is a lot.
2. No, it was much longer. The one we did took several people working over a couple of months. The CPA volunteered his time.
3. Yes, that sounds accurate. It is ridiculous and an impediment to forming a charity. If a lawyer is involved at a rate of $250 per hour, the bill can quickly pile up to an impossible cost. Non-profits often start getting their funding AFTER they get 501(c)(3) status, not before. If the fee must be that high, perhaps monthly payments of $50 for 17 months could work.

**On the necessity of the collection:**

1. Part I, Q. 8 asks for identification and compensation of anyone involved in the "structure or activities" of the applicant other than officers, directors, employees and authorized representatives listed on Form 2848. My experience is that there may often be an accounting firm and sometimes another law firm advising on the "structure or activities" of the applicant and that they may have no role in the preparation of the Form 1023 and indeed may be barred by their firm's policy from signing the Form 2848 unless they are preparing the Form 1023. To describe such accounting and law firms and their compensation is burdensome and unnecessary for processing the application.
2. I believe that in general it is good information for the Federal Government to have, although the financial information requested is burdensome for most start-up organizations and may not even reflect the actual financial reality of the organization as it develops. Too many factors and circumstances effect the financial circumstances of the start-up organizations.
3. I don't understand what the government is going to do with all the names and addresses that will have to be submitted by all the small volunteer groups who have less that $10000 in assets and income. These groups are volunteers in their communitees, usually doing things that local cities and counties aren't able to afford to do. The paperwork will create a volume of unnecessary information.
4. Most of it. I don't think the idea of forecasting budgets and activities for four years is necessary or accurate - the ability to fundraise after getting the designation will determine that.
5. Both some of information requested in first request for additional information and pratically all of the information in the second request appears to highly unnecessary for the functioning of Federal government and more importantly, these requests appear to be designed to cause the applicant not to respond and thereby reduce the work of the reviewer.
6. Absolutely--granting of charitable exempt status is an important task and this form provides significant information to make that decision.
7. The form is excessively long.
8. Most the information collected on this form is prophylactic in nature, designed to ensure the organization qualifies. There is very little on the form that actually assists in the functioning of the Federal Government beyond the contact information and assurances that the organization will be eligible.

**General comments:**

1. I am an attorney who has worked with exemption organizations for over 30 years. Right now, I'm EXTREMELY frustrated because the IRS person assigned to a case will not return phone calls and did not accurately READ my most response to his questions. I would like to contact a supervisor, but with such a massive bureaucracy and no one answering the phone number on the letters I receive -- it's difficult.
2. I think if individual tax preparation has been simplified for the average person, then the form 1023 can be as well. To me, the point of the form should be to capture the community impact of the new organization. Everything else, locations, board members, budgets, etc. immediately change after receiving 501c3 designation because that's when fundraising plays its role.
3. I have been involved with 501 (c)(3) applications for over fifteen years and I have never had a reviewer seen so narrow as to what an applicant should know and have done after only several months of operation. I actually talked to the reviewer and was informed in herr opinion we should be doing all that we set out to do ( as enumerated in our articles) within 1 to 2 years. This opinion does not comport with any of the organizations who facilitate or train 501 (c) (3) organizations.
4. I am a CPA who assists many clients in preparing Form 1023. My major complaint is not the form itself, but rather the length of time it takes for the IRS to process applications. It is very difficult for an organization to have to wait months and months just to have its application assigned!
5. I have recently done 2 applications for tax exempt status. The first was an unusual organization and took about 18 months to complete the process and be granted tax exempt status. The only complaint I have is the agent assigned must have worked part-time, because she was difficult to reach and sometime it would be 2 weeks before I could make contact. I am not sure how to resolve this problem, except make agents more accessible/less overburdened.

The second was a straight forward application that sailed through quickly. I was a little more thorough in providing the information to explain the purpose, so it seemed to go smoother.

As a taxpayer, I do want the IRS to scrutinize the purposes to be sure the exempt status is warrented.

1. I do a lot of the legal work for our organization but had never filled out these forms and one of our churches wanted to have a non-profit to help people. Several years ago we hired a CPA who had previously completed the old forms. We make every efffort to follow the law. Some of the questions could be read differently. The questions need to be clearer. For some we didn't know if we should say yes or no to tell you that we were going to do the right thing.
2. This form is one example of the heavy burden of reporting that prevents an entity from forming. Please improve this form and use the same principles of efficiency on other forms.
3. Have you considered revising the revenue thresholds for determining the application user fee? The fees have been increased numerous times in recent years but the $10,000 remains unchanged. My firm works primarily with very small non profit organizations so the user fee is a major cost for them. How about implementing a three tier structure such as <$20,000, <$100,000, and >$100,000. It seems extremely unfair that organizations with annual revenues of $15,000 should pay the same user fee as organizations that have revenues in the multi-millions. Thanks for your consideration of this matter.